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corporate profile

Following the successful expansion of its business model, SGX-Catalist listed EMS Energy Limited (“EMS Energy”) is now focusing its resources into the business of equipment fabrication and services for the regional marine, oil and gas markets.

EMS Energy has been providing a comprehensive range of solutions to key players in the industry since 1977 through its subsidiary, Engineering & Marine Services (Pte) Ltd (“EMS Engineering”). With a reputation and track record built over 30 years, EMS Engineering has an extensive business network and is renowned for quality, service, and reliability, as well as designing the innovative products and solutions required to meet the needs of an increasingly demanding market.

A specialist skills in the dynamic oil and gas sector, EMS Energy delivers bespoke onshore and offshore equipment and structures for upstream oil and gas operators, drilling contractors and shipyards. EMS Energy is also highly experienced at project management which includes expertise at turnkey construction, installation and commissioning of projects. The Group’s extensive client base spans an extensive geographical footprint including Europe, Singapore, Malaysia, Vietnam, India, Thailand, Namibia and the People’s Republic of China with services ranging from construction to the servicing, repairing and maintenance of drilling and rig floor equipment.

At EMS Energy, we take pride in our reputation and core strength in value-added customization, exceptional technical expertise, cost competitiveness and service quality. Together, these enable us to undertake a wide range of turn-key projects while providing the stringent control over the quality, delivery time and production costs demanded by our clients around the world.



“we will...”

Dear Shareholders,

2007 marked a year of significant achievements for our Group as we embarked on a major initiative to penetrate new and profitable markets. As a result, EMS Energy Limited (“EMS”, “Company” or “Group”) and our subsidiaries have successfully expanded beyond our traditional environment and water business and become a leading provider of services and products to the dynamic Oil & Gas (“O&G”) and offshore marine industries.

Following an active programme of corporate streamlining, brand building and the recruitment of new high calibre members for the management team, EMS has emerged even stronger and is poised to ride the exciting growth of the global O&G industry.

Record Revenues and Stronger Financial Performance

In FY2007, the Group achieved record revenues of S\$31.04 million, up 91.8% from the prior year. This was driven primarily by strong sales in its fabrication of engineering equipment (“FEES”) division as well as the provision of related services. The FEES division is now the major revenue driver of the Group and contributed positively with strong sales coming from a number of large projects secured in the past year. Sales included a major contract of US\$17 million for the first unit of a series of workover rigs from a national oil company based within the region.

The strong earnings from FEES offset the losses from our subsidiary, Eco Water Technologies (M) Sdn Bhd (formerly Tropical Interest Sdn Bhd). This business has now been restructured and tight cost control will bring its future operations to work at optimum efficiency.

Powered by strong revenue growth, the Group's net loss improved substantially from a loss of S\$4.34 million in FY2006 to a loss of S\$1.29 million in FY2007. As a result,

the loss per share also narrowed significantly from 4.09 cents per share to 1.07 cents.

The markedly improved performance is testament to the management's determination and tireless efforts to transform EMS's business and create sustainable value for shareholders.

CREATING SHAREHOLDER VALUE

Leveraging on Established Brand Name

The Group is leveraging on our well established brand name and renowned engineering capabilities to provide a wide range of “EMS-branded” marine load handling equipment and systems, which include A-Frames, cranes and winches, skidding systems and specialized jacking systems. The Group's strong proven track record coupled with its well established brand name has enabled us to move up the value chain and undertake sophisticated turnkey work for our clients.

Forging Powerful Strategic Partnerships, Penetrating New Markets

To further propel growth, the Group is evaluating opportunities in overseas markets such as China, ASEAN, the Middle East and Russia, as well as exploring a number of joint ventures and M&A opportunities. Already, the Group has put into place plans for the possible acquisition of Oilfield Services and Supplies Pte Ltd (“OSS”), a manufacturer of high quality downhole drilling tools for the oil and gas exploration industry. With its established presence, the Group anticipates OSS will be a valuable asset in further building its business in the engineering services segment of the energy, oil and gas industries.

The Group has also begun building a strong network of partnerships with regional players, such as with Petroleum

... continue to advance our efforts to expand our business in a profitable way.



Trading and Technical Services Co Ltd (“PVD Tech”), a major player in the Vietnamese O&G sector. PVD Tech has a vast network, well-developed infrastructure and extensive knowledge of the Vietnamese market, providing an excellent platform for EMS to build its business in this rapidly emerging country.

PROSPECTS

Strong Market Outlook

Buoyed by high energy prices and the global desire for energy security, the outlook for the O&G industry and upstream suppliers such as EMS is expected to remain excellent. Limited surplus production capacity has resulted in a persistent deficit in oil supply which is widely forecast to drive the industry up the cost curve, supporting further oil price rises in 2008 and beyond.

After the transformation undertaken this year, EMS is in an enviable position to ride the powerful tailwind of increased demand and firm prices. The Group is ready, equipped and well-resourced to become a global player in this exciting sector, and is focused on enabling our partners, associates and customers to deliver global energy in a variety of forms.

Drawing on EMS Board's Strong Expertise

As the Company embarks on its journey to become a global player, I am delighted to welcome our new directors, Mr Lim Poh Boon, Mr Dagfinn Olav Tegnander and Mr Ung Gim Sei to the Group.

Mr Lim brings to the Group keen business acumen and experience in operations management honed over the last

25 years. Along with Mr Tegnander's wealth of expertise, experience and influential business relations, they bring over 30 years of senior experience in the O&G industry to our Group.

We are also pleased to welcome Mr Ung, a highly-qualified independent director to our board. His solid background and depth of experience will help ensure we continue to maintain our high standards of corporate governance.

SHAPING OUR FUTURE

As EMS prepares to climb onto the world stage in enabling energy solutions for the future, our management is proactively seeking quality partnerships and acquisitions. Our immediate priorities are to expand our geographical footprint and further build our market presence in the O&G and offshore marine industry.

CORPORATE GOVERNANCE

EMS is committed to maintaining high standards of corporate governance and plans to continue to work hard for the benefit of all shareholders and provide timely and accurate information through announcements and investor relations activities.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity, to thank our shareholders, customers and business partners for their kind support as well as our board members and committed employees for their time, effort and dedication to EMS.



Arriving at new...
solutions

operations & financial review



Review of Operations

Introduction

EMS Energy Limited's business is comprised of two key segments:

Energy Services

This division encompasses the fabrication of engineering equipment ("FEES"), as well as fabrication and repair of sub-structures, equipment and components for the marine, oil and gas industries. Other services provided under this segment include the fabrication of marine load handling equipment, turnkey engineering solutions and the sale of drilling tools products.

Environmental and Water

This division comprises of Sewage Treatment Services ("STS"), and Industrial Wastewater Treatment Services ("IWTS") for industrial water, wastewater and solid waste treatment. The Environmental and Water Services segment maintains domestic water and waste water treatment facilities for residential, commercial and industrial customers. It also provides turnkey engineering solutions that include designing, building and commissioning specialised equipment used at every stage of the treatment process.

Financial Highlights

The Group achieved record revenues of S\$31.04 million in 2007, up 91.8% from the prior year. The Company's net loss narrowed from S\$4.34 million in FY2006 to S\$1.29 million in FY2007. As a result, the loss per share decreased from 4.09 cents to 1.07 cents.

Segment Results

The stellar revenue growth was primarily driven by the Group's FEES business, which was acquired in December 2006 and provided a contribution of S\$24.38 million in FY2007.

Earnings from FEES offset the losses from our subsidiary, Eco Water Technologies (M) Sdn Bhd (formerly Tropical Interest Sdn Bhd). As part of a rationalization, the company disposed of its stakes in 3 subsidiaries, namely ECOTEX Pte Ltd, Yunnan Asia Eco Hydro Power Development Co. Ltd and Good Quality Engineering Sdn Bhd.

The Company made good progress in rebuilding its Environmental and Water business segment. In January 2008, the Group entered into a Sale & Purchase Agreement to fully acquire Airchem Holdings Sdn Bhd, raising its existing stake of 52.38% to 100%. This will help the Company to further tap into the environment treatment business in the region.

The Company's Energy Services segment is expected to grow in the near future and several corporate activities have been undertaken to build the Group's holdings under this profitable business unit.

In May 2007, EMS Energy Limited acquired an additional 17.5% of the shares in the capital of Engineering & Marine Services Pte Ltd ("EMS Engineering"), positioning us to take an even more active role in its medium to long-term management decisions.

In July 2007, EMS Energy Limited also acquired the entire equity of EMS Oil & Gas Ltd ("EMS Oil") from its subsidiary, Tropical Interest Sdn Bhd (now Eco Water Technologies (M) Sdn Bhd), as part of the Group's streamlining of its business and holdings.

Exploring new
horizons

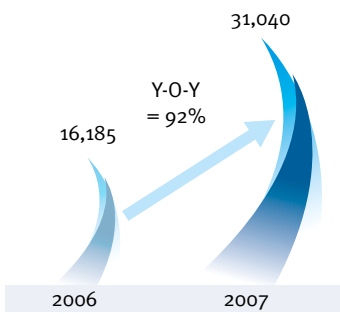


“ we believe... ”

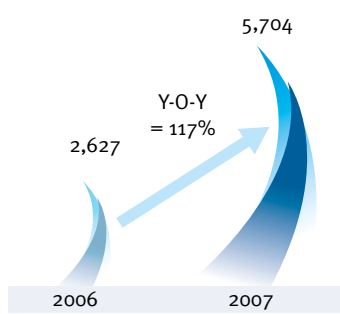
financial highlights



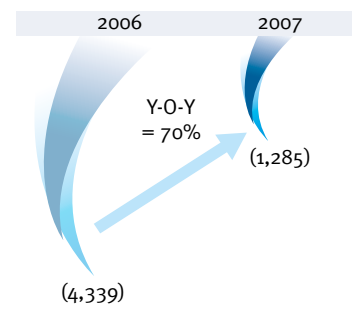
Revenue (S\$'000)



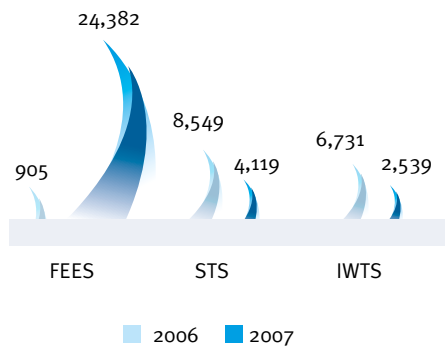
Gross Profit (S\$'000)



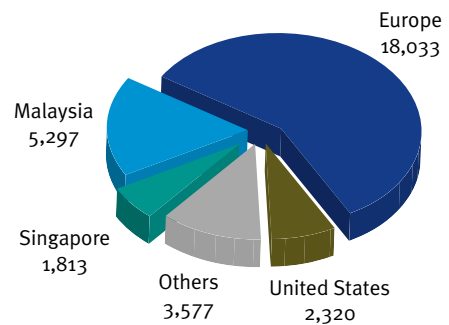
Net Loss (S\$'000)



Revenue by Segment (S\$'000)



Revenue by Geographical Segment (S\$'000)



... EMS will achieve outstanding and strong results in the coming years. ”

“we have...



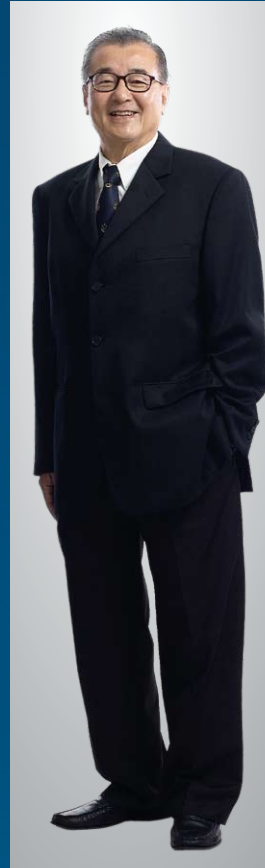
Mr Ting Teck Jin



Mr Lim Poh Boon



Mr Dagfinn Olav Tegnander



Mr Ung Gim Sei



Mr Tan Song Koon

board of directors

MR TING TECK JIN joined the Board of EMS Energy Limited (“EMS”) on 08 January 2007 as Executive Chairman and assumed an additional role as Chief Executive Officer, on 19 June 2007. Mr Ting is responsible for leading and setting directions for the Management Team on corporate and business developments and to promote high standards of corporate governance within our Group. Mr Ting is currently the Managing Director of Koastal Industries Pte Ltd and the General Director of Koastal Eco Industries Co Ltd.

Prior to these appointments, Mr Ting held various positions with Keppel Corporation Ltd and Keppel Shipyard. With 20 years of experience in the offshore engineering industry, Mr Ting has handled a wide range of functions, including ship repair, shipyard operations, conversion of tankers, purchasing, engineering, trading activities as well as environment and pollution control.

An engineer by training, Mr Ting has a Bachelor of Engineering in Marine Technology (First Class Honors) from the Newcastle University, United Kingdom.

MR LIM POH BOON joined the Board on 1 June 2007 as our Non-Executive Director. Mr Lim is currently the Chief Executive Officer of Ramatex Bhd. Mr Lim holds a Bachelor Degree in Chemistry from Universiti Sains Malaysia and a MBA from Heriot-Watt University. Mr Lim has over 25 years of experience in operational management in the textile business. Mr Lim is an associate member of the Malaysian Institute of Chemistry, a senior member of the American Association of Textiles and Chemists and Colorists and holds membership in The Textile Institute, United Kingdom.

Mr Lim is the Honorary Adviser of the Malaysian Knitting Manufacturers Association, a fellow member of the Institute of Chartered Secretaries and Administrators, United Kingdom, a fellow member of the Institute of Financial Accountant, United Kingdom, a senior associate member of the Australian and New Zealand Institute of Insurance and Finance and also a Certified Insurance Professional (CIP). In 2006, Mr Lim was awarded the Best Business Executive of the Year by the Institute of Business Executives Malaysia.

MR DAGFINN OLAV TEGNANDER joined the Board on 31 August 2007 as our Non-Executive Director. Mr Tegnander has more than 30 years experience in the Offshore Oil & Gas Industry. Mr Tegnander has been with DNV, several Norwegian Oil Companies, and Advanced Production and Loading AS (APL) over the last 14 years. Mr Tegnander was part of APL’s core team since the founding of the company in 1993, elected member of the Board in 1995, and was part of the Management as Subcontracting Manager and Vice President of Projects since 1997.

From 2004 till 2007, Mr Tegnander was the CEO and President for APL’s regional office in Kuala Lumpur, Malaysia, responsible for the preparation and operation of the Operational Headquarter in Asia Pacific. Mr Tegnander is currently the main shareholder, Director and CEO of Marine Solutions Pte Ltd, also holds directorships in MSP Engineering Sdn Bhd, Malaysia.

MR UNG GIM SEI joined the Board on 31 August 2007 as our Non-Executive and Independent Director. Mr Ung is a lawyer by profession and is a partner of Singapore law firm, KhattarWong. Mr Ung is also currently the Independent Director of Informatics Education Ltd, a public listed company in Singapore. In addition, Mr Ung holds directorships in Tan Kah Kee Foundation and the Singapore China Friendship Association.

MR TAN SONG KOON, who graduated from Nanyang University (Singapore) in 1979 majoring in Economics, Banking and Finance, was appointed as an Independent Director on 10 September 2007.

He has more than 28 years of hands-on and overall management experience in business development, manufacturing operations, new business start-up and corporate finance.

He is also a director of Fuji Offset Plates Manufacturing Ltd and its subsidiaries, Super Vending Pte Ltd and its subsidiary, TMC Bakelite Sdn Bhd and an Independent Director of Time Watch Investments Ltd and its subsidiary, Middle East Development Singapore Ltd, Fujian Zhenyun Plastics Industry Co Ltd and Jurong Technologies Industrial Corporation Ltd.

... our people ”

executive officers

MS ANG CHEIAH LIAN is our Group Finance and Administrative Manager. Ms Ang is responsible for the supervision of the accounts department, overseeing the administrative and IT functions, maintenance of credit control and administrative support within the Group.

Ms Ang has professional membership with ASCPA and holds a Bachelor degree in Business specializing in Accountancy from the RMIT University, Australia.

MR JIMMY WONG is the Senior Manager of EMS Offshore Pte Ltd. Mr Wong is responsible for the formulation and implementation of strategies for the Energy Services business.

Prior to this appointment, Mr Wong was a Project Planner & Project Engineer with SeaDrill Offshore Singapore Pte Ltd for 10 years, handling the cost estimation and budgeting, cost tracking, monitoring and reporting, cash flow forecasting, purchase specification preparation, equipment and material purchasing and expediting, project engineering and documentation work. Mr Wong has also held various positions in Keppel FELS and has 19 years of experience in the offshore engineering industry.

Mr Wong holds a Bachelor of Engineering from the University of Queensland, Australia and a MBA from the University of Dubuque, USA.

MR KELVIN ONG is the Vice President of Sales & Service of EMS Offshore Pte Ltd. Mr Ong is responsible for the formulation and implementation of sales strategies for the Energy Services business. Mr Ong is also actively involved in EMS's business development regionally and represents the Company as China Chief Representative.

Prior to this appointment, Mr Ong was the Operations Manager of National Oilwell Varco's MD Totco Division. He was in-charge of setting the strategic direction of MD Totco's Asia-Pacific Region's Sales and Service Groups. Mr Ong has 8 years of experience in the offshore engineering industry.

Mr Ong holds a Bachelor of Engineering (Hons) in Mechatronics from the University of Wolverhampton, United Kingdom.

MR WEI GUO is the Executive Director of Engineering & Marine Services (Pte) Ltd. Mr Wei spearheads the Company's development of new products, such as winches, cranes, skidding systems, jacking systems and A-frames. Mr Wei also oversees all operations within Engineering & Marine Services (Pte) Ltd.

Prior to joining the Group in August 2007, Mr Wei has worked with MacGregor-Plimsoll Pte Ltd - a leading winch designer and manufacturer in Singapore. Mr Wei brings his expertise in the field of sales, managerial, technical, engineering and design to the Group.

Mr Wei holds a Bachelor of Engineering from Wuhan Transportation Engineering College, China.

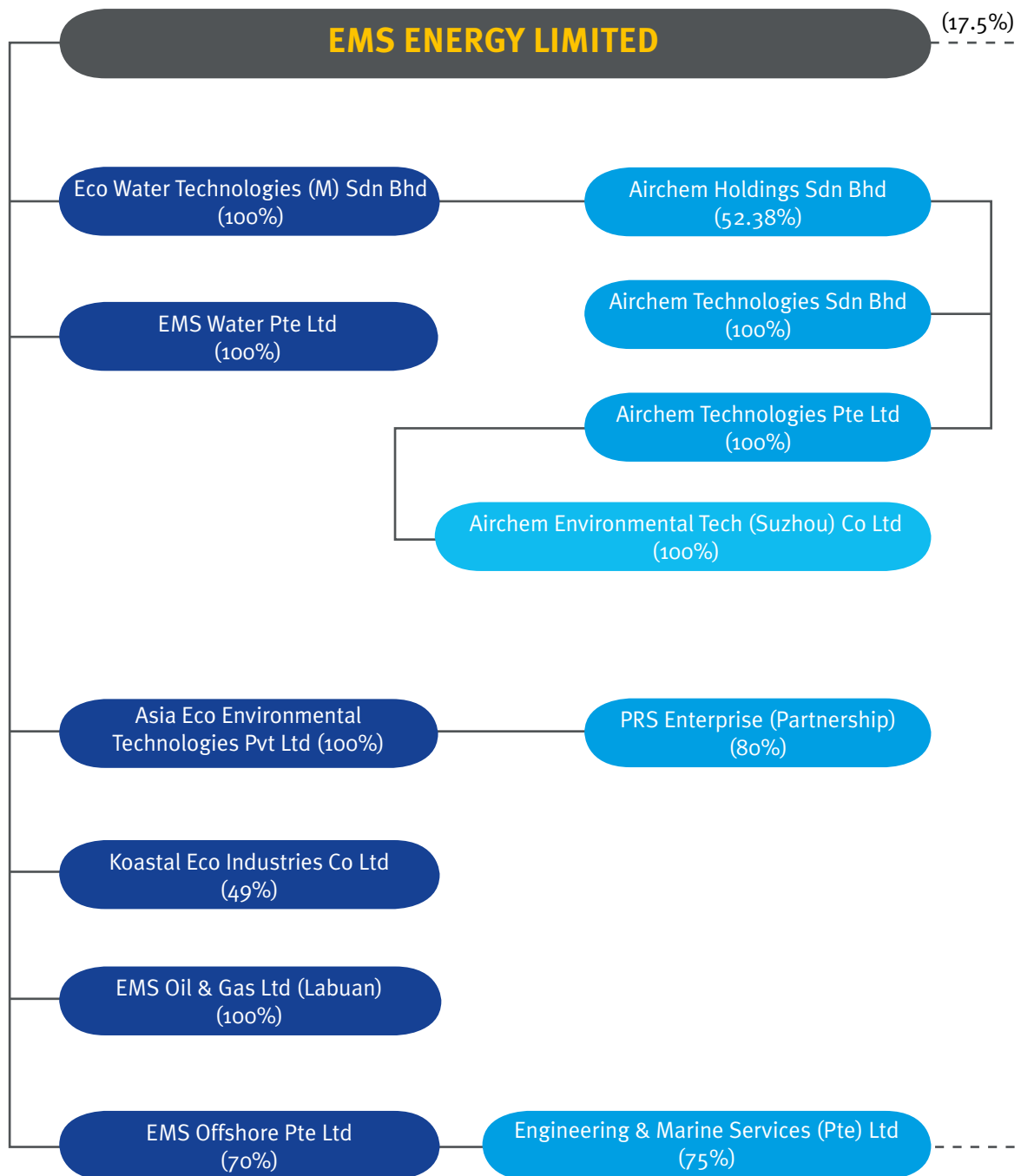
MR CHEONG WAI YIN is the General Manager of EMS Water Pte Ltd. He also oversees the Group's Environmental and Water segment and manages all water related companies in the Group. With more than 8 years of experience in the environmental industry, Mr Cheong is experienced in the areas of business development, market expansion, implementation of ISO standards for companies and internal audit, project and executive business management and organization restructuring.

Mr Cheong holds a Bachelor of Commerce, Marketing and Finance from Curtin University of Technology, Western Australia.

MR DAVID TEO CHUN HEONG is the Managing Director of Eco Water Technologies (M) Sdn Bhd (EWT). Mr Teo is responsible for the entire business operations of EWT. Mr Teo is also actively involved in project planning, managing and implementation of all construction activities and ensures smooth coordination between all departments. Mr Teo is also a graduate member of the Institute Surveyors Malaysia and a member of the Board of Quality Surveyors Malaysia.

Mr Teo holds a Bachelor's degree in Construction Economics from the Royal Melbourne Institute & Technology University, Australia.

corporate structure



“ Pushing the limits...”

corporate information



BOARD OF DIRECTORS

Mr Ting Teck Jin
Executive Chairman and Chief Executive Officer

Mr Lim Poh Boon
Non-Executive Director

Mr Dagfinn Olav Tegnander
Non-Executive Director

Mr Ung Gim Sei
Non-Executive and Independent Director

Mr Tan Song Koon
Independent Director

COMPANY SECRETARY

Ms Gwendolyn Gn. LLB (Hons)

REGISTERED OFFICE

1 Robinson Road
#17-00 AIA Tower
Singapore 048542

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

M & C Services Private Limited
138, Robinson Road
#17-00 The Corporate Office
Singapore 068906

AUDITORS

Nexia Tan & Sitoh
Certified Public Accountants
5, Shenton Way
UIC Building
#23-03
Singapore 068808
Partner in charge: Ms Kristin Y S Kim
Appointed since 2005

SOLICITORS

Shooklin & Bok
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

PRINCIPAL BANKERS

DBS Bank Ltd
Labuan Branch
Level 12 (E) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 F.T. Labuan, Malaysia
Licensed Offshore Bank (940031C)

Malayan Banking Berhad
Level 1, Johor Bahru City Square
108, Jalan Wong Ah Fook
Johor, Malaysia

United Overseas Bank (Malaysia) Berhad
No. 2, Jalan Wong Ah Fook
80000 Johor Bahru
Johor, Malaysia

... of technology ”

corporate governance report

EMS ENERGY LIMITED

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of EMS Energy Limited (the “Company”) recognises the importance of corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors’ confidence in its management and financial reporting and is committed to maintaining a high standard of corporate governance within the Group. The Board has also established various internal control measures and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised. The Board is also responsible for the overall corporate governance of the Group.

The SGX-ST Listing Manual requires an issuer who holds its Annual General Meeting (“AGM”) on or after 1 January 2007 (the “effective date”) to describe its corporate governance practices with specific reference to the Code of Corporate Governance 2005 (“Code”) in its annual report.

This statement outlines the main corporate governance practices that were in place throughout the financial year, with specific references made to each of the principles of the Code in the annual report.

In line with the Code, the Board of Directors hereby confirms that the Company has adhered to the principles and guidelines of the Code and each area of non-compliance is disclosed and explained.

A. BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

The Group is led by an effective Board, which comprises one Executive Director, two Independent Directors and two Non-Executive Directors, all having the right competencies and diversity of experience enabling them to effectively lead, control and contribute to the Group. The Board is collectively responsible for the success of the Group. The Board works with Management to achieve this and Management remains accountable to the Board.

The principal functions of the Board are:

1. providing entrepreneurial leadership and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
2. setting, reviewing and approving key business strategies, strategic aims and financial plans and monitoring the organizational and Management performance;
3. establishing a framework of prudent and effective controls which enables risk to be assessed and managed;
4. reviewing the adequacy and integrity of the Group’s internal controls, risk management systems and financial reporting and compliance;
5. approving major investments and divestments and funding proposals;
6. setting the Group’s values and standards; and
7. ensuring accurate, adequate and timely reporting to, and communication with shareholders such that obligations to shareholders and others are understood and met.

The Board has adopted a set of internal controls and guidelines which set out approval limits for investments and divestments, capital expenditure and business contracts at the Board level.

corporate governance report

The Board holds regular scheduled meetings on a half yearly basis to review the Group's key activities, business strategies, funding decisions, financial performance and to approve the release of half yearly and annual results of the Group. When circumstances require, ad-hoc meetings are convened. All Directors objectively take decisions in the interests of the Group. The authority to make decisions which are delegated by the Board to a Board Committee are disclosed below. The Directors are also constantly kept updated on the Group's development via email correspondence which allows them to participate and to share their views. Board meetings are conducted in Singapore and attendance by Directors are regular either in person or via telephone conference if the Directors are traveling overseas. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings is disclosed in Table 1 below.

Table 1: Attendance of Directors at Board and Committee Meetings

Attendance at Meetings (1 Jan – 31 Dec 2007)				
	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of Meetings held	5	2	1	1
Name				
Mr Ting Teck Jin	5	2	1	1
Dr Tan Joo Chai**	3	1	1	1
Mr Lim Poh Boon*	3	1	0	0
Mr Dagfinn Olav Tegnander*	1	0	0	0
Mr Ung Gim Sei*	1	0	0	0
Mr Tan Song Koon***	1	0	0	0

* Please note that Mr Lim Poh Boon was appointed as Director only on 1 June 2007 and Mr Dagfinn Olav Tegnander and Mr Ung Gim Sei were appointed as Directors only on 31 August 2007.

** Resigned on 29 February 2007.

*** Please note that Mr Tan Song Koon was appointed as Director only on 10 September 2007.

Every Director receives appropriate training, including his duties as a Director and how to discharge those duties, when he is first appointed to the Board. Such training includes an orientation program to ensure that incoming Directors are familiar with the Company's business and governance practices. Upon the appointment of each Director, the Company provides a formal letter to the director, setting out his duties and obligations.

All Directors are updated regularly concerning any changes in company policies, risk management and accounting standards. Directors are encouraged to attend, at the Group's expense, relevant and useful training or seminars conducted by external organizations. The Company also provides ongoing education on Board processes, governance and best practices.

Principle 2: Board Composition and Balance

The Board comprises one Executive Director, Mr Ting Teck Jin, two Independent Directors, Mr Ung Gim Sei and Mr Tan Song Koon and two Non-Executive Directors, Mr Lim Poh Boon and Mr Dagfinn Olav Tegnander. Key information regarding the Directors is given in the section on "Board of Directors" of this annual report. The independence of each Independent Director will be reviewed annually by the Nominating Committee. The Nominating Committee is of the view that the current Board, with Independent Directors making up at least one-third of the Board, has a strong and independent element that is able to exercise objective judgment on corporate affairs independently from the Management. The Nominating Committee is also of the view that no individual or small group of individuals dominates the Board's decision making process.

corporate governance report

The Board is of the view that the current board size of six Directors is appropriate, taking into account its size, the nature and scope of the Company's operations and the impact of the number upon effectiveness.

The Board considers that its composition of Directors provide an effective Board with a mix of knowledge, business contacts and successful business and commercial experience as well as core competencies including accounting, finance, business and management. This balance is important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interests of the Group. The Non-Executive Directors are actively involved in strategy decisions, constructively challenging, helping and developing proposals on strategy. They also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. We also encourage our Non-Executive Directors to meet without the Management being present to review the Management's performance and monitor reports thereof.

Principle 3: Role of Chairman and Managing Director

There is a clear division of responsibilities at the top of the Group – the working of the Board and the executive responsibility of the Group's business – which ensures increased accountability and greater capacity of the Board for independent decision making.

The Board is one of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

To ensure adequate safeguards are in place against uneven concentration of power and authority in a single individual, all major decisions made by the Executive Chairman and CEO are reviewed by the Audit Committee ("AC").

Our Chairman is Mr Ting Teck Jin and his responsibilities include:-

1. leading the Board to ensure effectiveness on all aspects of its role and set its agenda;
2. ensuring that the Directors receive accurate, timely and clear information;
3. ensuring effective communication with shareholders;
4. encouraging constructive relations between the Board and Management;
5. facilitating the effective contribution of Non-Executive Directors in particular;
6. encouraging constructive relations between Executive Directors and Non-Executive Directors; and
7. promoting high standards of corporate governance.

Principle 4: Board Membership

Mr Ung Gim Sei, an Independent Director, is the Chairman of the Nominating Committee. The other members of the Nominating Committee are our Independent Director, Mr Tan Song Koon and our Non-Executive Director, Mr Dagfinn Olav Tegnander.

We believe that Board renewal must be an ongoing process, to both ensure good governance, and maintain relevance to the changing needs of the Company and business. Our Articles require at least one-third of our Directors (excluding the Group Managing Director) to retire from office by rotation and submit themselves to re-nomination and re-election by shareholders at every AGM. In other words, no Director stays in office for more than three years without being re-elected by shareholders.

corporate governance report

The responsibilities of the Nominating Committee are contained in written terms of reference and are as follows:-

- a. to make recommendations to the Board on all Board appointments;
- b. reviewing and recommending to the Board annually, the Board's structure, size and composition;
- c. identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election and re-nomination at each AGM of the Company, having regard to the Directors' contribution and performance, including Independent Directors;
- d. determining the criteria (in particular, taking into account a Director's independence and competing time commitments) for identifying candidates and reviewing nominations for the appointment of Directors to the Board;
- e. determining annually if a Director is independent; and
- f. deciding how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval.

The NC Chairman, Mr Ung Gim Sei, is not, and is not directly associated with, a substantial shareholder (with interest of 5% or more in the voting shares of the Company).

In the selection and nomination for new Directors, the NC identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates.

Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made.

New Directors are appointed by way of a board resolution, after the NC has approved their nominations. Such new Directors submit themselves for re-election at the next AGM of the Company. Pursuant to the Articles of Association, all Directors are required to submit themselves for re-election at least once every three years.

The NC recommended to the Board that Messrs Ting Teck Jin, Lim Poh Boon, Dagfinn Olav Tegnander, Ung Gim Sei and Tan Song Koon be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered the Directors' contribution to the Group. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

The NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC.

Principle 5: Board Performance

The Nominating Committee will use its best efforts to ensure that Directors appointed to our Board possess the relevant necessary background, experience and knowledge and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

A formal review of the Board's performance will be undertaken collectively and individually by the Board annually and informally by the Nominating Committee with inputs from the other Board members and the Chairman.

corporate governance report

We believe that apart from the fiduciary duties (i.e. acting in good faith, with due diligence and care and in the best interests of the Company and its shareholders), the Board's key responsibilities are to set strategic directions and ensure that the long term objective of enhancing shareholders' wealth is achieved.

For the year under review, the Nominating Committee assessed the effectiveness of the Board as a whole and also the contribution of each individual Director thereto. The Board's performance was measured by its ability to support the management especially in times of crisis and to steer the Company towards profitable directions and the achievement of strategic and long-term objectives set by the Board.

The Nominating Committee adopted a formal policy to evaluate the Board's performance as a whole. The performance criteria include return on assets, return on equity, return on investment and economic value added over a longer-term period. Such performance criteria allows for comparison with industry peers, are approved by the Board and address how the Board has enhanced long term shareholders' value. In addition, the performance evaluation also considers the Group's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers. Such performance criteria are not changed from year to year unless circumstances deem such changes necessary and unless there are justifications from the Board in respect of such changes.

Individual evaluation of each Director determines whether each Director continues to contribute effectively and demonstrates commitment to the role, including commitment of time for Board and committee meetings amongst other duties.

The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the NC, propose new members be appointed to the Board or seek resignation of Directors.

Principle 6: Access to Information

All Directors receive a Board report issued prior to any Board meeting to provide contextual information and enable the Directors to obtain further information, where necessary, in order to be briefed properly before any meeting.

In order to ensure that the Board is able to discharge its responsibilities, the Management provides Board members with operational reports and management accounts on a current and quarterly basis. The Company is in the process of restructuring its reporting function with the objective of providing information on a timely basis.

The Board has separate and independent access to the senior management and the Company Secretary at all times. Should Directors, whether as a group or individually, need independent professional advice, the Company Secretary will, upon directions by the Board, appoint a professional advisor selected by the group or the individual to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flow within the Board and its committees and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with profession development as required. The Company Secretary attends all meetings of the Board and ensures that board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Nominating Committee and Remuneration Committee. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Please refer to the "Corporate Information" section of the annual report for the composition of the Company's Board of Directors and Board committees.

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

The function of the Remuneration Committee is to review the procedure for developing remuneration policy of the Executive Directors of the Company, to fix the remuneration packages of individual Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration. No Director is involved in deciding his own remuneration.

Mr Ung Gim Sei, an Independent Director, is the Chairman of the Remuneration Committee. The other members of the Remuneration Committee are our Independent Director, Mr Tan Song Koon and our Non-Executive Director, Mr Dagfinn Olav Tegnander. As such, the risk of potential conflict of interest is minimised.

The responsibilities of the Remuneration Committee are:

- a. to recommend to the Board a framework of remuneration for the executive Directors of the Group (where applicable) which covers all aspects of remuneration such as Directors' fees, salaries, allowance, bonuses, options and benefits-in-kind and to submit all such recommendations for endorsement by the entire Board;
- b. to determine the specific remuneration packages and terms of employment for each Executive Director; and
- c. to review the remuneration of senior management.

The Remuneration Committee has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.

The Remuneration Committee ensures that the levels of remuneration for all Directors are appropriate to attract, retain and motivate them to run the Group successfully and in this respect, the Remuneration Committee avoids paying more than is necessary for this purpose. In its deliberations, the Remuneration Committee takes into consideration industry practices, practices of comparable companies and norms in compensation and employment in addition to the Company's relative performance and the performance of the individual Directors. However, any comparisons of practices within the industry and with comparable companies are done with caution in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.

A significant proportion of Executive Directors' remuneration is structured to link rewards to corporate and individual performance. Therefore the performance of each Executive Director is measured by the achievement of such corporate and individual performance targets. The Remuneration Committee is of the view that such measurements are appropriate and meaningful. The performance-related elements of remuneration are designed to align interests of Executive Directors with those of shareholders.

Each Executive Director has a service contract with a fixed appointment period and the Remuneration Committee reviews in particular termination provisions. Such service contracts are not excessively long and they do not contain onerous removal clauses. In the event of early termination, the Executive Directors or the Company may terminate the service agreement by giving to the other party not less than three months' notice in writing, or in lieu of notice, payment of an amount equivalent to three months' salary based on the Executive Director's last drawn salary. Compensation is fair and the RC avoids rewarding poor performance.

The remuneration of each Non-Executive Director is determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board. The Board will recommend the remuneration of the Non-Executive Directors for approval at the AGM. According to the Company's announcement of 1 June 2007 and 31 August 2007, Mr Lim Poh Boon and Mr Dagfinn Olav Tegnander has assumed the role of Non-Executive Director respectively as they are considered to be non-independent having taken an active role in assisting management in certain aspects of business and operations of the Group.

corporate governance report

As a long-term incentive scheme, the Group operates “The EMS Energy Employee Share Option Scheme” (the “Scheme”) for its directors and employees. The Scheme is administered by the Remuneration Committee.

Principle 9: Disclosure of Remuneration

The Company adopts a formal procedure for the setting of remuneration packages of individual Directors, taking into account pay and employment conditions of comparable companies in the same or similar industries, as well as the Group’s relative performance and the performance of individual Directors.

The report on Directors’ Remuneration for financial year 2007 is disclosed in Table 2.

Table 2: The breakdown of the Directors’ remuneration for FY2007

Name	Remuneration Band	Salary %	Bonus %	Director’s fee %	Stock option %	Total %
Mr Ting Teck Jin	Below S\$250,000	100	-	-	-	100
Dr Tan Joo Chai	Below S\$250,000	91	9	-	-	100
Mr Lim Poh Boon	Below S\$250,000	-	-	100	-	-
Mr Dagfinn Olav Tegnander	Below S\$250,000	-	-	100	-	-
Mr Ung Gim Sei	Below S\$250,000	-	-	100	-	-
Mr Tan Song Koon	Below S\$250,000	-	-	100	-	-

Remuneration of Key Employees

Details of remuneration paid to the top five Executives (who are not Directors of the company) of the Group for the financial year 2007 are set out below:

NAME OF KEY EXECUTIVE*	Remuneration Band	Salary %	Bonus %	Stock option %	Total %
Se Kuo Shen (Resigned on 14 July 2007)	Below S\$250,000	100	-	-	100
Cheong Wah Hong (Resigned on 27 July 2007)	Below S\$250,000	100	-	-	100
Teo Yak Huat (Resigned on 31 October 2007)	Below S\$250,000	100	-	-	100
Teng Ah Ching (Resigned on 18 December 2007)	Below S\$250,000	100	-	-	100
Teo Chun Heong** (Appointed on 22 March 2007)	Below S\$250,000	100	-	-	100
Cheong Wai Yin (Appointed 26 March 2007)	Below S\$250,000	93	7	-	100
Ang Cheiah Lian (Appointed on 14 July 2007)	Below S\$250,000	93	7	-	100
Wei Guo (Appointed on 17 October 2007)	Below S\$250,000	93	7	-	100

* Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions. There was no share options granted to employees during the financial year.

** Mr Teo Chun Heong is the nephew of the Executive Director, Mr Ting Teck Jin.

corporate governance report

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board believes that it should promote best practices and present a balanced and understandable assessment of the Group's performance, position and prospects, which extends to interim and price sensitive public reports, as a means to build an excellent business for our shareholders as they are accountable to shareholders for the Company and the Group's performance.

The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within the mandatory period. The Board also provides reports to regulators when required. The management provides the Board with monthly management accounts that present a balanced and understandable assessment of the Group's performance, position and prospects.

Principle 11: Audit Committee

Mr Tan Song Koon, an Independent Director, is the Chairman of the Audit Committee. The Audit Committee comprises another Independent Director, Mr Ung Gim Sei, and two Non-Executive Directors, Mr Lim Poh Boon and Mr Dagfinn Olav Tegnander. At least two members of the Audit Committee have the appropriate accounting or related financial management expertise or experience. The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and reasonable resources, as well as full access to the Directors and Executives and discretion to invite any of them to attend its meeting. The Board ensures that the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

The Audit Committee holds periodic meetings and reviews primarily the following:

- (a) the audit plan of our Company's external auditors;
- (b) the external auditors' reports;
- (c) the co-operation given by our officers to the external auditors;
- (d) the effectiveness of the Group's internal audit function;
- (e) the scope and results of the audit procedures and their cost effectiveness;
- (f) the financial statements of our Company and our Group, especially any significant financial reporting issues and judgments so as to ensure their integrity, before their submission to our Board;
- (g) all formal announcements relating to the Group's financial performance;
- (h) the independence and objectivity of the external auditors on an annual basis;
- (i) the remuneration and terms of engagement of the external auditor;
- (j) nomination, re-nomination and removal of external auditors for appointment;
- (k) the adequacy of the Group's internal controls;
- (l) our Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time;
- (m) interested person transactions; and
- (n) capital expenditure transactions.

corporate governance report

The Audit Committee meetings are attended by the Executive Directors, External and Internal Auditors. The presence of the external auditors has been requested during these meetings. During this financial year, the Audit Committee has also met up with the external auditors and with the internal auditors, without any executives of the Group being present.

The Audit Committee also reviews the recently implemented whistle blowing arrangements, which allow staff and shareholders of the Company to confidentially report of questionable accounting, control or audit practices. The reports can be made on an anonymous basis, but the Company recommends that the informant(s) put their name(s) to the allegations. The Group has a policy of “no-retaliation” against good-faith informants.

In addition to the above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group’s operating results and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Audit Committee in respect of matters in which he is interested.

The Audit Committee has recommended Messrs Nexia TS Public Accounting Corporation, Certified Public Accountants (formerly practiced as Nexia Tan & Sitoh) to be re-appointed as auditors of the Company at the forthcoming AGM.

Principle 12: Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework and for ensuring that Management maintain a sound system of internal controls to safeguard the shareholders’ investments and the Group’s assets, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. During the year, the Internal Auditor (“IA”), on behalf of the Board, has reviewed the effectiveness of the internal control system put in place by the management and is satisfied that there are adequate internal financial, operational and compliance controls and risk management systems in the Company. The Directors regularly review the effectiveness of the same.

Principle 13: Internal Audits

The Group outsourced its internal audit function to an external professional firm, Wensen Consulting Asia Sdn Bhd, who reports directly to the Chairman of AC and administratively to the Chairman. The Audit Committee’s responsibility in overseeing that the Company’s internal controls and risk management systems are adequate will be complemented by the work of the IA.

The Audit Committee meets with the IA at least twice during the year without the presence of management, reviews the IA’s reports on a half yearly basis and also reviews and approves the annual IA plans and resources to ensure that the IA has the necessary resources to adequately perform its functions.

To ensure the adequacy of the internal audit functions, the Audit Committee has reviewed the IA’s activities, the IA’s resources and standing in the Company, on a yearly basis.

D. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

We believe in regular, effective, fair and timely communication with shareholders as part of our organisation development to build systems and procedures that will enable us to operate globally. We regularly convey pertinent information, gather views and inputs and address shareholders’ concerns.

corporate governance report

We believe that a high level of disclosure on a timely basis is essential to enhance the standard of corporate governance. Hence, the Company does not practice selective disclosure. In line with the provisions of the SGX-ST Listing Manual and the Companies Act (Cap 50, Singapore), the Board's policy is that all shareholders are equally and timely informed of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET system, press releases, annual reports, and other various media including our corporate website (<http://www.emsenergy.com.sg>). If there is inadvertent disclosure made to a selected group, we make the same disclosure publicly to all others as soon as practicable. We constantly ensure that all information disclosed is as descriptive, detailed and forthcoming as possible such that boilerplate disclosures are avoided.

We support the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend, to participate effectively and to vote in the AGM and to stay informed of the Company's strategy and goals, to ensure a high level of accountability. Notice of the AGM is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. Shareholders may vote in person or by proxy. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. The Board welcomes questions from shareholders who wish to raise issues either informally or formally before or at the AGM. The Chairpersons of the Audit, Remuneration and Nominating Committees, and the external auditors, are normally available at the meeting to answer questions relating to the general questions, work of their committees, conduct of audit and the preparation and content of the auditors' report.

Separate resolutions are provided at general meetings on each substantially separate issue and the 'bundling' of resolutions are avoided unless they are interdependent and linked so as to form one significant proposal and unless the Company explains the reasons and material implications.

Our Articles of Association allows a member of the Company to appoint one or two proxies to attend and vote instead of the member.

The Company prepares minutes of general meetings with substantial comments, queries from shareholders and the responses from the Board and Management. These minutes are available to shareholders upon their requests.

E. DEALING IN SECURITIES

The Company has adopted internal codes of conduct pursuant to the SGX-ST Best Practices Guide (the "Guide") applicable to all its officers in relation to dealings in the Company's securities. The Company refers to the Guide in assessing the appropriateness of these codes and is of the opinion that they are appropriate. Although compliance to the Guide is not mandatory, the Company is aware that it, its Directors and its employees are continuously subject to requirements set out by applicable law. The Company believes that by observing these best practices the standard of corporate governance will be raised and investors will have confidence in their management.

The Company and its officers are aware that it is an offence to deal in its securities as well as securities of other listed issuers when the officers are in possession of unpublished material price-sensitive information in relation to those securities.

In accordance with Guideline 4 of the Guide, the Company and its officers should not deal in the Company's securities on short-term considerations and they are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's half-yearly and one month before the announcement of the Company's full year results and ending on the date of the announcement of these results.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within permitted trading period(s).

corporate governance report

F. BEST PRACTICES GUIDE

The Board confirms that during the financial year ended 31 December 2007, the Company has complied materially with the Best Practices Guide issued by SGX-ST by adopting internal controls and codes of conduct and that they are adequate for its current operations.

G. MATERIAL CONTRACTS

In accordance with Rule 1207(8) of the Listing Manual, there are no material contracts entered into by the Company or its subsidiaries for the benefit of the Directors or controlling shareholders during the financial year ended 31 December 2007.

H. RISK MANAGEMENT POLICIES AND PROCESSES

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

I. INTERESTED PERSONS TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

In order to ensure that the Company complies with Chapter 9 of the SGX-ST Listing Manual on interested person transactions, the Audit Committee meets quarterly to review all interested party transactions of the Company. However, if the Company enters into an interested person transaction, the Audit Committee ensures compliance with the relevant rules under Chapter 9.

The following interested party transactions took place between the Group and interested persons during the financial period from 01 January 2007 to 31 December 2007:

Name of Interested Person (In S\$'000)	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$ 100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$ 100,000)
Ramatex Textiles Industrial Sdn Bhd	N.A.	N.A.
Ramatex Printing Garment (Suzhou) Ltd	N.A.	N.A.
Ramatex Textiles Namibia (Pty) Ltd	N.A.	532

Ramatex Textiles Industrial Sdn Bhd, Ramatex Printing Garment (Suzhou) Ltd and Ramatex Textile Namibia (Pty) Ltd are subsidiaries of Ramatex Berhad, a company listed on the Bursa Malaysia Securities Berhad and is principally engaged in the manufacturing of textiles. The Company's substantial shareholder Gimmill Industrial Pte Ltd has equity interest in Ramatex Berhad. Gimmill Industrial Pte Ltd disposed off its entire shareholding in the Company in the open market on 4 October 2007 and is no longer a shareholder of the Company. As such, all future transactions between the Group and Ramatex Berhad are not interested person transactions under Chapter 9 of the Listing Manual.

directors' report

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2007 and the balance sheet of the Company as at 31 December 2007.

DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Mr. Ting Teck Jin	(appointed as Chief Executive Officer on 19 June 2007)
Mr. Lim Poh Boon	(appointed on 1 June 2007)
Mr. Ung Gim Sei	(appointed on 31 August 2007)
Mr. Dagfinn Olav Tegnander	(appointed on 31 August 2007)
Mr. Tan Song Koon	(appointed on 10 September 2007)

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	<u>Holdings registered in name</u> of director or nominee		<u>Holdings in which a director is</u> deemed to have an interest	
	At beginning of the year/date of appointment, if later	At end of the year	At beginning of the year/date of appointment, if later	At end of the year

The Company

(No. of Ordinary shares)

Mr Ting Teck Jin	-	-	22,812,500 [#]	45,625,000 [#]
Dr. Tan Joo Chai	23,816,662	23,816,662	1,000 [*]	1,000 [*]
(Resigned on 29 February 2008)				
Mr. Dagfinn Olav Tegnander	-	-	-	214,000 [®]

Subsidiary

EMS Offshore Pte Ltd

(No. of Ordinary shares)

Mr. Ting Teck Jin	-	-	225,001 [#]	225,001 [#]
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[#] These shares are held in the name of Koastal Industries Pte Ltd in which Mr Ting Teck Jin is a director and a controlling shareholder. On 16 January 2008, Koastal Industries pledged 13,460,000 ordinary shares in the Company to Mayban Nominees (Singapore) Private Limited for the purpose of obtaining a banking facility.

^{*} Dr. Tan Joo Chai is deemed to be interested in the shares held by his spouse, Mdm Loh Bee Leng. As at 21 January 2008, total shares held by Dr. Tan Joo Chai is 20,035,662 ordinary shares.

[®] Mr. Dagfinn Olav Tegnander is deemed to be interested in the shares held by his spouse, Mdm Nyo Mooi Theng. As at 25 January 2008, total shares held by Mdm Nyo Mooi Theng is 314,000 ordinary shares.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

- b) By virtue of Section 7 of the Act, Mr Ting Teck Jin is deemed to have interests in other subsidiaries at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debenture, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

- c) There were no changes in any of the abovementioned interests in the Company between the end of the financial year and 21 January 2008, except as disclosed in this report.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in this report.

SHARE OPTIONS

EMS Energy Employee Share Option Scheme

The EMS Energy Employee Share Option Scheme (formerly known as Eco Water Employee Share Option Scheme) (the "Scheme") for directors and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 12 May 2003. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Mr. Ung Gim Sei, Mr. Tan Song Koon and Mr. Dagfinn Olav Tegnander.

Other information regarding the Scheme is set out below:

- (a) The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- (b) The options may be exercised 1 year after the grant for market price options and 2 years for discounted options. Further vesting period for the exercise of the options may be set.
- (c) All options are settled by physical delivery of shares.

The Scheme became operative with 2,071,000 share options being granted pursuant to the Scheme on 28 June 2004 ("2004 Options"). Particulars of 2004 Options were set out in the Directors' Report for the financial year ended 31 December 2004.

directors' report

SHARE OPTIONS (CONTINUED)

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company at \$0.204 each share are as follows:

<u>Date of grant of option</u>	<u>Exercise price per share</u> \$	<u>Options outstanding at 1 January 2007</u>	<u>Options forfeited</u>	<u>Options outstanding at 31 December 2007</u>	<u>Number of option holders at 31 December 2007</u>	<u>Exercise period</u>
28 June 2004	0.204	1,388,000	(1,234,000)	154,000	4	29-6-2004 to 28-6-2015

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Pursuant to Rule 852 of the SGX-ST's Listing Manual, the information relating to the Scheme is set out below:

<u>Options participants</u>	<u>Aggregate options outstanding as at beginning of financial year under review</u>	<u>Aggregate options granted since commencement of scheme to end of financial year under review</u>	<u>Aggregate options exercised since commencement of scheme to end of financial year under review</u>	<u>Aggregate options forfeited since commencement of scheme to end of financial year under review</u>	<u>Aggregate options outstanding as at end of financial year under review</u>
<u>Directors of the Company</u>					
Tan Soo Kiat (Resigned on 31 August 2007)	120,000	120,000	-	(120,000)	-
Ravishankar Chanrasekhara Vaidya (Resigned on 26 April 2007)	300,000	300,000	-	(300,000)	-
<u>Director of Subsidiary Company</u>					
Teng Ah Ching (Resigned on 18 December 2007)	93,000	93,000	-	(93,000)	-
<u>Other participants</u>					
Employees of the Company	875,000	875,000	-	(721,000)	154,000
	<u>1,388,000</u>	<u>1,388,000</u>	<u>-</u>	<u>(1,234,000)</u>	<u>154,000</u>

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

directors' report

AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are:

Mr. Tan Song Koon (Chairman)
Mr. Ung Gim Sei
Mr. Dagfinn Olav Tegnander

All members of the Audit Committee are non-executive directors; however, Mr. Dagfinn Olav Tegnander is a non-independent director.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. The nature and extent of the functions performed by the Audit Committee are further described in the Corporate Governance Report.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor.

Nexia Tan & Sitoh had notified the Company that their partnership had been corporatised and will be practicing as Nexia TS Public Accounting Corporation.

The Audit Committee has recommended to the Board of Directors that Nexia TS Public Accounting Corporation (formerly practicing as Nexia Tan & Sitoh) be nominated as independent auditor of the Company at the forthcoming Annual General Meeting.

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation (formerly practicing as Nexia Tan & Sitoh), have expressed their willingness to accept appointment in place of Nexia Tan & Sitoh.

On behalf of the Board of Directors

Mr. Ting Teck Jin
Director

Mr. Dagfinn Olav Tegnander
Director

SINGAPORE
3 April 2008

statement by directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 31 to 77 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On Behalf of the Board of Directors

Mr. Ting Teck Jin

Director

Mr. Dagfinn Olav Tegnander

Director

Singapore

3 April 2008

independent auditor's report

to the members of EMS Energy Limited (formerly known as Eco Water Limited)

We have audited the accompanying financial statements of EMS Energy Limited (formerly known as Eco Water Limited) (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets;
- b) selecting and applying appropriate accounting policies; and
- c) making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, we conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

On 19 December 2007, the Group disposed its wholly-owned subsidiary, Good Quality Engineering Sdn Bhd ("GQ"). The financial statements, accounting records and relevant information of GQ for the period from 1 January 2007 to 19 December 2007 are not available for us to perform an audit. The Group prepares the consolidated income statement based on the management accounts of GQ for the six months period ended 30 June 2007 as these were the only management accounts available. GQ's contribution to the Group's total revenue and net loss, based on the management accounts for the six months period ended 30 June 2007, amounted to \$618,141 and \$109,550 respectively. Consequently, we were not able to determine whether any adjustments to the consolidated financial statements might have been necessary had GQ's financial statements, accounting records and relevant information from 1 January 2007 to 19 December 2007 been available. The Company's presentation of consolidated financial statements is not in accordance with FRS 27 which requires the inclusion of subsidiary's financial statements to the date on which the Company ceases to control the subsidiary.

independent auditor's report

to the members of EMS Energy Limited (formerly known as Eco Water Limited)

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

Nexia Tan & Sitoh
Certified Public Accountants

Partner in charge: Kristin YS Kim
Appointed since financial year ended 31 December 2005

Singapore

3 April 2008

balance sheets

as at 31 December 2007

	Note	The Group		The Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	4	5,904	2,119	90	30
Trade and other receivables	5	18,927	11,226	6,971	5,140
Inventories	6	39	45	-	-
Due from customers on construction contracts	7	76	2,270	-	-
		<u>24,946</u>	<u>15,660</u>	<u>7,061</u>	<u>5,170</u>
Non-current assets					
Property, plant and equipment	8	3,154	3,343	73	-
Investment in subsidiaries	10	-	-	10,592	9,653
Investment in associated companies	11	129	139	154	194
Investment in partnership	12	302	301	-	-
Goodwill on consolidation	13	3,598	3,250	-	-
Club membership at cost		6	6	-	-
Financial assets, available-for-sale		4	47	-	-
Deferred income tax assets	14	535	653	-	-
		<u>7,728</u>	<u>7,739</u>	<u>10,819</u>	<u>9,847</u>
Total Assets		<u>32,674</u>	<u>23,399</u>	<u>17,880</u>	<u>15,017</u>
LIABILITIES					
Current liabilities					
Trade and other payables	15	16,912	6,091	1,629	1,376
Due to customers on construction contracts	7	-	648	-	-
Borrowings	16	2,770	4,354	-	-
Current income tax liabilities		732	373	-	-
		<u>20,414</u>	<u>11,466</u>	<u>1,629</u>	<u>1,376</u>
Non-current liabilities					
Borrowings	16	1,434	3,150	-	-
Total Liabilities		<u>21,848</u>	<u>14,616</u>	<u>1,629</u>	<u>1,376</u>
NET ASSETS		<u>10,826</u>	<u>8,783</u>	<u>16,251</u>	<u>13,641</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	18,333	13,361	18,333	13,361
Other reserves	19	(365)	1,205	31	1,957
Accumulated losses		(8,527)	(7,077)	(2,113)	(1,677)
		<u>9,441</u>	<u>7,489</u>	<u>16,251</u>	<u>13,641</u>
Minority interests		<u>1,385</u>	<u>1,294</u>	<u>-</u>	<u>-</u>
Total Equity		<u>10,826</u>	<u>8,783</u>	<u>16,251</u>	<u>13,641</u>

The accompanying notes are an integral part of the financial statements.

consolidated income statement

for the financial year ended 31 December 2007

	Note	The Group	
		2007 \$'000	2006 \$'000
Revenue	20	31,040	16,185
Cost of sales	23	<u>(25,336)</u>	<u>(13,558)</u>
Gross profit		5,704	2,627
Other income	21	640	122
Administrative expenses	23	(6,429)	(6,496)
Finance costs	22	(448)	(471)
Gain on disposal of subsidiary	4	38	-
Share of results of associated companies	11	30	(55)
Share of results of partnership	12	<u>19</u>	<u>19</u>
Loss before income tax		(446)	(4,254)
Income tax expense	25	<u>(839)</u>	<u>(85)</u>
Net loss		<u><u>(1,285)</u></u>	<u><u>(4,339)</u></u>
Attributable to:			
Equity holders of the Company		(1,779)	(4,508)
Minority interests		<u>494</u>	<u>169</u>
		<u><u>(1,285)</u></u>	<u><u>(4,339)</u></u>
Loss per share (cents)			
- Basic	26	(1.07)	(4.09)
- Diluted	26	(1.07)	(4.09)

The accompanying notes are an integral part of the financial statements.

consolidated statement of changes in equity

for the financial year ended 31 December 2007

	Share Capital \$'000	Capital Reserve \$'000	Retained Profits/ (Accumulated Loss) \$'000	Foreign Currency Translation Reserve \$'000	Share Options Reserve \$'000	Total Attributable to Equity Holders of the Company \$'000	Minority Interests \$'000	Total \$'000
2007								
Beginning of financial year	13,361	1,597	(7,077)	(752)	360	7,489	1,294	8,783
Currency translation differences	-	-	-	356	-	356	-	356
Net (loss) / profit for the financial year	-	-	(1,779)	-	-	(1,779)	494	(1,285)
Total recognised profit / (loss)	-	-	(1,779)	356	-	(1,423)	494	(929)
Forfeiture of share options	-	-	329	-	(329)	-	-	-
Issue of new shares	4,972	(1,597)	-	-	-	3,375	-	3,375
Acquisition of additional interest in subsidiary	-	-	-	-	-	-	(403)	(403)
End of financial year	18,333	-	(8,527)	(396)	31	9,441	1,385	10,826

The accompanying notes are an integral part of the financial statements.

consolidated statement of changes in equity

for the financial year ended 31 December 2007

	Share Capital \$'000	Share Premium \$'000	Capital Reserve \$'000	Retained Profits/ (Accumulated Loss) \$'000	Foreign Currency Translation Reserve \$'000	Share Options Reserve \$'000	Total Attributable to Equity Holders of the Company \$'000	Minority Interests \$'000	Total \$'000
2006									
Beginning of financial year	8,717	3,047	-	(2,569)	(520)	144	8,819	335	9,154
Currency translation differences	-	-	-	-	(232)	-	(232)	-	(232)
Net (loss) / profit for the financial year	-	-	-	(4,508)	-	-	(4,508)	169	(4,339)
Total recognised profit / (loss)	-	-	-	(4,508)	(232)	-	(4,740)	169	(4,571)
Effect of Companies (Amendment) Act 2005	3,047	(3,047)	-	-	-	-	-	-	-
Issue of new shares	1,597	-	-	-	-	-	1,597	-	1,597
Share based payment	-	-	-	-	-	216	216	-	216
Shares to be issued	-	-	1,597	-	-	-	1,597	-	1,597
Acquisition of subsidiary	-	-	-	-	-	-	-	790	790
End of financial year	13,361	-	1,597	(7,077)	(752)	360	7,489	1,294	8,783

The accompanying notes are an integral part of the financial statements.

consolidated cash flow statement

for the financial year ended 31 December 2007

	2007 \$'000	2006 \$'000
Cash flows from operating activities		
Loss before income tax	(446)	(4,254)
Adjustments for:		
Depreciation of property, plant and equipment	364	291
Interest income	(95)	(24)
Interest expense	448	471
Loss on disposal of property, plant and equipment	141	26
Bad debts recovered	(228)	(145)
Allowance for impairment of trade receivables	1,558	331
Share of results of associated companies & partnership	(49)	36
Gain on disposal of subsidiaries	(38)	-
Translation (gain)/losses	12	(60)
Intangible assets and other receivables written off	-	2,162
Share-based payment	-	216
Operating cash flow before working capital changes	<u>1,667</u>	<u>(950)</u>
Changes in working capital		
Trade and other receivables	(9,272)	(492)
Inventories and work in progress	1,552	68
Trade and other payables	<u>11,317</u>	<u>1,545</u>
Net cash generated from operations	5,264	171
Income taxes paid	(348)	(32)
Interest paid	(285)	(471)
Interest received	95	24
Net cash provided by / (used in) operating activities	<u>4,726</u>	<u>(308)</u>
Cash flows from investing activities		
Investment in associated companies	-	(194)
Proceeds from disposal of property, plant and equipment	23	137
Proceeds from disposal of other investment	43	389
Proceeds from disposal of associated company	40	-
Purchase of property, plant and equipment	(290)	(55)
Acquisition of subsidiaries, net of cash acquired	-	(733)
Disposal of subsidiaries, net of cash received	<u>450</u>	<u>-</u>
Net cash provided / (used in) investing activities	<u>266</u>	<u>(456)</u>
Cash flows from financing activities		
Proceeds from issuance of shares	2,436	-
Increase in pledged fixed deposits	(2,967)	(63)
Proceeds from trade facilities	-	196
Repayment of term loan	(3,155)	(1,749)
Interest paid	(163)	-
Repayment of finance lease liabilities	<u>(228)</u>	<u>(218)</u>
Net cash used in financing activities	<u>(4,077)</u>	<u>(1,834)</u>
Net increase / (decrease) in cash and cash equivalents	915	(2,598)
Cash and cash equivalents at beginning of the financial year	184	2,782
Cash and cash equivalents at end of the financial year	4 <u>1,099</u>	<u>184</u>

The accompanying notes are an integral part of the financial statements.

notes to the financial statements

for the financial year ended 31 December 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 GENERAL

EMS Energy Limited (formerly known as Eco Water Limited) (the “Company”) is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The address of its registered office is at 1 Robinson Road, #18-00 AIA Tower Singapore 048542 and the principal place of business is at 10 Tuas Ave 11, Singapore 639076.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are stated in Note 10 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the “Group”) and the Group’s interests in associated companies.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

(i) Financial Reporting Standards

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The financial statements are presented in Singapore Dollars and prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Interpretations and Amendments to Published Standards Effective in 2007

On 1 January 2007, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of the above FRS or INT FRS did not result in any substantial changes to the Group’s accounting policies nor any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognized as follows:

(i) Goods sold and services rendered

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer which is taken to be the point when a Group entity has delivered the goods or rendered the services to the customer, the customer has accepted the goods or services and the collectibility of the related receivable is reasonably assured.

(ii) Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is assessed by reference to the contract costs incurred to date to the estimated total costs for the contract or surveys of work performed, as applicable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in the income statement. Detailed accounting policy on construction contracts is disclosed in Note 2 (f).

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Group Accounting

(i) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of any minority interest. Please refer to note 2(c) (iv) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The Group prepared the consolidated income statement based on the management accounts for the six months period ended 30 June 2007 of Good Quality Engineering Sdn Bhd, a subsidiary disposed on 19 December 2007, as these were the only management accounts available.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have changed where necessary to ensure consistency with the policies adopted by the Group.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Group Accounting (continued)

(i) Subsidiaries (continued)

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

Please refer to note 2(g) for the Company's accounting policy on investments in subsidiaries.

(ii) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet include goodwill (net of any accumulated impairment loss) identified on acquisition. Please refer to the paragraph "Intangible assets – Goodwill" for the Group's accounting policy on goodwill.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associated company including any other unsecured receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Please refer to note 2 (g) for the Company's accounting policy on investments in associated companies.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Group Accounting (continued)

(iii) Partnership

A partnership is one where the Group has an interest and a share in the profit or loss and the net assets of the partnership.

In the Company's balance sheet, investments in partnerships are stated at cost less impairment losses.

Investments in partnerships are accounted for in the consolidated financial statements under the equity method.

The Group's share of the post-acquisition results of the partnership is included in the consolidated income statement using the most recent available audited financial statements. Where the audited financial statements are not available, the Group's share is based on the unaudited financial statements. Any differences between the unaudited financial statements and the audited financial statements obtained subsequently are adjusted for in the following year.

The Group's share of the post-acquisition retained profits and reserves of the partnership is included in the consolidated balance sheet under investments in partnerships.

(iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiaries and associated companies at the date of acquisition.

Goodwill on subsidiaries is recognized separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associated companies are included in the carrying amount of the investments. Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

(d) Property, Plant and Equipment

(i) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (note 2(h)(ii)).

(ii) Components of cost

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

(iii) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using a straight line method to allocate the depreciable amounts over their estimated useful lives as follows:

	Useful Lives
Leasehold land and Buildings	the shorter of 50 years and the lease term
Plant and machinery	10 years
Equipment	10 years
Motor vehicles	5 years
Furniture and fittings	10 years

The residual values, estimated useful lives and depreciated method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognized in the income statement when the changes arise.

(iv) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance expense is recognized in the income statement when incurred.

(v) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

(e) Intangible Assets

Development expenditure

Intangible assets recorded in the previous financial years represent development expenditure incurred in relation to the hydropower station development project which has not been physically constructed.

In 2006, the development expenditure has been written off in the financial statements.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Construction Contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (“percentage-of-completion method”). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract or surveys of work performed, as applicable. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case such costs are recognised as an expense immediately.

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts, under current liabilities.

Progress billings not yet paid by customers and retentions are included within “trade and other receivables”. Advances received are included within “trade and other payables”.

(g) Investments in Subsidiaries and Associated Companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company’s balance sheet.

On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of Non-Financial Assets

(i) Goodwill

Goodwill is tested for impairment annually and whenever there is any indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units (CGU) expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is recognised in the income statement and not reversed in a subsequent period.

(ii) Property, plant and equipment and investments in subsidiaries, associated companies and partnerships

Property, plant and equipment and investments in subsidiaries, associated companies and partnerships are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets

The Group's and Company's financial assets which are within the scope of FRS 39 are classified as either loans and receivables, or available-for-sale, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provision of the financial instrument. The Group and the Company determine the classification of the financial assets after initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial year end.

(i) Loans and Receivables

Loans and receivables, including trade and other receivables, are initially recognised at fair value and subsequently at amortised cost less allowances for impairment.

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of allowance is recognised in the income statement.

(ii) Financial assets, available for sale

Available-for-sale financial assets that are not publicly traded are accounted for at cost.

(j) Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs.

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount.

In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

(k) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and Other Payables

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost using the effective interest method.

(m) Fair Value Estimation of Financial Assets and Liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(n) Leases

(i) When the Group is the lessee:

Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards incidental to ownership of leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognized in the income statement on a straight-line basis over the period of the lease.

(ii) When the Group is the lessor:

Operating leases

Leases of property, plant and equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

(o) Inventories

Inventories, which are made up mainly of materials and components, are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Cost comprises the invoiced value of goods together with the related charges incurred in importing such goods. Net realizable value is the estimated selling price less anticipated cost of disposal.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income Taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (1) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- (2) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(q) Provisions

Provisions for warranty, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past historical experience of the level of repairs and replacements.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognized in the income statement when the changes arise.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee Benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(ii) Employee leaves entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the balance sheet date.

(iii) Share based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement with a corresponding adjustment to the share option reserve over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(s) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar.

(ii) Transaction and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

notes to the financial statements

for the financial year ended 31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Foreign Currencies (continued)

(iii) Translation of Group Entities' Financial Statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency transaction differences are recognised in the foreign currency translation reserve.

(t) Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(u) Cash and cash equivalents

For the purpose of the presentation in the consolidated cash flow statement, cash and cash equivalents include cash and bank balances, unencumbered fixed deposits at call and that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Property, plant and equipment and investments in subsidiaries, associated companies and partnerships are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

notes to the financial statements

for the financial year ended 31 December 2007

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses at each tax jurisdiction.

(iii) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract or surveys of work done, as applicable.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

(iv) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

(v) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in the income statement. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

notes to the financial statements

for the financial year ended 31 December 2007

4 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and on hand	1,825	1,134	90	30
Short-term bank deposits	4,079	985	-	-
	<u>5,904</u>	<u>2,119</u>	<u>90</u>	<u>30</u>

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	The Group	
	2007 \$'000	2006 \$'000
Cash and bank balances (as above)	5,904	2,119
Less : bank deposits pledged	(3,945)	(978)
Less : bank overdrafts	(860)	(957)
	<u>1,099</u>	<u>184</u>

Short-term bank deposits of approximately \$3,945,000 (2006: \$978,000) are pledged as security for overdraft and bank guarantee purposes.

Acquisition and disposal of subsidiaries

On 1 December 2006, the Company acquired 70% equity interest in EMS Offshore Pte Ltd, a company incorporated in Singapore, for a purchase consideration of \$3,193,750. The purchase consideration is satisfied by the allotment and issue of 45,625,000 new ordinary shares.

On 25 October 2007, the Group disposed off its 100% interest in Yunnan Asia Eco Hydro Power Development Co. Ltd. for a cash consideration of \$210,000.

On 19 December 2007, the Group disposed off its 100% interest in Good Quality Engineering Sdn Bhd for a cash consideration of \$263,000.

5 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables				
– Non-related parties	19,529	10,730	-	-
– Related parties	313	348	-	-
	<u>19,842</u>	<u>11,078</u>	-	-
Less : Allowance for impairment of receivables				
– Non related parties	(2,362)	(1,023)	-	-
	<u>17,480</u>	<u>10,055</u>	-	-
Non trade receivable from subsidiaries	-	-	6,969	5,138
Deposits	185	281	-	-
Prepayments	17	90	-	-
Tax recoverable	404	384	-	-
Other receivables	841	416	2	2
	<u>18,927</u>	<u>11,226</u>	<u>6,971</u>	<u>5,140</u>

Included in trade receivables as at 31 December 2007 are retention monies held amounting to approximately \$653,000 (2006:\$1,185,000).

The impairment loss on trade receivables recognised as expense in “administrative expenses” amounts to \$1,558,000 (2006:\$331,000).

The non-trade receivables from subsidiaries are unsecured, interest-free and repayable on demand.

notes to the financial statements

for the financial year ended 31 December 2007

7 CONSTRUCTION CONTRACT

	The Group	
	2007	2006
	\$'000	\$'000
Construction contract work-in-progress comprises:		
Aggregate contract costs recognised and recognised profits (less recognised loss) to date	14,476	21,195
Less: Progress billings	<u>(14,400)</u>	<u>(19,573)</u>
	<u>76</u>	<u>1,622</u>
Analysed as:		
Due from customers on construction contracts	76	2,270
Due to customers on construction contracts	<u>-</u>	<u>(648)</u>
	<u>76</u>	<u>1,622</u>

8 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and building	Plant and machinery	Equipment	Motor vehicles	Furniture fittings	Total
<i>Group 2007</i>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
Beginning of financial year	221	2,300	999	654	759	121	5,054
Additions	-	-	26	337	81	26	470
Disposal of subsidiaries	-	-	-	(212)	(270)	(14)	(496)
Disposals	-	-	(161)	(13)	(159)	-	(333)
Currency translation differences	7	-	1	8	8	4	28
End of financial year	<u>228</u>	<u>2,300</u>	<u>865</u>	<u>774</u>	<u>419</u>	<u>137</u>	<u>4,723</u>
Accumulated Depreciation							
Beginning of financial year	18	-	752	454	435	52	1,711
Charge for the year	5	134	72	75	63	15	364
Disposal of subsidiaries	-	-	-	(149)	(187)	(7)	(343)
Disposals	-	-	(95)	(4)	(99)	-	(198)
Currency translation differences	1	-	3	17	12	2	35
End of financial year	<u>24</u>	<u>134</u>	<u>732</u>	<u>393</u>	<u>224</u>	<u>62</u>	<u>1,569</u>
Net Book Value							
End of financial year	<u>204</u>	<u>2,166</u>	<u>133</u>	<u>381</u>	<u>195</u>	<u>75</u>	<u>3,154</u>

notes to the financial statements

for the financial year ended 31 December 2007

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<i>Group 2006</i>	Freehold land and buildings \$'000	Leasehold land and building \$'000	Plant and machinery \$'000	Equipment \$'000	Motor vehicles \$'000	Furniture fittings \$'000	Total \$'000
Cost							
Beginning of financial year	230	-	398	647	716	123	2,114
Additions	-	-	-	39	11	5	55
Acquisition of subsidiary	-	2,300	785	160	132	-	3,377
Disposals	-	-	(168)	(167)	(72)	(2)	(409)
Currency translation differences	(9)	-	(16)	(25)	(28)	(5)	(83)
End of financial year	<u>221</u>	<u>2,300</u>	<u>999</u>	<u>654</u>	<u>759</u>	<u>121</u>	<u>5,054</u>
Accumulated Depreciation							
Beginning of financial year	14	-	95	394	341	42	886
Charge for the year	5	-	57	99	116	14	291
Acquisition of subsidiary	-	-	655	102	61	-	818
Disposals	-	-	(51)	(127)	(69)	(2)	(249)
Currency translation differences	(1)	-	(4)	(14)	(14)	(2)	(35)
End of financial year	<u>18</u>	<u>-</u>	<u>752</u>	<u>454</u>	<u>435</u>	<u>52</u>	<u>1,711</u>
Net Book Value							
End of financial year	<u>203</u>	<u>2,300</u>	<u>247</u>	<u>200</u>	<u>324</u>	<u>69</u>	<u>3,343</u>

Company 2007

Cost

	Equipment \$'000
Beginning of financial year	-
Additions	91
End of financial year	<u>91</u>

Accumulated Depreciation

Beginning of financial year	-
Charge for the year	18
End of financial year	<u>18</u>

Net Book Value

End of financial year	<u>73</u>
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notes to the financial statements

for the financial year ended 31 December 2007

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Included in additions in the consolidated financial statements are motor vehicles and plant and machinery acquired under finance leases amounting to \$81,000 (2006: \$NIL) and \$99,000 (2006: \$NIL) respectively.

Net book values of motor vehicles amounting to \$204,000 (2006: \$118,000) and plant and machinery amounting to \$119,000 (2006: \$91,000) were financed under finance lease.

- (b) Properties of the Group with carrying amounts of \$2,320,000 (2006: \$2,404,000) are pledged to financial institutions for banking facilities. (see Note 16)

9 INTANGIBLE ASSETS

<u>Development expenditure</u>	The Group	
	2007	2006
	\$'000	\$'000
Beginning of financial year	-	366
Development expenditure written off	-	(366)
End of financial year	-	-

The intangible assets represent cost incurred for development expenditure in the previous financial year in relation to the hydropower station development project which was undertaken by a wholly-owned subsidiary, Yunnan Asia Eco Hydro Power Development Co., Ltd. The subsidiary has temporarily ceased its operation in 2006 and the Company has written off the investment in 2006.

10 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	\$'000	\$'000
Equity investments at costs		
- Eco Water Technologies (M) Sdn Bhd (Formerly known as Tropical Interest Sdn Bhd)	6,072	6,072
- EMS Water Pte Ltd (Formerly known as Eco Water Technologies Pte Ltd)	#	#
- Asia Eco Environmental Technologies Pvt Ltd	387	387
- EMS Offshore Pte Ltd	3,194	3,194
- EMS Oil & Gas Ltd	#	-
- Engineering & Marine Services Pte Ltd	939	-
	<u>10,592</u>	<u>9,653</u>

This denotes \$2.

notes to the financial statements

for the financial year ended 31 December 2007

10 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The principal activities, country of incorporation and place of business of the subsidiaries as at 31 December 2007 are as follows:

Name of Company/Entity	Principal Activities	Country of Incorporation/ Place of Business	Equity holding 2007 %	2006 %
<u>Held by the Company</u>				
Eco Water Technologies (M) Sdn Bhd (Formerly known as Tropical Interest Sdn Bhd) (a)	Environment protection and pollution control systems and equipment	Malaysia	100	100
EMS Water Pte Ltd (Formerly known as Eco Water Technologies Pte Ltd) (b)	General trading	Singapore	100	100
Asia Eco Environmental Technologies Pvt Ltd (c)	Investment holding	India	100	100
EMS Offshore Pte Ltd (b)	Investment holding	Singapore	70	70
EMS Oil & Gas Ltd (Formerly known as Eco Water Environmental Service (Labuan) (d)#	Dormant	Malaysia	100	100
<u>Held by Eco Water Technologies (M) Sdn Bhd</u>				
Airchem Holdings Sdn Bhd (a)	Investment holding	Malaysia	52.38	52.38
Yunnan Asia Eco Hydro Power Development Co., Ltd (a)	Conducting hydroelectric activities and hydropower development	People's Republic of China	-	100
Good Quality Engineering Sdn Bhd (a)	Construction of sewage treatment plants	Malaysia	-	100

notes to the financial statements

for the financial year ended 31 December 2007

10 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Company/Entity	Principal Activities	Country of Incorporation/ Place of Business	Equity holding	
			2007 %	2006 %
<u>Held by Airchem Holdings Sdn. Bhd.</u>				
Airchem Environmental Technologies Sdn Bhd (a)	Environmental consultants and engineers in air pollution control system	Malaysia	100	100
Airchem Technologies Pte Ltd (b)	Environmental consultants and engineers in air pollution control system	Singapore	100	100
<u>Held by Airchem Technologies Pte Ltd</u>				
Airchem Environmental (Suzhou) Co., Ltd (e)	Environmental consultants and engineers in air pollution control system	People's Republic of China	100	100
<u>Held by EMS Offshore Pte Ltd</u>				
Engineering & Marine Services Pte. Ltd (b)	Fabrication of engineering equipment & services for oil & gas and offshore marine industries	Singapore	70*	52.5

(a) Audited by Monteiro & Heng, Malaysia

(b) Audited by Nexia Tan & Sitoh, a member firm of Nexia International

(c) Audited by B N Subramanya & Co and reviewed by Chaturvedi & Shah, a member firm of Nexia International

(d) Not required to be audited in country of incorporation

(e) Audited by Nexia Tan & Sitoh, a member firm of Nexia International for consolidation purposes

On 23 June 2007, Eco Water Technologies (M) Sdn Bhd transferred 100% equity interest to EMS Energy Limited.

* The Company acquired 17.5% equity interest in Engineering and Marines Services Pte Ltd during the financial year. Together with equity interest held through a subsidiary, EMS Offshore Pte Ltd, the Company effectively holds 70% equity interest in Engineering & Marine Services Pte Ltd.

notes to the financial statements

for the financial year ended 31 December 2007

11. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Equity investment at cost			154	194
Beginning of financial year	139	194		
Share of profit / (losses)	30	(55)		
Disposal of associated company	(40)	-		
End of financial year	129	139		

The summarised financial information of associated companies are as follows:

- Assets	5,128	1,742
- Liabilities	4,860	1,535
- Revenue	3,937	817
- Net profit / (loss)	61	(112)

On 9 May 2007, the Company sold its entire shareholding in Ecotex Pte Ltd to United Texmax Pte Ltd for a cash consideration of \$40,000.

Name of company	Principal Activities	Country of Incorporation / Place of Business	Equity holding 2007 %	Equity holding 2006 %
Held by the Company				
Koastal Eco Industries Co Ltd (a)	Pollution control and related projects	Vietnam	49	49
Ecotex Pte Ltd (b)	Dormant	Singapore	-	40

(a) Audited by BDO AFC, Vietnam

(b) Audited by BDO Raffles, Singapore

12. INVESTMENT IN PARTNERSHIP

	The Group	
	2007	2006
	\$'000	\$'000
Investment in partnership	301	285
Add: share of results of partnership	19	19
Less: Partners withdrawal	(18)	(3)
	302	301

The Group has an effective interest of 80% in the investment in Partnership namely, PRS Enterprises.

PRS Enterprises is principally engaged in the business of bio-medical and hazardous wastes treatment and disposal in Kalyan, India.

notes to the financial statements

for the financial year ended 31 December 2007

12 INVESTMENT IN PARTNERSHIP (CONTINUED)

The financial statements of the PRS Enterprises as at 31 December 2007 are reviewed by Chaturvedi & Shah, India, member firm of Nexia International.

The summarised financial information of the partnership is as follows:

	2007 \$'000	2006 \$'000
Assets	368	411
Liabilities	1	22
Revenue	221	226
Net Profit	12	25

13 GOODWILL ON CONSOLIDATION

	The Group	
	2007 \$'000	2006 \$'000
Cost		
Beginning of financial year	3,250	1,024
Acquisition of subsidiary (Note 10)	597	2,170
Disposal of subsidiaries (Note 10)	(255)	-
Currency translation differences	6	56
End of financial year	<u>3,598</u>	<u>3,250</u>

Impairment tests for goodwill

Goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from synergies of the business combination.

A summary of the goodwill allocation is analysed as follows:

	2007 \$'000	2006 \$'000
Cash Generating Units		
Sewage Treatment Systems	-	255
Integrated Industrial Wastewater Treatment Systems	831	825
Fabricating of Engineering Equipment and Services	<u>2,767</u>	<u>2,170</u>
Total	<u>3,598</u>	<u>3,250</u>

The recoverable amounts of the above balances are determined based on value-in-use calculations. Cashflow projections used in these calculations were based on financial budgets approved by the management for 2008 and future projections based on expected gross margin of 20% to 30% and expected growth rates of 5% to 20%, considering past performance and expected market conditions and a discount rate of 6%.

On 7 March 2007, the Company acquired 17.5% equity interest in Engineering & Marine Services Pte Ltd, for a consideration of \$939,000. The purchase consideration is satisfied by the allotment and issue of 10,546,596 new ordinary shares (Note 18). Goodwill arising from the additional acquisition of interest in the subsidiary amounted to \$597,000.

notes to the financial statements

for the financial year ended 31 December 2007

14 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group	
	2007	2006
	\$'000	\$'000
Deferred income tax assets (to be recovered after one year):		
Unutilised tax losses	1,188	1,136
Deferred income tax liabilities (to be settled after one year):		
Accelerated tax depreciation	653	483
Net deferred income tax assets	<u>535</u>	<u>653</u>

The movement in deferred income tax account is as follows:

	The Group	
	2007	2006
	\$'000	\$'000
Beginning of financial year	653	704
Credited to income statement	(118)	(5)
Acquisition of subsidiaries	-	(23)
Currency translation differences	-	(23)
End of financial year	<u>535</u>	<u>653</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The unutilised tax losses has no expiry date.

notes to the financial statements

for the financial year ended 31 December 2007

15 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade payables	13,232	4,299	222	-
Other payables and accruals	3,430	1,748	242	223
Amounts due to related parties (non-trade)	250	44	-	-
Amounts due to subsidiaries (non-trade)	-	-	1,165	1,153
	<u>16,912</u>	<u>6,091</u>	<u>1,629</u>	<u>1,376</u>

Non-trade amounts due to related parties and subsidiaries are unsecured, interest-free and repayable on demand.

16 BORROWINGS

	The Group	
	2007 \$'000	2006 \$'000
Short term borrowings:		
Current portion of term loan	1,798	1,506
Bank overdrafts (Note 4)	860	957
Finance lease liabilities (Note 17)	38	128
Bankers' acceptance	74	1,763
	<u>2,770</u>	<u>4,354</u>
Long term borrowings:		
Finance lease liabilities (Note 17)	95	53
Term loan	1,339	3,097
	<u>1,434</u>	<u>3,150</u>

The effective interest rates during the financial year on term loan is 3.75% to 7.52% (2006: 4.0% to 6.8%) per annum.

The effective interest rates on the other bank borrowings ranges from 1.5% to 2% (2006: 1.5% to 2%) per annum over the bank's base lending rate with monthly rests.

The term loans are secured over certain property, plant and equipment of the Group amounting to approximately \$2,320,600 (2006: \$2,404,000) and corporate guarantee of the Company.

The bank overdrafts and bankers' acceptance are secured by the short term deposits (Note 4), joint and several guarantee of the directors and corporate guarantee of the Company.

notes to the financial statements

for the financial year ended 31 December 2007

16 BORROWINGS (CONTINUED)

Fair Value of Non-Current Borrowings

The fair values of non-current portion of borrowings are determined from the discounted cash flows analysis, using a discounted rate based upon the borrowing rate from the financial institution at the balance sheet date.

	Effective interest rate	The Group	
		2007 \$'000	2006 \$'000
Term Loan	5.8%	1,273	2,646
Finance lease liabilities	13.8%	92	51

17 FINANCE LEASE LIABILITIES

The Group leases motor vehicles and plant and machinery which are classified as finance leases and expire over various dates until 2012. The discount rates implicit in the leases range from 2.5% to 7.0% (2006: 2.5% to 7.0%) per annum. Future lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	The Group			
	2007		2006	
	Minimum payments \$'000	Present value of payments \$'000	Minimum payments \$'000	Present value of payments \$'000
Within one year	47	38	138	128
After one year but not more than five years	102	95	59	52
Later than five years	-	-	4	1
Total	149	133	201	181
Less: Future finance charges	(16)	-	(20)	-
	<u>133</u>	<u>133</u>	<u>181</u>	<u>181</u>
Not later than one year (Note 16)	38		128	
Later than one year				
- Between one and five years (Note 16)	<u>95</u>		<u>53</u>	

notes to the financial statements

for the financial year ended 31 December 2007

18 SHARE CAPITAL

	The Group and The Company			
	No. of shares		Amount	
	Authorised share capital '000	Issued share capital '000	Authorised share capital \$'000	Issued share capital \$'000
2007				
Beginning of financial year	-	131,776	-	13,361
Share issue	-	53,730	-	4,972
End of financial year	-	185,506	-	18,333
2006				
Beginning of financial year	625,000	108,963	50,000	8,717
Effect of companies (Amendment) Act, 2005	(625,000)	-	(50,000)	3,047
Share issue	-	22,813	-	1,597
End of financial year	-	131,776	-	13,361

Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorized share capital were abolished and the amount in the share premium account as at 30 January 2006 became part of the Company's share capital.

All issued ordinary shares are fully paid.

On 23 March 2007, the Company issued 2nd tranch 22,812,500 new ordinary shares for a total consideration of \$1,597,875 in relation to the acquisition of interest in EMS Offshore Pte Ltd on 1 December 2006.

On 22 May 2007, the Company acquired 17.5% equity interest in Engineering and Marine Services Pte Ltd for a total consideration of \$939,000 by issuing 10,546,596 new ordinary shares.

On 30 May 2007, the Company issued 20,371,000 shares through Placement Agreements for a total consideration of \$2,520,000. The share issue cost related to the placement agreement amounted to \$84,000.

The newly shares rank pari passu in all respect with the previously issued shares.

19 OTHER RESERVES

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Share option reserves	31	360	31	360
Capital reserve	-	1,597	-	1,597
Foreign currency translation reserve	(396)	(752)	-	-
	(365)	1,205	31	1,957

notes to the financial statements

for the financial year ended 31 December 2007

19 OTHER RESERVES (CONTINUED)

Capital reserve

The capital reserve pertains to the 2nd tranche 22,812,500 new ordinary shares in relation to the acquisition of interest in EMS Offshore Pte Ltd on 1 December 2006. On 31 March 2007, the 2nd tranche ordinary shares were issued.

Share options reserves

The EMS Energy Employee Share Option Scheme (formerly known as Eco Water Employee Share Option Scheme) (the "Scheme") for directors and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 12 May 2003.

Other information regarding the Scheme is set out below:

- (a) The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- (b) The options may be exercised 1 year after the grant for market price options and 2 years for discounted options. Further vesting period for the exercise of the options may be set.
- (c) All options are settled by physical delivery of shares.

Movements in the number of share options and their related option exercise prices are as follows:

	Exercise price 2007 \$	No of options 2007 '000	Option exercise price 2006 \$	No of options 2006 '000
As at 1 January	0.204	1,388	0.204	1,798
Granted	0.204	-	0.204	-
Forfeited	0.204	(1,234)	0.204	(410)
As at 31 December	0.204	154	0.204	1,388
Exercisable at 31 December		154		1,388

No options were exercised in year 2007.

Share options outstanding at the end of the financial year have the following expiry date and exercise prices:

Date of grant of options	Expiry date	Exercise price \$	Options outstanding 2007 '000	Options outstanding 2006 '000
28 June 2004	28 June 2015	0.204	154	1,388

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on fair value at the measurement date.

notes to the financial statements

for the financial year ended 31 December 2007

19 OTHER RESERVES (CONTINUED)

Date of grant of options	28 June 2004
Fair value of share options and assumptions	Per Share
Fair value at measurement date	\$0.08
Share price	\$0.21
Exercise price	\$0.204

20 REVENUE

	The Group	
	2007	2006
	\$'000	\$'000
Services rendered	30,596	14,482
Sales of goods	444	1,703
	<u>31,040</u>	<u>16,185</u>

21 OTHER INCOME

	The Group	
	2007	2006
	\$'000	\$'000
Interest income	95	24
Rental income	208	-
Bad debt recovery	228	-
Other income	109	98
	<u>640</u>	<u>122</u>

22 FINANCE COSTS

	The Group	
	2007	2006
	\$'000	\$'000
Interest expense		
- Term loan	436	441
- Finance lease liabilities	12	30
	<u>448</u>	<u>471</u>

notes to the financial statements

for the financial year ended 31 December 2007

23 EXPENSES BY NATURE

	Note	The Group	
		2007 \$'000	2006 \$'000
Purchases of material and equipment		20,602	14,522
Depreciation of property, plant and equipment	8	364	291
Employee compensation	24	2,172	1,350
Sub-contractors works		1,573	39
Casual labour		443	30
Freight/Transport charges		531	21
Marketing /consultancy fee		1,102	284
Impairment loss of trade receivables		1,558	331
Impairment loss of investment in subsidiaries		146	2,162
Professional fee		295	33
Upkeep of motor vehicle		430	241
Office expenses		656	434
Rental of equipment		62	24
Facilities of office and factory		849	23
Laboratory expenses		568	5
Other expenses		414	264
Total cost of sales and administrative expenses		<u>31,765</u>	<u>20,054</u>

24 EMPLOYEE COMPENSATION

	The Group	
	2007 \$'000	2006 \$'000
Wages and salaries	1,741	1,217
Employer's contribution to defined contribution plans including Central Provident Fund	240	103
Termination benefits	22	-
Staff benefit and allowance	169	30
	<u>2,172</u>	<u>1,350</u>

notes to the financial statements

for the financial year ended 31 December 2007

25 INCOME TAX EXPENSE

	The Group	
	2007 \$'000	2006 \$'000
Current year		
Current income tax	618	36
Deferred income tax	118	5
	<u>736</u>	<u>41</u>
Prior year under provision		
Current income tax	103	44
	<u>839</u>	<u>85</u>

The tax expense on loss differs from the amount that would arise using the Singapore standard rate of income tax expense is as explained below:

Loss before income tax	<u>(446)</u>	<u>(4,254)</u>
Tax calculated at tax rate of 18% (2006: 20%)	(80)	(851)
Expenses not deductible	1,295	1,096
Different in tax rate of overseas subsidiaries	(62)	(139)
Unutilised tax loss	(314)	-
Tax exemption income and rebates	(115)	(22)
Others	12	(43)
	<u>736</u>	<u>41</u>

26 LOSS PER SHARE

Loss per share is calculated by dividing the Group's results (loss after taxation attributable to shareholders) for the financial year by the weighted average number of ordinary shares in issue during the year as follows:

	The Group	
	2007 \$'000	2006 \$'000
Net loss	(1,779)	(4,508)
Weighted average number of ordinary shares in issue	165,925,755	110,275,502
Basic loss per share (cents)	(1.07)	(4.09)
Diluted loss per share (cents)	(1.07)	(4.09)

The shares options are anti-dilutive as the exercise price per share is higher than the current market value, therefore, the basic and diluted loss per share is the same.

notes to the financial statements

for the financial year ended 31 December 2007

27 COMMITMENTS

The future minimum lease payable under non-cancelable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	
	2007 \$'000	2006 \$'000
<u>Operating lease commitment</u>		
Not later than one year	433	46
Between two to five years	782	184
More than five years	361	690
	<u>1,576</u>	<u>920</u>

28 RELATED PARTY TRANSACTIONS

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

The following related party transactions took place during the financial year on terms agreed between the parties:

(a) Sales and purchases of goods and services

	The Group	
	2007 \$'000	2006 \$'000
Sales to related parties - Ramatex Textiles Namibia (Pty) Ltd* and Ramatex Textiles Industrial Sdn Bhd*	<u>532</u>	<u>2,794</u>

* owned by Gimill Industrial Pte Ltd, a shareholder of the Company.

On 4 October 2007, Gimill Industrial Pte Ltd disposed off its entire shareholding in the Company in the open market and is no longer a shareholder of the Company. As such, all future transactions between the Group and Ramatex Group are not interested person transactions under Chapter 9 of the Listing Manual.

notes to the financial statements

for the financial year ended 31 December 2007

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2007	2006
	\$'000	\$'000
Wages and salaries	975	697
Employer's contribution to defined contribution plans, including Central Provident Fund	42	23
	<u>1,017</u>	<u>720</u>

Included in the above is total compensation to directors of the Company amounting to \$556,176 (2006: \$596,558).

The following information related to remuneration of directors of the Company during the year:

	The Group	
	2007	2006
Number of director of the Company in remuneration bands:		
- below \$250,000	<u>6</u>	<u>6</u>

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance. As at 31 December 2007, the Group does not hold or issue derivative financial instrument for trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

notes to the financial statements

for the financial year ended 31 December 2007

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, Malaysia and the People's Republic of China. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the Singapore Dollar ("SGD"), Malaysia Ringgit ("RM"), United States Dollar ("USD") and Chinese Yuan or Renminbi ("RMB").

Currency risk arises when transactions are denominated in foreign currencies. The Group is exposed to foreign currency risk on certain projects.

To manage the currency risk, individual Group entities manage as far as possible by natural hedges of matching assets and liabilities.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollars, the Group ensures that the net exposure is kept to an acceptable level by buying or selling the foreign currencies at spot rates, where necessary, to address short term imbalances.

	SGD \$'000	USD \$'000	RM \$'000	Other \$'000	Total \$'000
<u>At 31 December 2007</u>					
Financial assets					
Cash and cash equivalents	4,593	751	403	157	5,904
Trade and other receivables	2,322	10,747	5,748	110	18,927
	<u>6,915</u>	<u>11,498</u>	<u>6,151</u>	<u>267</u>	<u>24,831</u>
Financial liabilities					
Borrowings	1,576	1,694	934	-	4,204
Trade and other payables	14,516	942	1,448	6	16,912
	<u>16,092</u>	<u>2,636</u>	<u>2,382</u>	<u>6</u>	<u>21,116</u>
Net financial (liabilities) / assets	<u>(9,177)</u>	<u>8,862</u>	<u>3,769</u>	<u>261</u>	<u>3,715</u>
<u>At 31 December 2006</u>					
Financial assets					
Cash and cash equivalents	618	200	1,249	52	2,119
Trade and other receivables	3,104	975	6,821	326	11,226
	<u>3,722</u>	<u>1,175</u>	<u>8,070</u>	<u>378</u>	<u>13,345</u>
Financial liabilities					
Borrowings	1,578	2,716	3,210	-	7,504
Trade and other payables	3,568	44	2,473	6	6,091
	<u>5,146</u>	<u>2,760</u>	<u>5,683</u>	<u>6</u>	<u>13,595</u>
Net financial (liabilities) / assets	<u>(1,424)</u>	<u>(1,585)</u>	<u>2,387</u>	<u>372</u>	<u>(250)</u>

notes to the financial statements

for the financial year ended 31 December 2007

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and RM change against the SGD by 5% (2006:5%) with all other variables including the rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	2007		2006	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
Group				
USD against SGD				
- strengthened	(443)	-	77	-
- weakened	443	-	(77)	-
RM against SGD				
- strengthened	(188)	-	(117)	-
- weakened	188	-	117	-

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk mainly arises from term loan and bank overdrafts. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favorable rates.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rates increase/decrease by 2% (2006: 2%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$8,951 (2006: \$9,423) as a result of higher/lower interest expense on these borrowings.

(b) Credit Risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Group. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group has no significant concentration of credit risk.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If the customers are independently rated, these ratings are used. Otherwise, the credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

notes to the financial statements

for the financial year ended 31 December 2007

29 Financial Instruments and Risk Management (CONTINUED)

(b) Credit Risk (continued)

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of the class of financial assets presented on the balance sheet.

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade receivables.

The credit risk for trade receivables by geographical areas is as follows:

	The Group	
	2007	2006
	\$'000	\$'000
<u>By geographical areas</u>		
Singapore	2,054	2,815
People's Republic of China	99	307
Malaysia	4,940	5,958
Europe	8,633	548
Other	1,754	427
	<u>17,480</u>	<u>10,055</u>
<u>By types of customers</u>		
Related parties	313	348
Non-related parties	17,167	9,707
	<u>17,480</u>	<u>10,055</u>

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivables not past due include receivables amounting to \$5,333,000 (2006: \$2,825,000) respectively that would have been past due or impaired if the terms were not re-negotiated during the financial year.

notes to the financial statements

for the financial year ended 31 December 2007

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	The Group	
	2007	2006
	\$'000	\$'000
Past due up to 3 months	4,482	540
Past due 3 to 6 months	983	1,038
Past due over 6 months	6,480	5,321
	<u>11,945</u>	<u>6,899</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	2007	2006
	\$'000	\$'000
Gross amount	2,564	1,354
Less: Allowance for impairment	<u>(2,362)</u>	<u>(1,023)</u>
	<u>202</u>	<u>331</u>
Beginning of financial year	1,023	837
Currency translation difference	9	-
Allowance made	1,558	331
Allowance written back	<u>(228)</u>	<u>(145)</u>
End of financial year	<u>2,362</u>	<u>1,023</u>

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for the financial year ended 31 December 2007

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The analysis of maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows is as follows

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
<u>The Group</u>				
At 31 December 2007				
Trade and other payables	16,915	-	-	-
Borrowings	2,770	865	361	208
	19,685	865	361	208
At 31 December 2006				
Trade and other payables	6,091	-	-	-
Borrowings	4,354	448	895	1,807
	10,445	448	895	1,807
<u>The Company</u>				
At 31 December 2007				
Trade and other payables	1,629	-	-	-
	1,629	-	-	-
At 31 December 2006				
Trade and other payables	1,376	-	-	-
	1,376	-	-	-

The Group's policy to manage the liquidity risk is by maintaining sufficient cash and cash equivalents to enable the Group to meet its operating commitments, having an adequate amount of committed facilities and the ability to close out market position.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitor capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

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for the financial year ended 31 December 2007

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital risk (continued)

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net debt	15,212	11,476	1,539	1,346
Total equity	10,826	8,783	16,251	13,641
Total capital	26,038	20,259	17,790	14,987
Gearing ratio	58%	57%	9%	9%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2007 and 2006.

30 SEGMENT REPORTING

The Group's primary format for reporting segment information is business segment, with each segment representing a strategic business segment that offers different products and services.

(i) *Integrated Industrial Wastewater Treatment Systems ("IWTS")*

This relates to the design, assembly, installation and commissioning of Industrial Wastewater Treatment Systems and sales of chemicals for industrial application.

(ii) *Sewage Treatment Systems ("STS")*

This relates to the design, assembly, installation and commissioning of Sewage Treatment Systems for residential and commercial sectors.

(iii) *Fabricating of Engineering Equipment and Services ("FEES")*

This relates to fabrication of engineering equipment and services.

Common costs between IWTS, STS and FEES segments are allocated primarily based on segment revenue. Segment assets/liabilities do not include assets/liabilities that are generally shared and not identifiable by segment.

Capital expenditure has not been allocated to the segments as property, plant and equipment are generally shared and therefore not identifiable by business segment.

For geographical segments, revenue is based on the location of customers. Assets and capital expenditure are based on the location of those assets.

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30 SEGMENT REPORTING (CONTINUED)

	IWTS		STS		FEES		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) By Business Segments								
Segment revenue:								
Sales to external customers	2,539	6,731	4,119	8,549	24,382	905	31,040	16,185
Segment result	(1,129)	160	(2,773)	(1,979)	3,177	112	(725)	(1,707)
Other income							640	122
Write off of investment							-	(2,162)
Loss from operations							(85)	(3,747)
Finance costs							(448)	(471)
Gain on disposal of subsidiaries							38	-
Share of results of associates							30	(55)
Share of results of partnership							19	19
Loss before income tax							(446)	(4,254)
Income tax expenses							(839)	(85)
Net loss							<u>(1,285)</u>	<u>(4,339)</u>
Equity holders of the company							(1,779)	(4,508)
Minority interest							494	169
Loss after taxation and after minority interest							<u>(1,285)</u>	<u>(4,339)</u>
Segment assets	725	1,343	4,377	7,651	12,141	2,984	17,243	11,978
Unallocated corporate assets							15,431	11,421
Consolidated total assets							<u>32,674</u>	<u>23,399</u>
Segment liabilities	736	695	1,148	2,451	11,125	2,164	13,009	5,311
Unallocated corporate liabilities							8,839	9,305
Consolidated total liabilities							<u>21,848</u>	<u>14,616</u>
Other segment information:								
Unallocated capital expenditure							470	55
Depreciation and amortisation	30	122	114	153	220	16	364	291

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30 SEGMENT REPORTING (CONTINUED)

(b) By geographical segments

	Singapore		Malaysia		Europe		United States		Other countries		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment revenue:												
Sales to external customers	1,813	3,791	5,297	10,373	18,033	548	2,320	-	3,577	1,473	31,040	16,185
Other geographical information:												
Segment assets	23,601	7,450	7,938	14,342	-	-	-	-	629	954	32,168	22,746
Capital expenditure (Property, plant and equipment addition)	310	3	160	51	-	-	-	-	-	1	470	55

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31 EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 22 January 2008, the Company's wholly owned subsidiary, EMS Water Pte Ltd entered into a Sale and Purchase Agreement with Mr. Wong Fook Ming for the acquisition of the remaining 450,000 shares (47.62% of the shares) in the capital of Airchem Holdings Sdn Bhd by issuing and allotting new shares in the capital of the Company amounting to \$594,036.

On 5 February 2008, 32,410,669 rights issued were listed and quoted on the SGX Catalist. The rights issue was in line with the announcement on 14 November 2007, that the Company announced will undertake a renounceable non-underwritten rights issue of up to 92,883,299 new original shares at the issue price of \$0.11 each, on the basis of one (1) rights share for every two (2) shares held as at the book closure date on 10 January 2008. The valid acceptances and the excess applications received are 30,417,714 rights share and 1,992,955 excess rights share.

On 7 March 2008, the Group has made full repayment of its term loan with DBS Limited, Labuan.

On 24 March 2008, the Company has incorporated a wholly-owned subsidiary in Singapore known as EMS Pioneer Pte Ltd with \$2 capital.

32 NEW FRS AND INTERPRETATIONS

Certain new standards, amendments and new interpretations to existing standards have been published, and are mandatory for the Group's accounting period beginning on and after 1 January 2008 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

INT FRS 111	Group and Treasury Share Transactions
FRS 108	Operating Segments
Revised FRS 23	Borrowing Costs
INT FRS 112	Service Concession Arrangements

33 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of EMS Energy Limited on 3 April 2008.

analysis of shareholdings

as at 14 March 2008

ISSUE AND FULLY PAID-UP CAPITAL : S\$21,981,218
 CLASS OF SHARES : ORDINARY SHARES WITH EQUAL VOTING RIGHTS
 VOTING RIGHTS : 1 VOTE PER SHARE

SIZE OF HOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 999	123	7.17	7,882	0.00
1,000 to 10,000	743	43.33	4,247,386	1.95
10,001 to 1,000,000	832	48.51	55,038,108	25.26
1,000,001 AND ABOVE	17	0.99	158,622,891	72.79
TOTAL	1,715	100.00	217,916,267	100.00

TOP TWENTY SHAREHOLDERS AS AT 14 MARCH, 2008

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1	KOASTAL INDUSTRIES PTE LTD	49,164,400	22.56
2	MAYBAN NOMINEES (S) PTE LTD	24,068,196	11.05
3	HUYNH TRUNG NAM	24,000,000	11.01
4	TAN JOO CHAI	20,035,662	9.19
5	MORPH INVESTMENTS LTD	12,202,000	5.60
6	IFA ACCOUNTANCY INSTITUTE LTD	10,000,000	4.59
7	KIM ENG SECURITIES PTE. LTD.	3,582,000	1.64
8	OCBC SECURITIES PRIVATE LTD	2,942,336	1.35
9	SNG CHYE HIAN	1,944,100	0.89
10	TAY SWEE LYE RONNIE	1,923,000	0.88
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,725,600	0.79
12	PHILLIP SECURITIES PTE LTD	1,607,392	0.74
13	GUNAWAN YACUP	1,600,000	0.74
14	DBS NOMINEES PTE LTD	1,575,542	0.72
15	HENG PENG SIANG	1,207,663	0.55
16	CHAN CHEE KIEN	1,045,000	0.48
17	HENRY QUEK PENG HOCK	1,000,000	0.46
18	NG YONG CHEE	1,000,000	0.46
19	ONG ENG SENG	1,000,000	0.46
20	OCBC NOMINEES SINGAPORE PTE LTD	903,500	0.42
TOTAL		162,526,391	74.58

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

As at 14 March 2008, the percentage of shareholdings held in the hands of the public was approximately 68.1% and Rule 723 of the Listing manual is complied with.

analysis of shareholdings

as at 14 March 2008

DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at 14 March 2008

Name of shareholders	No. of shares held registered in the names of our directors and substantial shareholders	No. of shares in which our directors and substantial shareholders are deemed to have an interest
Mr Ting Teck Jin ⁽¹⁾	-	49,164,400
Dr. Tan Joo Chai ⁽²⁾	20,035,662	1,000
Dagfinn Olav Tegnander ⁽³⁾	-	314,000

Note

- (1) These shares are held in the name of Koastal Industries Pte Ltd in which Mr Ting Teck Jin is a controlling shareholder and a director.
- (2) The deemed interest of 1000 shares are held in the name of Ms Low Bee Leng, spouse of Dr Tan Joo Chai.
- (3) The deemed interest of 314,000 shares are held in the name of Mdm Nyo Mooi Theng, spouse of Mr Dagfinn Olav Tegnander.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of EMS ENERGY LIMITED (the “Company”) will be held at Aranda Room, Level 2 Copthorne Orchid Hotel, 214 Dunearn Road, Singapore 299526 on Saturday, 26 April 2008 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2007 together with the Directors’ Report and Auditors’ Report thereon. **(Resolution 1)**
2. To approve additional Non-Executive Directors’ fees of S\$35,000 for the financial year ending 31 December 2007. **(Resolution 2)**
3. To approve Non-Executive Directors’ fees of S\$168,000 for the financial year ending 31 December 2008 to be paid quarterly in arrears. **(Resolution 3)**
4. To re-elect Mr Ting Teck Jin as a Director retiring pursuant to Article 107 of the Company’s Articles of Association. **(Resolution 4)**
5. To re-elect Mr Lim Poh Boon as a Director retiring pursuant to Article 117 of the Company’s Articles of Association. *[See Explanatory Note (ii)]* **(Resolution 5)**
6. To re-elect Mr Dagfinn Olav Tegnander as a Director retiring pursuant to Article 117 of the Company’s Articles of Association. *[See Explanatory Note (ii)]* **(Resolution 6)**
7. To re-elect Mr Ung Gim Sei as a Director retiring pursuant to Article 117 of the Company’s Articles of Association. *[See Explanatory Note (iii)]* **(Resolution 7)**
8. To re-elect Mr Tan Song Koon as a Director retiring pursuant to Article 117 of the Company’s Articles of Association. *[See Explanatory Note (iii)]* **(Resolution 8)**
9. To appoint Nexia TS Public Accounting Corporation, Certified Public Accountants, in place of Nexia Tan & Sitoh, Certified Public Accountants, as the Company’s Independent Auditor and to authorise the Directors to fix their remuneration. *[See Explanatory Note (iv)]* **(Resolution 9)**
10. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

11. Authority to allot and issue shares up to 50 per centum (50%) of issued shares in the capital of the Company
“That, pursuant to Section 161 of the Companies Act and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors to:-
 - (a) allot and issue shares in the Company; and
 - (b) issue convertible securities and any shares in the Company pursuant to convertible securities

notice of annual general meeting

(whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the issued share capital of the Company for the time being and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed after adjusting for:-

- (i) new shares arising from the conversion or exercise of convertible securities;
- (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and
- (iii) any subsequent bonus issue, consolidation or subdivision of shares.”
[See Explanatory Note (v)] **(Resolution 10)**

- 12 Authority to grant options and issue shares under the EMS Energy Employee Share Option Scheme (formerly known as Eco Water Employee Share Option Scheme).

“That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options granted under the EMS Energy Employee Share Option Scheme (formerly known as Eco Water Employee Share Option Scheme) (the “Scheme”) provided always that the aggregate number of shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed ten per cent. (10%) of the issued share capital of the Company from time to time.” *[See Explanatory Note vi)]*

(Resolution 11)

BY ORDER OF THE BOARD

GWENDOLYN GN JONG YUH
COMPANY SECRETARY

Date: 4 April 2008

SINGAPORE

notice of annual general meeting

Note:

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a Member of the Company.

The instrument appointing a proxy must be deposited at the registered office at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542 at least 48 hours before the time of the Meeting.

- (ii) Mr Lim Poh Boon and Mr Dagfinn Olav Tegnander will, upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (iii) Mr Ung Gim Sei and Mr Tan Song Koon will, upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (iv) Nexia Tan & Sitoh had incorporated its practice and will be practicing as Nexia TS Public Accounting Corporation. All businesses under Nexia Tan & Sitoh will be transferred to Nexia TS Public Accounting Corporation. It is proposed that Nexia TS Public Accounting Corporation be appointed as auditors in place of Nexia Tan & Sitoh.
- (v) Resolution 10 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty per cent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.
- (vi) Resolution 11 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

EMS ENERGY LIMITED

(Company Reg. No. 200300485D)
(Incorporated in The Republic of Singapore)

PROXY FORM

IMPORTANT:

1. For investors who have used their CPF monies to buy the Company ordinary shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent Banks may register with the Company Secretary of EMS Energy Limited.

I/We _____ with NRIC/Passport Number: _____

of _____ (address)

being a member/members of **EMS ENERGY LIMITED** (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Aranda Room, Level 2 Copthorne Orchid Hotel, 214 Dunearn Road, Singapore 299526 on Saturday 26 April 2008 at 9.00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	Ordinary Resolutions:	For	Against
	Ordinary Business		
1.	To adopt the Audited Financial Statements, Directors' Report and Auditors' Report.		
2.	To approve the payment of additional Non-Executive Directors' Fees of S\$35,000 for the financial year ending 31 December 2007.		
3.	To approve the payment of Non-Executive Directors' Fees of S\$168,000 for the financial year ending 31 December 2008 to be paid quarterly in arrears.		
4.	To re-elect Mr Ting Teck Jin as a Director pursuant to Article 107.		
5.	To re-elect Mr Lim Poh Boon as a Director pursuant to Article 117.		
6.	To re-elect Mr Dagfinn Olav Tegnander as a Director pursuant to Article 117.		
7.	To re-elect Mr Ung Gim Sei as a Director pursuant to Article 117.		
8.	To re-elect Mr Tan Song Koon as a Director pursuant to Article 117.		
9.	To appoint Messrs Nexia TS Public Accounting Corporation as Independent Auditors and authorise Directors to fix their remuneration.		
	Special Business		
10.	To authorise Directors to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		
11.	To authorise Directors to allot and issue shares in connection with the exercise of options granted pursuant to the EMS Energy Employee Share Option Scheme.		

Dated this _____ day of _____ 2008

No. of Ordinary Shares Held

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES ON PAGE OVERLEAF

Notes:

1. A member should insert the total number of shares held by him. If the member has shares entered against his name in the Depository Register (as defined in Section 130A) of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542 not less than 48 hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



(Co. Reg. No. 200300485D)

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