



Company Registration No. 201311482K

## KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

### UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

#### Background

Kim Heng Offshore & Marine Holdings Limited ("**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 22 January 2014. The initial public offering ("**IPO**") of the Company was sponsored by Canaccord Genuity Singapore Pte. Ltd. ("**Sponsor**").

The Company was incorporated in the Republic of Singapore on 29 April 2013 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company and its subsidiaries ("**Group**"), were formed pursuant to a restructuring exercise ("**Restructuring Exercise**") which involved acquisition and rationalization of the Group's corporate and shareholding structure prior to the IPO and the Company's listing on Catalist of the SGX-ST. Please refer to the Company's offer document dated 14 January 2014 ("**Offer Document**") for further details of the Restructuring Exercise.

For the purpose of this announcement, the comparative results of the Group for the third quarter ended 30 September 2013 ("**3Q2013**") represented a combination or aggregation of the financial statements of the Company and its subsidiaries after the Restructuring Exercise, and have been prepared on the assumption that the Group structure following the completion of the Restructuring Exercise has been in place since 1 January 2013.

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Canaccord Genuity Singapore Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

*The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 Months Ended 30 Sep 2014	3 Months Ended 30 Sep 2013	+/-	9 Months Ended 30 Sep 2014	9 Months Ended 30 Sep 2013	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	13,769	17,901	(23)	57,487	58,857	(2)
Cost of sales	(8,799)	(10,152)	(13)	(36,628)	(33,745)	9
<b>Gross profit</b>	4,970	7,749	(36)	20,859	25,112	(17)
<b>Gross profit margin</b>	36%	43%		36%	43%	
Other income	505	716	(29)	1,086	972	12
Distribution expenses	(192)	(604)	(68)	(1,722)	(1,118)	54
Administrative expenses	(3,505)	(3,606)	(3)	(11,444)	(11,468)	N.M.
Other operating expenses	(328)	(646)	(49)	(674)	(108)	524
Finance costs	(100)	(94)	6	(313)	(590)	(47)
Profit before income tax	1,350	3,515	(62)	7,792	12,800	(39)
Income tax expense	(196)	(454)	(57)	(1,158)	(1,710)	(32)
<b>Profit for the period</b>	1,154	3,061	(62)	6,634	11,090	(40)
<b>Other comprehensive income, net of tax</b>						
Translation differences relating to financial statements of foreign operations	76	-	N.M.	19	12	58
<b>Total comprehensive income</b>	1,230	3,061	(60)	6,653	11,102	(40)

N.M. – not meaningful

(i) Profit for the period is arrived at after charging/ (crediting) the following:

	3 Months Ended 30 Sep 2014	3 Months Ended 30 Sep 2013	+/-	9 Months Ended 30 Sep 2014	9 Months Ended 30 Sep 2013	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Other income</u>						
Interest income from bank deposits	(86)	(1)	N.M.	(212)	(2)	N.M.
Miscellaneous income	(89)	(885)	(90)	(428)	(935)	(54)
(Gain)/loss on disposal of property, plant and equipment	(124)	170	N.M.	(373)	(35)	N.M.
Currency translation gains	(206)	-	N.M.	(73)	-	N.M.
Interest on borrowings	100	94	6	313	590	(47)
Depreciation of property, plant and equipment	1,014	1,103	(8)	3,020	3,369	(10)
Impairment provided in relation to trade receivables	30	98	(69)	53	227	(77)
Reversal of inventories obsolescence	-	(10)	(100)	(150)	(1,572)	(90)
Currency translation losses	-	132	(100)	-	202	(100)

N.M. – not meaningful

1 (b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 30 Sep 2014 S\$'000	As at 31 Dec 2013 S\$'000	As at 30 Sep 2014 S\$'000	As at 31 Dec 2013 S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	60,904	57,779	5	-
Club memberships	44	44	-	-
Investments in subsidiaries	-	-	36,133	36,133
	<u>60,948</u>	<u>57,823</u>	<u>36,138</u>	<u>36,133</u>
<b>Current assets</b>				
Inventories	2,170	691	-	-
Trade and other receivables	22,679	28,187	5,840	4,242
Cash and cash equivalents	44,626	3,504	32,344	-
Non-current assets held-for-sale	1,913	1,792	-	-
	<u>71,388</u>	<u>34,174</u>	<u>38,184</u>	<u>4,242</u>
<b>Total assets</b>	<b><u>132,336</u></b>	<b><u>91,997</u></b>	<b><u>74,322</u></b>	<b><u>40,375</u></b>
<b>EQUITY</b>				
Share capital	74,409	36,133	74,409	36,133
Other reserves	(32,930)	(32,949)	-	-
Accumulated profits/(losses)	57,400	54,316	(136)	4,000
<b>Equity attributable to owners of the Companies</b>	<b><u>98,879</u></b>	<b><u>57,500</u></b>	<b><u>74,273</u></b>	<b><u>40,133</u></b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	5,025	3,991	-	-
Deferred tax liabilities	5,843	5,872	-	-
	<u>10,868</u>	<u>9,863</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Loans and borrowings	3,940	4,192	-	-
Trade and other payables	17,120	17,149	49	242
Current tax payable	1,529	3,293	-	-
	<u>22,589</u>	<u>24,634</u>	<u>49</u>	<u>242</u>
<b>Total liabilities</b>	<b><u>33,457</u></b>	<b><u>34,497</u></b>	<b><u>49</u></b>	<b><u>242</u></b>
<b>Total equity and liabilities</b>	<b><u>132,336</u></b>	<b><u>91,997</u></b>	<b><u>74,322</u></b>	<b><u>40,375</u></b>

### 1 (b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one (1) year or less, or on demand

	As at 30 Sep 2014		As at 31 Dec 2013	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	3,940	-	4,192	-

Amount repayable after one (1) year

	As at 30 Sep 2014		As at 31 Dec 2013	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	5,025	-	3,991	-

#### Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$14.1 million are pledged as collaterals for secured term loans, trust receipts and bank overdrafts;
- Fixed deposits of S\$0.7 million are pledged as security deposits for the operating lease of office premises and warehouse as well as to secure term loans and finance lease liabilities; and
- Corporate guarantees by the Company.

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

	Group			
	3 Months Ended 30 Sep 2014 S\$'000	3 Months Ended 30 Sep 2013 S\$'000	9 Months Ended 30 Sep 2014 S\$'000	9 Months Ended 30 Sep 2013 S\$'000
<b>Cash flows from operating activities</b>				
Profit before income tax	1,350	3,515	7,792	12,800
Adjustments for:				
Depreciation of property, plant and equipment	1,014	1,103	3,020	3,369
(Gain)/loss on disposal of property, plant and equipment	(124)	170	(373)	(35)
Interest income	(86)	(1)	(212)	(2)
Interest expense	100	94	313	590
	2,254	4,881	10,540	16,722
<b>Changes in working capital:</b>				
Inventories	(1,418)	1,427	(1,479)	621
Trade and other receivables	4,236	(4,012)	9,321	(533)
Trade and other payables	1,863	(205)	1,763	1,375
Amounts due to directors	-	-	-	(120)
Cash generated from operations	6,935	2,091	20,145	18,065
Income tax recovered/(paid)	(711)	86	(2,950)	(591)
<b>Net cash from operating activities</b>	6,224	2,177	17,195	17,474
<b>Cash flows from investing activities</b>				
Deposits pertaining to purchase of property, plant and equipment	(127)	(344)	(3,983)	(637)
Purchase of property, plant and equipment	(3,057)	-	(5,574)	(1,217)
Proceeds from disposal of property, plant and equipment	158	2,048	2,392	2,964
Interest received	86	1	212	2
<b>Net cash (used in)/from investing activities</b>	(2,940)	1,705	(6,953)	1,112
<b>Cash flows from financing activities</b>				
Interest paid	(100)	(94)	(313)	(590)
Dividend paid	-	-	(3,550)	(2,811)
Repayment of finance lease liabilities - net	(549)	(976)	(1,669)	(5,183)
Repayment of trust receipts	-	-	-	(1,232)
Repayment of term loans	(723)	(1,921)	(2,052)	(5,555)
Proceeds from issue of share capital	-	-	38,445	-
Deposits pledged	(8)	5	499	(261)
<b>Net cash (used in)/ from financing activities</b>	(1,380)	(2,986)	31,360	(15,632)
<b>Net increase in cash and cash equivalents</b>	<b>1,904</b>	<b>896</b>	<b>41,602</b>	<b>2,954</b>
Cash and cash equivalents at beginning of the period~	41,983	(218)	2,335	(2,281)
Effect of exchange rate fluctuations on cash and cash equivalents	69	(3)	19	2
<b>Cash and cash equivalents at end of the period~</b>	<b>43,956</b>	<b>675</b>	<b>43,956</b>	<b>675</b>
<b>Significant non-cash transactions during the period</b>				
a. Purchase of property, plant and equipment under finance leases, term loans and deposits	980	-	4,504	4,965
b. Issuance of restructuring shares	-	-	-	30,549

~As adjusted for bank overdrafts and deposits pledged

	<b>3Q2014</b>	<b>3Q2013</b>	<b>9M2014</b>	<b>9M2013</b>
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
<b>~Cash and cash equivalents consist of the following:</b>	<b>30 Sep 2014</b>	<b>30 Sep 2013</b>	<b>30 Sep 2014</b>	<b>30 Sep 2013</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Cash at bank and in hand	18,795	2,403	18,795	2,403
Fixed deposits	25,831	1,165	25,831	1,165
Cash and cash equivalents	44,626	3,568	44,626	3,568
Bank overdrafts	-	(1,728)	-	(1,728)
Deposits pledged	(670)	(1,165)	(670)	(1,165)
Cash and cash equivalents in the statements of cash flows	43,956	675	43,956	675

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

Group	Share capital S\$'000	Merger deficit S\$'000	Currency translation reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
<b>2013</b>					
<b>As at 1 January 2013</b>	3,370	-	(235)	40,226	43,361
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	3,346	3,346
<b>Other comprehensive income/Total other comprehensive income</b>					
Translation differences relating to financial statements of foreign operations	-	-	6	-	6
<b>Total comprehensive income for the financial period</b>	-	-	6	3,346	3,352
<b>Transactions with owners/Distribution to owners</b>					
Dividends	-	-	-	(3,000)	(3,000)
<b>Total transactions with owners</b>	-	-	-	(3,000)	(3,000)
<b>As at 31 March 2013</b>	3,370	-	(229)	40,572	43,713
<b>As at 1 April 2013</b>	3,370	-	(229)	40,572	43,713
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	4,683	4,683
<b>Other comprehensive income/Total other comprehensive income</b>					
Translation differences relating to financial statements of foreign operations	-	-	6	-	6
<b>Total comprehensive income for the financial period</b>	-	-	6	4,683	4,689
<b>Transactions with owners/Distribution to owners</b>					
Adjustment pursuant to restructuring exercise	(3,370)	(32,763)	-	-	(36,133)
Issuance of restructuring shares	30,549	-	-	-	30,549
<b>Total transactions with owners</b>	27,179	(32,763)	-	-	(5,584)
<b>As at 30 June 2013</b>	30,549	(32,763)	(223)	45,255	42,818
<b>As at 1 July 2013</b>	30,549	(32,763)	(223)	45,255	42,818
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	3,061	3,061
<b>Total comprehensive income for the financial period</b>	-	-	-	3,061	3,061
<b>As at 30 September 2013</b>	30,549	(32,763)	(223)	48,316	45,879



Group	Share capital	Merger deficit	Currency translation reserve	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2014</b>					
<b>As at 1 January 2014</b>	36,133	(32,763)	(186)	54,316	57,500
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	3,893	3,893
<b>Other comprehensive income/Total other comprehensive income</b>					
Translation differences relating to financial statements of foreign operations	-	-	(21)	-	(21)
<b>Total comprehensive income for the financial period</b>	-	-	(21)	3,893	3,872
<b>Transactions with owners/Distribution to owners</b>					
Issuance of shares, net of shares issue expenses	38,368	-	-	-	38,368
<b>Total transactions with owners</b>	38,368	-	-	-	38,368
<b>As at 31 March 2014</b>	74,501	(32,763)	(207)	58,209	99,740
<b>As at 1 April 2014</b>	74,501	(32,763)	(207)	58,209	99,740
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	1,587	1,587
<b>Other comprehensive income/Total other comprehensive income</b>					
Translation differences relating to financial statements of foreign operations	-	-	(36)	-	(36)
<b>Total comprehensive income for the financial period</b>	-	-	(36)	1,587	1,551
<b>Transactions with owners/Distribution to owners</b>					
Adjustment pursuant to capitalised expenses	(92)	-	-	-	(92)
Dividends	-	-	-	(3,550)	(3,550)
<b>Total transactions with owners</b>	(92)	-	-	(3,550)	(3,642)
<b>As at 30 June 2014</b>	74,409	(32,763)	(243)	56,246	97,649
<b>As at 1 July 2014</b>	74,409	(32,763)	(243)	56,246	97,649
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	1,154	1,154
<b>Other comprehensive income/Total other comprehensive income</b>					
Translation differences relating to financial statements of foreign operations	-	-	76	-	76
<b>Total comprehensive income for the financial period</b>	-	-	-	1,154	1,230
<b>As at 30 September 2014</b>	74,409	(32,763)	(167)	57,400	98,879

Company	Share capital S\$'000	Capital reserve S\$'000	Accumulated profits/(losses) S\$'000	Total equity S\$'000
<b>2013</b>				
<b>As at 29 April 2013 (Being the date of incorporation)</b>	*	-	-	*
<b>Transactions with owners/Distribution to owners</b>				
Issuance of restructuring shares	30,549	-	-	30,549
<b>Total transactions with owners</b>	30,549	-	-	30,549
<b>As at 30 June 2013</b>	30,549	-	-	30,549
<b>As at 1 July 2013</b>	30,549	-	-	30,549
Total comprehensive loss for the financial period	-	-	(41)	(41)
<b>As at 30 September 2013</b>	30,549	-	(41)	30,508
<b>2014</b>				
<b>As at 1 January 2014</b>	36,133	-	4,000	40,133
Total comprehensive loss for the financial period	-	-	(311)	(311)
Issuance of shares, net of shares issue expenses	38,368	-	-	38,368
<b>As at 31 March 2014</b>	74,501	-	3,689	78,190
<b>As at 1 April 2014</b>	74,501	-	3,689	78,190
Total comprehensive loss for the financial period	-	-	(161)	(161)
<b>Transactions with owners/Distribution to owners</b>				
Adjustment pursuant to capitalized expenses	(92)	-	-	(92)
Dividends	-	-	(3,550)	(3,550)
<b>Total transactions with owners</b>	(92)	-	(3,550)	(3,642)
<b>As at 30 June 2014</b>	74,409	-	(22)	74,387
<b>As at 1 July 2014</b>	74,409	-	(22)	74,387
Total comprehensive loss for the financial period	-	-	(114)	(114)
<b>As at 30 September 2014</b>	74,409	-	(136)	74,273

\*- The Company was incorporated on 29 April 2013 and its issued share capital was S\$1 comprising one (1) ordinary share.

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

	Number of Shares	Issued and paid-up share capital (S\$)
<b>Issued and fully paid ordinary shares</b>		
Balance at 1 July 2014 and 30 September 2014	710,000,000	74,501,451

There were no outstanding convertibles or treasury shares held by the Company as at 30 September 2014 and 30 September 2013.

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

	As at 30 Sep 2014	As at 31 Dec 2013
<b>Total issued shares</b>	710,000,000	550,000,000

As at 30 September 2014, the Company has no outstanding options, convertibles or treasury shares.

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

Not applicable, as the Company does not have any treasury shares.

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

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the 3-months financial period ended 30 September 2014 ("**3Q2014**") and 9-months financial period ended 30 September 2014 ("**9M2014**") as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2013. A number of new standards, amendments to standards and interpretations are effective for the financial year beginning 1 January 2014. The adoption of these new/revised Singapore Financial Reporting Standards has no significant impact on the Group's financial statements.

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

Refer to paragraph 4 above.

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

**Earnings per share based on the weighted average number of ordinary shares in issue:**

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

	3Q - 3 Months		9M - 9 Months	
	1 Jul 2014 to 30 Sep 2014	1 Jul 2013 to 30 Sep 2013	1 Jan 2014 to 30 Sep 2014	1 Jan 2013 to 30 Sep 2013
Net profit attributable to equity holders of the Company (S\$'000)	1,154	3,061	6,634	11,090
Weighted average number of ordinary shares outstanding for earnings per share	710,000,000	550,000,000 <sup>^</sup>	697,692,308	550,000,000 <sup>^</sup>
Basic and fully diluted earnings per share (cents per share)	0.2	0.6	1.0	2.0

<sup>^</sup> - Adjusted for the sub-division of every one (1) share into 550 shares pursuant to the Restructuring Exercise. Please refer to the Offer Document for further details.

The diluted and basic EPS are the same for 3Q2014, 3Q2013, 9M2014 and 9M2013 as the Company has no dilutive equity instruments as at 30 September 2014 and 30 September 2013.

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

	Group		Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Net asset value per ordinary share (cents)	13.9	10.5	10.5	7.3

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

**GROUP FINANCIAL PERFORMANCE**

**Consolidated Statement of Comprehensive Income**

**Revenue**

Revenue for 3Q2014 decreased by S\$4.1 million or 23.1%, from S\$17.9 million for 3Q2013 to S\$13.8 million for 3Q2014 due to the decrease in revenue from the Offshore Rig Services and Supply Chain Management segment of S\$4.1 million.

Revenue in the Offshore Rig Services and Supply Chain Management segment decreased mainly due to a decrease in (i) marine offshore support services income of S\$3.1 million, from S\$7.6 million in 3Q2013 to S\$4.5 million in 3Q2014; (ii) chartering and towage income of S\$0.5 million, from S\$4.7 million in 3Q2013 to S\$4.2 million in 3Q2014; (iii) sale of materials of S\$0.3 million, from S\$4.1 million in 3Q2013 to S\$3.8 million in 3Q2014; and (iv) equipment rental income of S\$0.2 million, from S\$1.5 million in 3Q2013 to S\$1.3 million in 3Q2014. The decrease in this segment was mainly due to further delays in the arrival of drilling rigs and offshore support vessels from our customers.

#### **Cost of sales, profit margin and gross profit margin**

Cost of sales decreased by S\$1.4 million or 13.3% from S\$10.2 million in 3Q2013 to S\$8.8 million in 3Q2014. This was mainly due to the decrease in (i) freight, transportation and port charges of S\$0.7 million; and (ii) other costs of sales of S\$1.4 million; partially offset by the increase in vessels-related costs of S\$0.9 million. As a result, gross profit decreased by S\$2.8 million or 35.9%, from S\$7.7 million in 3Q2013 to S\$5.0 million in 3Q2014.

Gross profit margin dropped from 43.3% for 3Q2013 to 36.1% for 3Q2014. The decrease in gross profit margin was mainly due to a higher proportion of lower margin business which comprise sale of materials and accordingly, a lower proportion of high margin business such as marine offshore support services which the Group had undertaken in 3Q2014.

#### **Other income**

Other income decreased by S\$0.3 million from S\$0.7 million in 3Q2013 to S\$0.4 million in 3Q2014 mainly due to a one-off insurance claim in 3Q2013 amounting to about S\$0.8 million, partially offset by (i) exchange gains of S\$0.2 million in 3Q2014; (ii) gains on disposal of property, plant and equipment of S\$0.1 million in 3Q2014 compared to losses on disposal of property, plant and equipment of S\$0.2 million in 3Q2013 and (iii) increase in interest income from bank deposits of S\$0.1 million.

#### **Distribution expenses**

Distribution expenses decreased by S\$0.4 million, from S\$0.6 million in 3Q2013 to S\$0.2 million in 3Q2014, due to decrease in brokerage and commission fees in relation to sale of vessels of S\$0.4 million.

#### **Other operating expenses**

Other operating expenses decreased by S\$0.5 million mainly due to exchange losses of S\$0.1 million in 3Q2013 which did not recur in 3Q2014. Depreciation costs decreased by S\$0.1 million in 3Q2014 as some of the Group's assets had been fully depreciated in FY2013.

#### **Income tax expense**

Income tax expense decreased by S\$0.3 million or 56.8%, from S\$0.5 million in 3Q2013 to S\$0.2 million in 3Q2014, in line with the decrease in our profits. The effective tax rate was 12.9% for 3Q2013 and 14.5% for 3Q2014 which was below the prevailing statutory tax rate in Singapore due mainly to income from chartering services which is non-taxable.

#### **Net profit**

As a result of the above, our net profit decreased by S\$1.9 million from S\$3.1 million in 3Q2013 to S\$1.2 million in 3Q2014.

#### **Statement of Financial Position**

##### **Current assets**

Current assets increased by S\$37.2 million from S\$34.2 million as at 31 December 2013 to S\$71.4 million as at 30 September 2014 mainly due to increases in cash and cash equivalents and inventories of S\$41.1 million and S\$1.5 million respectively, which was partially offset by a decrease in trade and other receivables of S\$5.5 million.

Cash and cash equivalents increased from S\$3.5 million as at 31 December 2013 to S\$44.6 million as at 30 September 2014 due mainly to the proceeds from the Company's IPO on Catalist of the SGX-ST and collections from customers during the period. Inventories increased from S\$0.7 million as at 31 December 2013 to S\$2.2 million as at 30 September 2014 due mainly to inventories amounting to S\$0.9 million to be used in a job that was completed in October 2014 and materials used in the construction of an accommodation barge amounting to S\$0.6 million.

Trade and other receivables decreased from S\$28.2 million as at 31 December 2013 to S\$22.7 million as at 30 September 2014 mainly due to collections from customers during the period, partially offset by down payments of S\$4.0 million to purchase vessels.

#### **Current liabilities**

Current liabilities decreased by S\$2.0 million from S\$24.6 million as at 31 December 2013 to S\$22.6 million as at 30 September 2014 mainly due to decreases in current tax payables of S\$1.8 million as a result of lower profits for the period.

#### **Non-current liabilities**

Non-current liabilities increased by S\$1.0 million from S\$9.9 million as at 31 December 2013 to S\$10.9 million as at 30 September 2014 due to new loans taken up by the Group during the period to purchase vessels.

#### **Shareholders' equity**

Shareholders' equity amounted to S\$57.5 million and S\$98.9 million as at 31 December 2013 and 30 September 2014 respectively. The increase was due to an increase in (i) share capital of S\$38.3 million from the issuance of new shares pursuant to the IPO of the Company on Catalist of the SGX-ST; and (ii) profit for the period of S\$6.6 million, partially offset by dividends paid during the period of S\$3.6 million.

#### **Consolidated Statement of Cash flows**

In 3Q2014, we generated net cash from operating activities before changes in working capital of S\$2.3 million. Net cash from working capital amounted to S\$4.7 million. This was mainly due to a decrease in trade and other receivables of S\$4.2 million and an increase in trade and other payables of S\$1.9 million, partially offset by an increase in inventories of S\$1.4 million. We paid income tax of S\$0.7 million during the period. The net cash generated from operating activities amounted to S\$6.2 million.

Net cash used in investing activities of S\$2.9 million in 3Q2014 was mainly for the purchase of vessels of S\$2.8 million.

Net cash used in financing activities of S\$1.4 million in 3Q2014 were mainly due to (i) the repayment of obligations under finance lease and term loans amounting to S\$0.5 million and S\$0.7 million respectively; and (ii) payment of interest amounting to S\$0.1 million.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S\$1.9 million in our cash and cash equivalents (as adjusted for bank overdrafts and deposits pledged).

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

Not applicable. No forecast or prospect statement has been made.

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

The recent decline and continued downward trend in oil prices have raised concerns that offshore exploration activities may decrease in the next 12 months, resulting in a downward pressure on margins for the maintenance of rigs and/or goods and services provided to customers. According to Baker Hughes, there is a threat that drilling contractors will seriously consider removing drilling rigs should the West Texas Intermediate oil prices fall below US\$75 per barrel. The Group has been seeing a trend in the delay of rig deliveries in light of the current macro-economic outlook.

Barring unforeseen circumstances, based on current on-going projects, the Group still expects to perform better in 4Q2014 vis-à-vis 3Q2014.

Despite current market conditions and an uncertain forward operating environment, the Group remains positive on its business outlook for the next 12 months.

Moving forward, the Group will continue to assess potential merger and acquisition opportunities. The Group's current strong cash position allows us to undertake expansion activities and additional projects, which will put the Group in good stead to capitalise on the attractive valuations expected within the energy sector.

**11. If a decision regarding dividend has been made:-**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended)**

No dividend has been declared or recommended for 3Q2014.

**(b) Previous corresponding period**

No dividend was declared or recommended for 3Q2013.

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

Not applicable.

**(d) Date Payable**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for 3Q2014.

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

The Group has not obtained a general mandate from shareholders for interested person transactions.

**14. Confirmation by the Board pursuant to Rule 705(5) of the Catalist Listing Manual.**

The Board of Directors confirm that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results for the third quarter ended 30 September 2014 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Thomas Tan Keng Siong  
Executive Chairman and CEO  
6 November 2014

Yeo Seh Hong  
Executive Director and COO