



Company Registration No. 201311482K

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**") SAC Capital Private Limited, 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.

The contact person for the Sponsor is Ms. Tay Sim Yee, SAC Capital Private Limited at 1 Robinson Road #21-02 AIA Tower Singapore 048542, telephone (65) 65323829.

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			9 Months		
	1 Jul 2017 to	1 Jul 2016	+/-	1 Jan 2017 to	1 Jan 2016 to	+/-
	30 Sep 2017	30 Sep 2016		30 Sep 2017	30 Sep 2016	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	6,324	7,420	(15)	22,227	23,897	(7)
Cost of sales	(5,508)	(5,266)	5	(16,786)	(16,267)	3
Gross profit	816	2,154	(62)	5,441	7,630	(29)
Gross profit margin	13%	29%		24%	32%	
Other income	258	146	77	1,805	762	137
Distribution expenses	(215)	(434)	(50)	(542)	(942)	(42)
Administrative expenses	(3,002)	(2,899)	4	(9,019)	(10,089)	(11)
Other operating expenses	(1,013)	(471)	115	(2,892)	(1,560)	85
Finance costs	(231)	(216)	7	(603)	(661)	(9)
Loss before tax	(3,387)	(1,720)	97	(5,810)	(4,860)	20
Tax expenses	(510)	(14)	3543	(536)	(14)	3729
Loss for the period	(3,897)	(1,734)	125	(6,346)	(4,874)	30
Other comprehensive income, net of tax						
Translation differences relating to financial statements of foreign operations	(19)	12	N.M.	(88)	(66)	33
Total comprehensive loss	(3,916)	(1,722)	127	(6,434)	(4,940)	30

N.M. – not meaningful

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. (Continued)

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

	3 Months			9 Months		
	1 Jul 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	+/-	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 2016	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Other income</u>						
Interest income from bank deposits	(8)	(47)	(83)	(75)	(234)	(68)
Miscellaneous income	(144)	(111)	30	(1,081)	(426)	154
(Gain)/Loss on disposal of property, plant and equipment	(106)	12	N.M.	(649)	(102)	536
Currency translations losses/ (gains) - net	243	(83)	N.M.	540	243	122
Interest on loans and borrowings	231	216	7	603	661	(9)
Depreciation of property, plant and equipment	1,791	1,385	29	5,259	3,584	47
Adjustment for under provision of tax in respect of prior years	510	14	3543	536	14	3729

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 2017 S\$'000	As at 31 Dec 2016 S\$'000	As at 30 Sep 2017 S\$'000	As at 31 Dec 2016 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	116,704	108,385	–	–
Club memberships	46	46	–	–
Investments in subsidiaries	–	–	36,133	36,133
	<u>116,750</u>	<u>108,431</u>	<u>36,133</u>	<u>36,133</u>
Current assets				
Inventories	213	630	–	–
Trade and other receivables	9,919	7,830	38,368	30,152
Cash and cash equivalents	8,772	20,089	3,468	12,636
	<u>18,904</u>	<u>28,549</u>	<u>41,836</u>	<u>42,788</u>
Total assets	<u>135,654</u>	<u>136,980</u>	<u>77,969</u>	<u>78,921</u>
EQUITY				
Share capital	74,409	74,409	74,409	74,409
Other reserves	(11,092)	(11,004)	–	–
Accumulated profits	21,098	27,941	3,325	4,249
Equity attributable to owners of the Companies	<u>84,415</u>	<u>91,346</u>	<u>77,734</u>	<u>78,658</u>
LIABILITIES				
Non-current liabilities				
Loans and borrowings	22,379	17,553	–	–
Deferred tax liabilities	10,286	10,286	–	–
	<u>32,665</u>	<u>27,839</u>	<u>–</u>	<u>–</u>
Current liabilities				
Loans and borrowings	7,890	7,474	–	–
Trade and other payables	10,121	10,279	235	263
Current tax payable	563	42	–	–
	<u>18,574</u>	<u>17,795</u>	<u>235</u>	<u>263</u>
Total liabilities	<u>51,239</u>	<u>45,634</u>	<u>235</u>	<u>263</u>
Total equity and liabilities	<u>135,654</u>	<u>136,980</u>	<u>77,969</u>	<u>78,921</u>

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 2017		As at 31 December 2016	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	7,890	–	7,474	–

Amount repayable after one (1) year

	As at 30 Sep 2017		As at 31 December 2016	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	22,379	–	17,553	–

Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$43.97 million are pledged as collaterals for secured term loans, trust receipts and bank overdrafts;
- Fixed deposits of approximately S\$1.68 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 amounting to S\$57.09 million.

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 2017 S\$'000	3 months ended 30 Sep 2016 S\$'000	9 months ended 30 Sep 2017 S\$'000	9 months ended 30 Sep 2016 S\$'000
Cash flows from operating activities				
Loss before income tax	(3,387)	(1,720)	(5,810)	(4,860)
Adjustments for:				
Depreciation of property, plant and equipment	1,791	1,385	5,259	3,584
(Gain)/Loss on disposal of property, plant and equipment	(106)	12	(649)	(102)
Interest income	(8)	(47)	(75)	(234)
Interest expense	231	216	603	661
	(1,479)	(154)	(672)	(951)
Changes in working capital:				
Inventories	(39)	(419)	415	(1,475)
Trade and other receivables	(1,265)	(1,959)	(2,365)	3,946
Trade and other payables	564	1,540	103	6
Cash (used in)/generated from operations	(2,219)	(992)	(2,519)	1,526
Income tax refunded/(paid)	12	(12)	(14)	(276)
Net cash (used in)/generated from operating activities	(2,207)	(1,004)	(2,533)	1,250
Cash flows from investing activities				
Purchase of property, plant and equipment	(370)	(1,053)	(13,168)	(3,157)
Proceeds from disposal of property, plant and equipment	288	330	2,734	446
Interest received	8	47	75	234
Net cash used in investing activities	(74)	(676)	(10,359)	(2,477)
Cash flows from financing activities				
Interest paid	(231)	(216)	(603)	(661)
Dividend paid	-	-	(497)	(2,130)
Repayment of finance lease liabilities - net	(1,040)	(1,152)	(3,891)	(2,722)
Proceeds from term loan	5,000	-	10,000	-
Repayment of term loans - net	(1,149)	(1,123)	(3,401)	(2,694)
Deposits withdrawn/(pledged)	1,004	(1,002)	2,026	(991)
Net cash generated from/(used) in financing activities	3,584	(3,493)	3,634	(9,198)
Net increase/(decrease) in cash and cash equivalents	1,303	(5,173)	(9,258)	(10,425)
Cash and cash equivalents at beginning of the period	5,795	26,826	16,382	32,106
Effect of exchange rate fluctuations on cash and cash equivalents	(7)	5	(33)	(23)
Cash and cash equivalents at end of the period~	7,091	21,658	7,091	21,658
Significant non-cash transactions during the period				
a. Purchase of property, plant and equipment under finance leases, term loans and deposits	-	-	7,390	6,754

~Cash and cash equivalents consist of the following:	3 months ended	3 months ended	9 months ended	9 months ended
	30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash at bank and in hand	4,075	7,152	4,075	7,152
Fixed deposits	4,697	16,196	4,697	16,196
Cash and cash equivalents	8,772	23,348	8,772	23,348
Deposits pledged	(1,681)	(1,690)	(1,681)	(1,690)
Cash and cash equivalents in the statements of cash flows	7,091	21,658	7,091	21,658

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
2016					
As at 1 January 2016	74,409	(32,763)	268	47,899	89,813
Total comprehensive income for the financial period					
Loss for the financial period	–	–	–	(1,719)	(1,719)
Other comprehensive income/Total other comprehensive income					
Translation differences relating to financial statements of foreign operations	–	–	(84)	–	(84)
Total comprehensive loss for the financial period	–	–	(84)	(1,719)	(1,803)
As at 31 March 2016	74,409	(32,763)	184	46,180	88,010
As at 1 April 2016	74,409	(32,763)	184	46,180	88,010
Total comprehensive income for the financial period					
Loss for the financial period	–	–	–	(1,421)	(1,421)
Other comprehensive income/Total other comprehensive income					
Translation differences relating to financial statements of foreign operations	–	–	6	–	6
Total comprehensive loss for the financial period	–	–	6	(1,421)	(1,415)
Transactions with owners/Distribution to owners					
Dividends	–	–	–	(2,130)	(2,130)
Total transactions with owners	–	–	–	(2,130)	(2,130)
As at 30 June 2016	74,409	(32,763)	190	42,629	84,465
As at 1 July 2016	74,409	(32,763)	190	42,629	84,465
Total comprehensive income for the financial period					
Loss for the financial period	–	–	–	(1,734)	(1,734)
Other comprehensive income/Total other comprehensive income					
Translation differences relating to financial statements of foreign operations	–	–	12	–	12
Total comprehensive loss for the financial period	–	–	12	(1,734)	(1,722)
As at 30 September 2016	74,409	(32,763)	202	40,895	82,743

Group	Share capital	Merger deficit	Currency translation reserve	Revaluation Reserve	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2017						
As at 1 January 2017	74,409	(32,763)	293	21,466	27,941	91,346
Total comprehensive income for the financial period						
Profit for the financial period	–	–	–	–	344	344
Other comprehensive income/Total other comprehensive income						
Translation differences relating to financial statements of foreign operations	–	–	(49)	–	–	(49)
Total comprehensive income for the financial period	–	–	(49)	–	344	295
As at 31 March 2017	74,409	(32,763)	244	21,466	28,285	91,641
As at 1 April 2017	74,409	(32,763)	244	21,466	28,285	91,641
Total comprehensive income for the financial period						
Loss for the financial period	–	–	–	–	(2,793)	(2,793)
Other comprehensive income/Total other comprehensive income						
Translation differences relating to financial statements of foreign operations	–	–	(20)	–	–	(20)
Total comprehensive loss for the financial period	–	–	(20)	–	(2,793)	(2,813)
Transactions with owners/Distribution to owners						
Dividends	–	–	–	–	(497)	(497)
Total transactions with owners	–	–	–	–	(497)	(497)
As at 30 June 2017	74,409	(32,763)	224	21,466	24,995	88,331
As at 1 July 2017	74,409	(32,763)	224	21,466	24,995	88,331
Total comprehensive income for the financial period						
Loss for the financial period	–	–	–	–	(3,897)	(3,897)
Other comprehensive income/Total other comprehensive income						
Translation differences relating to financial statements of foreign operations	–	–	(19)	–	–	(19)
Total comprehensive income for the financial period	–	–	(19)	–	(3,897)	(3,916)
As at 30 September 2017	74,409	(32,763)	205	21,466	21,098	84,415

Company	Share capital S\$'000	Accumulated profits/(losses) S\$'000	Total equity S\$'000
2016			
As at 1 January 2016	74,409	5,907	80,316
Total comprehensive loss for the financial period	–	(344)	(344)
As at 31 March 2016	<u>74,409</u>	<u>5,563</u>	<u>79,972</u>
As at 1 April 2016	74,409	5,563	79,972
Total comprehensive loss for the financial period	–	(199)	(199)
Transactions with owners/Distribution to owners			
Dividends	–	(2,130)	(2,130)
Total transactions with owners	<u>–</u>	<u>(2,130)</u>	<u>(2,130)</u>
As at 30 June 2016	<u>74,409</u>	<u>3,234</u>	<u>77,643</u>
As at 1 July 2016	74,409	3,234	77,643
Total comprehensive loss for the financial period	–	(45)	(45)
As at 30 September 2016	<u>74,409</u>	<u>3,189</u>	<u>77,598</u>
2017			
As at 1 January 2017	74,409	4,249	78,658
Total comprehensive loss for the financial period	–	(175)	(175)
As at 31 March 2017	<u>74,409</u>	<u>4,074</u>	<u>78,483</u>
As at 1 April 2017	74,409	4,074	78,483
Total comprehensive loss for the financial period	–	(135)	(135)
Transactions with owners/Distribution to owners			
Dividends	–	(497)	(497)
Total transactions with owners	<u>–</u>	<u>(497)</u>	<u>(497)</u>
As at 30 June 2017	<u>74,409</u>	<u>3,442</u>	<u>77,851</u>
As at 1 July 2017	74,409	3,442	77,851
Total comprehensive loss for the financial period	–	(117)	(117)
As at 30 September 2017	<u>74,409</u>	<u>3,325</u>	<u>77,734</u>

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 share, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of Shares	Issued and paid-up share capital (S\$)
Issued and fully paid ordinary shares		
Balance at 30 September 2017 and 30 June 2017	710,000,000	74,408,757

There were no outstanding convertibles or treasury shares held by the Company as at 30 September 2017 and 30 September 2016.

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 September 2017	As at 31 December 2016
Total issued shares	710,000,000	710,000,000

The Company has no outstanding options, convertibles or treasury shares as at 30 September 2017 and 31 December 2016.

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.

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

Not applicable.

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

The figures have not been audited or reviewed by 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 2017 (“**3Q2017**”) and 9-months financial period ended 30 September 2017 (“**9M2017**”) as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2016. A number of new standards, amendments to standards and interpretations are effective for the financial year beginning 1 January 2017. The adoption of these new/revised Singapore Financial Reporting Standards is presently assessed to have 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:

(Loss) per share based on the weighted average number of ordinary shares on issue:

(Loss)/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 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 2016
Net loss attributable to equity holders of the Company (\$’000)	(3,897)	(1,734)	(6,346)	(4,874)
Weighted average number of ordinary shares outstanding	710,000,000	710,000,000	710,000,000	710,000,000
Basic and fully diluted loss per share (cents per share)	(0.5)	(0.2)	(0.9)	(0.7)

The diluted and basic loss per share are the same for each of 3Q2017, 3Q2016, 9M2017 and 9M2016 as the Company has no dilutive equity instruments as at 30 September 2017 and 30 September 2016.

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 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
Net asset value per ordinary share (cents)	11.9	12.9	10.9	11.1
Number of ordinary shares used in calculating net asset value per ordinary share	710,000,000	710,000,000	710,000,000	710,000,000

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 3Q2017 decreased by S\$1.10 million or 14.8%, from S\$7.42 million in 3Q2016 to S\$6.32 million in 3Q2017 mainly due to the decrease in revenue from the Offshore Rig Services and Supply Chain Management segment, as the demand for hire of vessels from our customers has remained low during the current protracted downturn of the O&G industry.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by S\$0.24 million or 4.6%, from S\$5.27 million in 3Q2016 to S\$5.51 million in 3Q2017 due to a higher percentage of the Group's revenue attributable to the marine trading business which has a lower margin.

Gross profit and gross profit margin decreased in 3Q2017 as compared to the corresponding period last year mainly due to a decrease in contribution from the Group's higher margin marine offshore support services and chartering business.

Other income

Other income increased by S\$0.11 million or 76.7%, from S\$0.15 million in 3Q2016 to S\$0.26 million in 3Q2017 due to higher office space rental income and sundry income, partially offset by lower interest received.

Distribution expenses

Distribution expenses decreased by S\$0.22 million or 50.4%, from S\$0.43 million in 3Q2016 to S\$0.21 million in 3Q2017 due to lower advertisement, travelling and entertainment expenses.

Administrative expenses

Administrative expenses increased by S\$0.10 million or 3.6%, from S\$2.90 million in 3Q2016 to S\$3.00 million in 3Q2017 mainly due to increase property tax expenses.

Other operating expenses

Other operating expenses increased by S\$0.54 million or 115.1%, from S\$0.47 million in 3Q2016 to S\$1.01 million in 3Q2017 mainly due to higher depreciation of property, plant and equipment consequent to revaluation of land and building during the year ended 31 December 2016.

Finance costs

Finance costs increased by S\$0.015 million or 6.95% in 3Q2017 as compared to 3Q2016 mainly due to higher interest expenses incurred for additional loans and borrowings.

Tax expenses

Tax expenses increased by S\$0.50 million or 3543% in 3Q2017 as compared to 3Q2016 due to under-provision of tax expenses for prior years.

Net loss

As a result of the above, the Group incurred a loss of S\$3.9 million in 3Q2017 as compared to a loss of S\$1.7 million in 3Q2016.

Statement of Financial Position

Non-current assets

Non-current assets increased by S\$8.3 million, from S\$108.4 million as at 31 December 2016 to S\$116.7 million as at 30 September 2017 mainly due to the purchased of three 130-ton Bollard Pull AHTS Vessels for consideration of US\$9.6 million as announced on 12 June 2017, partially offset by the disposal of certain plant and equipment.

Current assets

Current assets decreased by S\$9.6 million, from S\$28.5 million as at 31 December 2016 to S\$18.9 million as at 30 September 2017. This was mainly due to:

- i) the decrease in cash and cash equivalents;
- ii) the decrease in inventories;

which were partially offset by:

- iii) the increase in trade and other receivables.

Cash and cash equivalents decreased from S\$20.1 million as at 31 December 2016 to S\$8.8 million as at 30 September 2017 mainly due to the purchase of vessels as mentioned above, the payment of dividends and the repayment of bank loans.

Inventories decreased from S\$0.6 million as at 31 December 2016 to S\$0.2 million as at 30 September 2017, during the normal course of operation. Inventory turnover days decreased approximately from 11.2 days as at 31 December 2016 to 8.3 days as at 30 September 2017 mainly due to the Group holding less stock on hand.

Trade and other receivables increased from S\$7.8 million as at 31 December 2016 to S\$9.9 million as at 30 September 2017 mainly due to higher prepayment and deposits as well as higher Group sales towards the end of 3Q2017 that resulted in higher trade receivables being recorded.

Receivable turnover day decreased from 105.2 days as at 31 December 2016 to 77.3 days as at 30 September 2017 mainly due to better credit control.

Non-current liabilities

Non-current liabilities increased by S\$4.8 million, from S\$27.8 million as at 31 December 2016 to S\$32.6 million as at 30 September 2017, mainly due to new bank loans secured to finance the purchase of property, plant and equipment, and partially offset by the repayment of certain loans and borrowings during the period.

Current liabilities

Current liabilities increased by S\$0.7 million, from S\$17.8 million as at 31 December 2016 to S\$18.5 million as at 30 September 2017, mainly due to new bank loans secured to finance the purchase of property, plant and equipment and provision for tax. Payable turnover day increased from 106.3 days as at 31 December 2016 to 134.1 days as at 30 September 2017 mainly due to slower payment to suppliers.

Working Capital Position

The Group's working capital was S\$0.33 million as at 30 September 2017 as compared to S\$17.0 million as at 30 September 2016, mainly due to the decrease of cash and bank balances as a result of our purchase of three 130-ton Bollard Pull AHTS Vessels as announced on 12 June 2017.

At present, the Board is confident that the Group will be able to meet its short-term obligations as and when they fall due because of the Group's ongoing trading and business activities, disposal of assets and loan financing.

The Group continues to enjoy a good relationship with its banks and is continually engaging them for Group's borrowing requirements.

Consolidated Statement of Cash flows

In 3Q2017, net cash used in operating activities before changes in working capital amounted to S\$1.5 million. The net cash used in operating activities amounted to S\$2.2 million.

Net cash used in investing activities of S\$0.07 million in 3Q2017 was mainly due to purchase of equipment and improvements for building, partially offset by proceeds from disposal of equipment and interest received.

Net cash from financing activities of S\$3.6 million in 3Q2017 were due to proceeds from term loan partially offset by repayment of obligations under finance leases and term loans.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S\$1.3 million in cash and cash equivalents (as adjusted for deposits pledged) in 3Q2017.

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.

As oil prices remain low, downward pressure on offshore exploration activities has remained and the demand for maintenance of rigs and related goods and services has not picked up. Given the current conditions in our operating environment, we expect our business to remain challenging in the next 12 months. We continue to actively explore diversification opportunities into the maritime and marine infrastructure sectors.

In 2Q2017, the Group acquired three anchor handling tug supply (AHTS) vessels at attractive valuations of US\$9.6 million. During late 3Q2017, the Group has secured a short-term time charter contract for one of the AHTS vessels with an O&G Major. The other two AHTS vessels are also in the pipeline of discussions with potential customers for short-term and long-term time charters. By acquiring the three Bollard Pull AHTS Vessels at attractive valuations during the O&M downturn, the Group may be able to generate returns from charter contracts, notwithstanding that the prevailing charter rates are low.

Moving forward, the Group will continue to assess potential merger and acquisition opportunities for further distressed asset buys. Though obviously not impervious to the operating challenges posed by a sharp and protracted O&M downturn, the Group's cost-cutting measures are in the process and the Group remains committed to manage its cash flow prudently.

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 3Q2017.

(b) Previous corresponding period

No dividend was declared or recommended for 3Q2016.

(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 3Q2017.

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 confirms that, to the best of its knowledge, nothing has come to its attention which may render the interim financial results for the third quarter ended 30 September 2017 to be false or misleading in any material aspect.

15. Issuer to confirm that it has procured undertaking from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1).

The Board of Directors confirms that they have procured undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720(1).

16. Use of Proceeds

The following table sets out the breakdown of the use of proceeds from the IPO as at the date of announcement:

Intended usage in accordance with the Offer Document	Allocation \$'000	Re- allocation \$'000	Revised Allocation \$'000	Amount utilised \$'000	Amount unutilised \$'000
1 CAPEX for yard facilities enhancement and fleet expansion	20,000	(5,000)	15,000	(15,000)	–
2 Expansion of business scope (M&A)	7,000	–	7,000	–	7,000
3 General working capital	9,400	5,110	14,510	(14,510)	–
4 IPO Expenses	3,600	(110)	3,490	(3,490)	–
	<u>40,000</u>	<u>–</u>	<u>40,000</u>	<u>(33,000)</u>	<u>7,000</u>

The Company will make further periodic announcements via SGXNET on the utilization of the IPO proceeds as and when they are materially disbursed.

BY ORDER OF THE BOARD

Thomas Tan Keng Siong
Executive Chairman and CEO
8 November 2017

Yeo Seh Hong
Executive Director and COO