



Company Registration No. 201311482K

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

UNAUDITED RESULTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

*This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**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)(i) 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		+ / (-)	12 Months		
	Ended 31 Dec 2019	Ended 31 Dec 2018		1 Jan 2019 to 31 Dec 2019	1 Jan 2018 to 31 Dec 2018	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	12,056	12,764	(6)	58,080	38,060	53
Cost of sales	(6,353)	(11,226)	(43)	(42,482)	(32,688)	30
Gross profit	5,703	1,538	> 100	15,598	5,372	>100
Gross profit margin	47%	12%		27%	14%	
Other income	169	161	5	748	1,155	(35)
Distribution expenses	(366)	(334)	10	(1,090)	(1,056)	3
Administrative expenses	(3,178)	(3,202)	(1)	(12,015)	(12,277)	(2)
Other operating expenses	(4,904)	(1,377)	>100	(7,950)	(4,339)	83
Finance costs	(467)	(437)	7	(2,040)	(1,448)	41
Loss before income tax	(3,043)	(3,651)	(17)	(6,749)	(12,593)	(46)
Tax expense	(842)	(650)	30	(197)	(915)	(78)
Loss for the period/year	(3,885)	(4,301)	(10)	(6,946)	(13,508)	(49)
Other comprehensive loss, net of tax						
Translation differences relating to financial statements of foreign operations	(221)	(3)	>100	(118)	33	N.M.
Total comprehensive loss for the period/year	(4,106)	(4,304)	(5)	(7,064)	(13,475)	(48)
Net (loss)/ profit attributable to:						
Owners of the Company	(4,451)	(4,509)	(1)	(7,756)	(13,528)	(43)
Non-Controlling Interests	566	208	>100	810	20	>100
	(3,885)	(4,301)		(6,946)	(13,508)	
EBITDA	(298)	(1,510)	(80)	4,276	(4,270)	N.M.
EBITDA[^]	2,306	(1,510)	N.M.	6,880	(4,270)	N.M.

N.M. – not meaningful

[^] excluding one-off non cash impairment of S\$2.6 million for the proposed sale of property at 48 Penjuru Road as per our announcements dated 3 January 2020 and 20 January 2020

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)

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

	3 Months	3 Months	+ / (-)	12 Months		+ / (-)
	Ended	Ended		1 Jan 2019 to	1 Jan 2018 to	
	31 Dec 2019	31 Dec 2018		31 Dec 2019	31 Dec 2018	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income from bank deposits	–	(5)	N.M.	(7)	(6)	17
Miscellaneous income	(169)	(192)	(12)	(741)	(812)	(9)
Loss/(Gain) on disposal of property, plant and equipment	417	(183)	N.M.	619	(89)	N.M.
Impairment loss on property, plant and equipment	3,106	–	N.M.	3,106	–	N.M.
Currency translations (gains)/ losses - net	(44)	31	N.M.	40	(338)	N.M.
Interest on loans & borrowings	467	437	7	2,040	1,448	41
Depreciation of property, plant and equipment	2,278	1,704	34	8,985	6,876	31
Impairment on trade and other receivables	762	736	4	762	736	4
Adjustment for under provision of tax in respect of prior years	-	650	N.M.	-	915	N.M.
Allowance for stock obsolesces	58	-	N.M.	26	-	N.M.

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 31 Dec 2019	As at 31 Dec 2018(restated)*	As at 31 Dec 2019	As at 31 Dec 2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	62,386	102,414	–	–
Club memberships	57	57	–	–
Investments in subsidiaries	–	–	72,127	36,133
Right of use assets	8,421	–	–	–
	70,864	102,471	72,127	36,133
Current assets				
Inventories	242	168	–	–
Trade and other receivables	13,856	10,229	9,823	46,378
Assets held for sale	27,807	3,843	–	–
Cash and cash equivalents	3,063	1,967	124	20
	44,968	16,207	9,947	46,398
Total assets	115,832	118,678	82,074	82,531
EQUITY				
Share capital	74,409	74,409	74,409	74,409
Reserves	(33,077)	(32,949)	(120)	(110)
Accumulated profits	19,718	27,474	3,657	3,448
Equity attributable to owners of the Company	61,050	68,934	77,946	77,747
Non-controlling interests	830	20	–	–
	61,880	68,954	77,946	77,747
LIABILITIES				
Non-current liabilities				
Loans and borrowings	12,772	22,474	3,038	3,822
Lease liabilities	780	–	–	–
Deferred tax liabilities	3,397	3,204	–	–
	16,949	25,678	3,038	3,822
Current liabilities				
Loans and borrowings	19,114	12,384	784	738
Lease liabilities	5,605	–	–	–
Trade and other payables	12,127	11,484	306	224
Current tax payable	157	178	–	–
	37,003	24,046	1,090	962
Total liabilities	53,952	49,724	4,128	4,784
Total equity and liabilities	115,832	118,678	82,074	82,531

*Refer to page 17 “Accumulated profits” for explanation on restatement

1 (b)(ii) Aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

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

	As at 31 Dec 2019		As at 31 Dec 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings (include finance lease liabilities)	19,114	-	12,384	-
Lease liabilities	-	5,605	-	-

Amount repayable after one (1) year

	As at 31 Dec 2019		As at 31 Dec 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings(include finance lease liabilities)	12,772	-	22,474	-
Lease liabilities	-	780	-	-

As at 31 December 2019, the Group has unsecured lease liabilities arising from the adoption of SFRS(I) 16 *Leases*.

Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$28 million are pledged as collaterals for secured term loans;
- Fixed deposits of approximately S\$0.29 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\$58.8 million to secure outstanding term loan/facilities and finance lease liabilities of S\$32.5million.

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 31 Dec 2019 S\$'000	3 Months Ended 31 Dec 2018 S\$'000	12 Months Ended 31 Dec 2019 S\$'000	12 Months Ended 31 Dec 2018 S\$'000
Cash flows from operating activities				
Loss before income tax	(3,043)	(3,651)	(6,749)	(12,593)
Adjustments for:				
Depreciation of property, plant and equipment	2,278	1,705	8,985	6,876
Loss/(Gain) on disposal of property, plant and equipment	417	(184)	619	(89)
Impairment loss on property, plant and equipment	3,106	–	3,106	–
Interest income	–	(1)	(7)	(6)
Interest expense	467	437	2,040	1,448
	<u>3,225</u>	<u>(1,694)</u>	<u>7,994</u>	<u>(4,364)</u>
Changes in working capital:				
Inventories	(74)	214	(74)	25
Trade and other receivables	3,611	762	(4,265)	(1,316)
Trade and other payables	<u>(2,868)</u>	<u>(911)</u>	<u>1,363</u>	<u>1,470</u>
Cash generated/(used in) from operations	3,894	(1,629)	5,018	(4,185)
Income tax paid	–	(27)	(24)	(643)
Net cash from/(used in) operating activities	<u>3,894</u>	<u>(1,656)</u>	<u>4,994</u>	<u>(4,828)</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(475)	(674)	(1,582)	(3,939)
Deposits pertaining to purchase of property, plant and equipment	(70)	–	(70)	–
Proceeds from disposal of property, plant and equipment	30	1,080	6,136	2,866
Acquisition of club memberships	–	–	–	(11)
Interest received	–	1	7	6
Net cash (used in)/from investing activities	<u>(515)</u>	<u>407</u>	<u>4,491</u>	<u>(1,078)</u>
Cash flows from financing activities				
Interest paid	(467)	(437)	(2,040)	(1,448)
Dividend paid	–	–	–	(496)
Purchase of treasury shares	–	–	(10)	(18)
Repayment of finance lease liabilities – net	(178)	(651)	(1,899)	(2,609)
Repayment of term loans	<u>(1,473)</u>	<u>(3,041)</u>	<u>(6,096)</u>	<u>(4,976)</u>
Proceeds from trust receipts	265	1,990	235	1,990
Proceeds from term loans	–	–	1,500	11,000
Deposits withdrawn	8	–	(10)	395
Net cash (used in)/from financing activities	<u>(1,845)</u>	<u>(2,139)</u>	<u>(8,320)</u>	<u>3,838</u>
Net increase/(decrease) in cash and cash equivalents	1,534	(3,388)	1,165	(2,068)
Cash and cash equivalents at beginning of the period/year~	1,278	5,149	1,685	3,728
Effect of exchange rate fluctuations on cash and cash equivalents	(41)	(76)	(79)	25
Cash and cash equivalents at end of the period/year~	<u>2,771</u>	<u>1,685</u>	<u>2,771</u>	<u>1,685</u>
Significant non-cash transactions during the period				
a. Purchase of property, plant and equipment under finance leases, term loans and deposits	2,083	50	2,200	50

~As adjusted for deposits pledged

~Cash and cash equivalents consist of the

3 Months

3 Months

12 Months

12 Months

following:	Ended 31 Dec 2019 S\$'000	Ended 31 Dec 2018 S\$'000	Ended 31 Dec 2019 S\$'000	Ended 31 Dec 2018 S\$'000
Cash at bank and in hand	2,771	1,676	2,771	1,676
Fixed deposits	292	291	292	291
Cash and cash equivalents	3,063	1,967	3,063	1,967
Deposits pledged	(292)	(282)	(292)	(282)
Cash and cash equivalents in the statements of cash flows	<u>2,771</u>	<u>1,685</u>	<u>2,771</u>	<u>1,685</u>

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	Treasury shares	Merger deficit	Currency translation reserve	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2018								
As at 1 January 2018(Restated)	74,409	(92)	(32,763)	(109)	41,498	82,943	–	82,943
Total comprehensive loss for the year								
Loss for the year	–	–	–	–	(13,528)	(13,528)	20	(13,508)
Other comprehensive income								
Translation differences relating to financial statements of foreign operations	–	–	–	33	–	33	–	33
Total other comprehensive income for the year	–	–	–	33	–	33	–	33
Total comprehensive income/ loss for the year	–	–	–	33	(13,528)	(13,495)	20	(13,475)
Transactions with owners, recognised directly in equity								
Purchase of treasury shares	–	(18)	–	–	–	(18)	–	(18)
Dividends	–	–	–	–	(496)	(496)	–	(496)
Total transactions with owners	–	(18)	–	–	(496)	(514)	–	(514)
As at 31 December 2018(Restated)	74,409	(110)	(32,763)	(76)	27,474	68,934	20	68,954

Group	Share capital	Treasury shares	Merger deficit	Currency translation reserve	Accumulated profits	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2019								
Restated As at 1 January 2019	74,409	(110)	(32,763)	(76)	27,474	68,934	20	68,954
Total comprehensive income for the year								
Loss for the year	–	–	–	–	(7,756)	(7,756)	810	(6,946)
Other comprehensive loss								
Translation differences relating to financial statements of foreign operations	–	–	–	(118)	–	(118)	–	(118)
Total other comprehensive loss for the year	–	–	–	(118)	–	(118)	–	(118)
Total comprehensive loss for the year	–	–	–	(118)	(7,756)	(7,874)	810	(7,064)
Transactions with owners, recognised directly in equity								
Purchase of treasury shares	–	(10)	–	–	–	(10)	–	(10)
Total transactions with owners	–	(10)	–	–	–	(10)	–	(10)
As at 31 December 2019	74,409	(120)	(32,763)	(194)	19,718	61,050	830	61,880

Company	Share capital S\$'000	Treasury shares S\$'000	Accumulated profits S\$'000	Total equity S\$'000
2018				
As at 1 January 2018	74,409	(92)	3,920	78,237
Total comprehensive profit for the financial year				
Profit for the financial year	–	–	24	24
Transaction with owners				
Purchase of treasury shares	–	(18)	–	(18)
Dividends	–	–	(496)	(496)
Total transaction with owners	–	(18)	(496)	(514)
As at 31 December 2018	74,409	(110)	3,448	77,747
2019				
As at 1 January 2019	74,409	(110)	3,448	77,747
Total comprehensive profit for the financial year				
Profit for the financial year	–	–	209	209
Transaction with owners				
Purchase of treasury shares	–	(10)	–	(10)
Total transaction with owners	–	(10)	209	199
As at 31 December 2019	74,409	(120)	3,657	77,946

1 (d)(ii)

Details of any changes in the company's share capital arising from rights issue, bonus issue, share buybacks, 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 2019	710,000,000	76,133,121
Balance at 31 December 2019	710,000,000	76,133,121

During the quarter ended 31 December 2019, there has been no change in the issued and paid up share capital of the Company.

There were no outstanding options, convertibles and subsidiary holdings held by the Company as at 31 December 2019 and 31 December 2018.

Treasury shares

The number of treasury shares held by the Company as at 31 December 2019 is 1,317,700 representing 0.19% of the total number of shares outstanding as at 31 December 2019 (31 December 2018: 1,167,700 representing 0.16% of the total number of shares outstanding as at 31 December 2018.)

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 31 Dec 2019	As at 31 Dec 2018
Total issued shares excluding treasury shares	708,682,300	708,832,300

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.

During the quarter and the financial year ended 31 December 2019, there were no sales, transfers, disposal, cancellation and/or use of 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. The Company has no subsidiary holdings.

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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Company's latest financial statements were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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 31 December 2019 ("4Q2019") as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2018 except for Singapore Financial Reporting Standard (International) 16-Leases ("SFRS(I)16").

The Group has adopted the new SFRS(I)16 which took effect on 1 January 2019, using the modified retrospective approach. SFRS(I)16 introduces a single, on balance sheet lease accounting model. The rationale of the change is to better reflect the economic substance of lease transactions. It is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

In compliance with SFRS(I)16, the Group has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to the initial recognition, the Group depreciated the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognised interest expense on the lease liabilities.

The ROU assets as at 31 December 2019 were mainly related to leases of the shipyards at 9 Pandan Crescent and 48 Penjuru Road, which was classified as "asset held for sale". Accordingly, there was a corresponding increase in lease liabilities of approximately S\$6.3 million as at 31 December 2019.

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 (“LPS”) is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period/year.

	3 Months Ended 31 Dec 2019 ("4Q2019")	3 Months Ended 31 Dec 2018 ("4Q2018")	12 Months 1 Jan 2019 to 31 Dec 2019 ("FY2019")	12 Months 1 Jan 2018 to 31 Dec 2018 ("FY2018")
Net loss attributable to equity holders of the Company (S\$'000)	(4,451)	(4,509)	(7,756)	(13,528)
Weighted average number of ordinary shares outstanding for loss per share	708,682,300	708,832,300	708,768,743	709,880,291
Basic and fully diluted loss per share (cents per share)	(0.6)	(0.6)	(1.1)	(1.9)

The diluted and basic LPS are the same for each of 4Q2019, 4Q2018, FY2019 and FY2018 as the Company has no dilutive equity instruments for each of the respective periods.

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 31 Dec 2019	As at 31 Dec 2018 (restated)	As at 31 Dec 2019	As at 31 Dec 2018
Net asset value per ordinary share (cents)	8.7	9.7	11.0	11.0
Number of ordinary shares used in calculating net asset value per ordinary share	708,682,300	708,832,300	708,682,300	708,832,300

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

4Q2019 vs 4Q2018

Revenue for 4Q2019 decreased by S\$0.7 million, from S\$12.8 million for 4Q2018 to S\$12.1 million for 4Q2019 mainly due to the following:

- a) decrease in revenue of S\$4.1 million from equipment rental & material sales;

- b) decrease in revenue of S\$2.5 million from trading in vessels; offset by
- c) increase in revenue of S\$2.4 million and S\$3.5 million from chartering of vessels and marine offshore support services respectively.

FY2019 vs FY2018

Revenue for FY2019 grew and increased by S\$20 million or 52.6%, from S\$38.0 million for FY2018 to S\$58.0 million for FY2019 mainly due to the following:

- a) increase in revenue of S\$25.5 million from the Marine & Offshore Support segment mainly due to more projects secured and increased vessels chartering activities partially offset by
- b) decrease in revenue of S\$5.5 million due to decrease in equipment rental and no trading vessels activity as compared to FY2018.

Cost of sales, gross profit and gross profit margin

4Q2019 vs 4Q2018

Cost of sales decreased more than proportionately as compared to the decrease in revenue by S\$4.8 million or 43.4%, from S\$11.2 million in 4Q2018 to S\$6.4 million in 4Q2019 due to the completion of certain higher profit margin projects in 4Q2019.

Gross profit increased by S\$4.2 million from S\$1.5 million in 4Q2018 to S\$5.7 million in 4Q2019. This was mainly due to increase in projects from higher margin business of the Marine & Offshore Support Services segment and vessels chartering activities for 4Q2019.

Gross profit margin increased from 12% for 4Q2018 to 47% in 4Q2019. The increase in gross profit margin was mainly attributable to the completion of certain higher profit margin projects in 4Q2019, as explained above.

FY2019 vs FY2018

In line with the increase in revenue, cost of sales increased by S\$9.8 million or 30.0%, from S\$32.7 million in FY2018 to S\$42.5 million in FY2019.

Gross profit increased by S\$10.2 million, from S\$5.4 million in FY2018 to S\$15.6 million in FY2019.

Gross profit margin increased from 14% for FY2018 to 27% for FY2019. The increase in gross profit margin in FY2019 was mainly due to an increase in contribution from the Group's higher margin businesses from its Marine & Offshore Support Services segment and vessels chartering activities.

Other income

4Q2019 vs 4Q2018

Other income increased slightly by S\$8,000 in 4Q2019, mainly due to an insurance payout settlement in 4Q2019.

FY2019 vs FY2018

Other income decreased by S\$0.45 million, or 35% from S\$1.2 million in FY2018 to S\$0.75 million in FY2019, mainly due to exchange gain recognised in FY2018 as compared to exchange loss recognised in FY2019.

Distribution expenses

4Q2019 vs 4Q2018

Distribution expenses increased by S\$0.04 million or 9.6% from S\$0.33 million in 4Q2018 to S\$0.37 million in 4Q2019, mainly due to increase in travelling and accommodation expenses, in line with the increase in revenue and sales activities.

FY2019 vs FY2018

Distribution expenses increased by S\$0.03 million or 3.2%, from S\$1.06 million in FY2018 to S\$1.09 million in FY2019 with the same reason as stated above.

Administrative expenses

4Q2019 vs 4Q2018

Administrative expenses marginally decreased by S\$0.02 million in 4Q2019, mainly due to decrease in professional fees & foreign worker salaries & levies, partially offset by higher utilities & telecommunication and other admin expenses.

FY2019 vs FY2018

Administrative expenses decreased by S\$0.26 million or 2.1%, from S\$12.27 million in FY2018 to S\$12.01 million in FY2019 with the same reason as stated above.

Other operating expenses

4Q2019 vs 4Q2018

Other operating expenses increased by S\$3.5 million from S\$1.4 million in 4Q2018 to S\$4.9 million in 4Q2019. The increase was mainly due to impairment loss of S\$2.6 million on the sale of property at 48 Penjuru Road and impairment loss on certain plant and equipment.

FY2019 vs FY2018

Other operating expenses increased by S\$3.6 million or 83.2%, from S\$4.3 million in FY2018 to S\$7.9 million in FY2019 with the same reason as stated above.

Depreciation

4Q2019 vs 4Q2018

Depreciation on property, plant and equipment increased by S\$0.6 million or 33.7% from S\$1.7 million in 4Q2018 to S\$2.3 million in 4Q2019 mainly due to the adoption of new accounting standard SFRS(I)16 effective from 1 January 2019.

FY2019 vs FY2018

Depreciation on property, plant and equipment increased by S\$2.1 million or 30.7% from S\$6.8 million in FY2018 to S\$9.0 million in FY2019 with the same reason as stated above.

Finance costs

4Q2019 vs 4Q2018

Finance costs increased by S\$0.03 million or 6.9%, from S\$0.44 million in 4Q2018 to S\$0.47 million in 4Q2019, mainly due to higher interest expenses incurred for lease liabilities of the shipyards at 9 Pandan Crescent and 48 Penjuru Road due to the adoption of new accounting standard SFRS(I)16 effective from 1 January 2019.

FY2019 vs FY2018

Finance costs increased by S\$0.59 million or 40.9%, from S\$1.45 million in FY2018 to S\$2.04 million in FY2019, mainly due to the same reason as stated above.

Income tax expense

4Q2019 vs 4Q2018

Income tax expenses increased by S\$0.19 million from S\$0.65 million in 4Q2018 to S\$0.84 million in 4Q2019 due to provision made for deferred tax liabilities as compared to 4Q2018.

FY2019 vs FY2018

Income tax expense decreased by S\$0.72 million from S\$0.90 million in FY2018 to S\$0.20 million mainly to underprovision of income tax for prior years recognized in FY2018.

Net Loss

4Q2019 vs 4Q2018

As a result of the above, the Group incurred a net loss of S\$3.8 million in 4Q2019, a 9.7% decrease as compared to a net loss of S\$4.3 million in 4Q2018.

FY2019 vs FY2018

As a result of the above, the Group managed to narrow down from a net loss of S\$13.5 million in FY2018 to a net loss of S\$6.9 million in FY2019, which represented a decrease of 48.6% year-on-year.

EBITDA

The Group made a significant improvement to achieve an EBITA gain of S\$6.9 million for FY2019 as compared to an EBITDA loss of S\$4.3 million for FY2018, excluding the one-off non cash impairment loss of S\$2.6 million from the sale of the property at 48 Penjuru Road.

Statement of Financial Position

Non-current assets

Non-current assets decreased by S\$31.6 million, from S\$102.5 million as at 31 December 2018 to S\$70.9 million as at 31 December 2019. This was mainly due to reclassification of the property at 48 Penjuru Road from non-current assets to the assets held for sale in current assets, arising from the proposed sale of the property as per our announcements dated 3 January 2020 and 30 January 2020.

Current assets

Current assets increased by S\$28.8 million from S\$16.2 million as at 31 December 2018 to S\$45.0 million as at 31 December 2019. This was mainly due to reclassification from non-current assets to assets held for sale as mentioned above.

Cash and cash equivalents increased by S\$1.0 million from S\$2.0 million as at 31 December 2018 to S\$3.0 million as at 31 December 2019. This was mainly due to receipt of payment from trade receivables.

Trade and other receivables increased by S\$3.7 million from S\$10.2 million as at 31 December 2018 to S\$13.9 million as at 31 December 2019. This was mainly due to higher group sales in FY2019 that resulted in higher trade receivables being recorded as at financial year end.

Receivables turnover day increased from 61 days as at 31 December 2018 to 66 days as at 31 December 2019 mainly due to longer credit term granted for certain major customers.

Non-current liabilities

Non-current liabilities decreased by S\$8.8 million, from S\$25.7 million as at 31 December 2018 to S\$16.9 million as at 31 December 2019, mainly due to the reclassification of the property loan in respect of the property at 48 Penjuru Road from non-current liabilities to current liabilities arising from the proposed sale of the property as per our announcements dated 3 January 2020 and 30 January 2020.

Current liabilities

Current liabilities increased by S\$13.0 million from S\$24.0 million as at 31 December 2018 to S\$37.0 million as at 31 December 2019. The increase was mainly due to the reclassification of the property loan in respect of the property at 48 Penjuru Road as explained above, as well as the recognition of lease liabilities of S\$5.6 million due to the adoption of new accounting standard SFRS(I)16 effective from 1 January 2019.

Trade payables increased by S\$0.6 million from S\$11.5 million as at 31 December 2018 to S\$12.1 million as at 31 December 2019. The increase in payables is in tandem with higher sales activities in FY2019.

Payable turnover days increased from 62 days as at 31 December 2018 to 87 days as at 31 December 2019 as the Group had managed to negotiate a better credit term with the suppliers.

Shareholders' equity

Shareholders' equity amounted to S\$68.9 million and S\$61.1 million as at 31 December 2018 and 31 December 2019 respectively. The decrease was mainly due to net loss incurred in FY2019 of S\$7.8 million.

Accumulated profits

Management assessed the Group's deferred tax liabilities position as at FY2019 following the finalisation of prior years' corporate tax assessment up to YA 2017. Management noted that deferred tax liabilities previously provided on the revaluation surplus of the Group's property, plant and equipment were no longer required following the adoption of SFRS(I) First-time adoption of Singapore Financial Reporting Standards (International) which was effective from 1 January 2018. An amount of S\$7.7 million had been adjusted against the retained earnings as at 1 January 2018.

Consolidated Statement of Cash flows

4Q2019 vs 4Q2018

In 4Q2019, net cash generated from operating activities before changes in working capital amounted to S\$3.2 million due to a loss before income tax of S\$3.0 million, and adjustments for mainly depreciation of property, plant and equipment of S\$2.3 million, impairment loss on property, plant and equipment of S\$3.1 million as well as interest expense. The overall net cash generated from operating activities, after changes in working capital, amounted to S\$3.9 million.

Net cash used in investing activities of S\$0.52 million in 4Q2019 was mainly for purchase of property, plant and equipment and the deposits pertaining to purchase of property, plant and equipment, which was partially offset by proceeds from disposal of property, plant and equipment.

Net cash used in financing activities of S\$1.8 million in 4Q2019 was mainly due to the repayment of obligations under term loans and finance leases and interest payment, partially offset by proceeds from trust receipts and deposits withdrawn.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S\$1.5 million in our cash and cash equivalents (as adjusted for bank overdrafts and deposits pledged).

FY2019 vs FY2018

In FY2019, net cash generated from operating activities before changes in working capital amounted to S\$8.0 million due to a loss before income tax of S\$6.7 million, and adjustments for mainly depreciation of property, plant and equipment of S\$9.0 million, impairment loss on property, plant and equipment of S\$3.1 million, loss on disposal of property, plant and equipment as well as interest expense. The overall net cash generated from operating activities amounted to S\$5.0 million, due to increase in trade and other receivables partially offset by increase in trade and other payables.

Net cash generated from investing activities of S\$4.5 million in FY2019 was mainly due to the net proceeds from disposal of property, plant and equipment.

Net cash used in financing activities of S\$8.3 million in FY2019 was mainly due to the repayment of obligations under term loans and finance leases and payment of interest on loans partially offset by proceeds from term loan and trust receipts.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S\$1.1 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.

Despite the economic uncertainties, heightened tensions in the Middle East and ongoing trade war, and the oil and gas industry still suffering from the downturn, the Group is seeing a positive trend in the segments in which it operates.

The Group's activities now include submarine cable laying of fibre-optic cables as well as in the renewable energy sector in offshore windfarm projects. This diversification reduces the Group's reliance on projects that have been impacted by the volatility of oil prices.

The Group's operations has now extended to countries in the Middle East and Asia, such as Qatar, Bangladesh, India, Malaysia and Taiwan.

Following the award of a contract for the installation of horizontal directional drilling conduits for an offshore wind project in Taiwan, the Group hopes to continue to expand its involvement in the renewable energy industry. Under this contract in Taiwan, the Group is to provide a variety of vessels and drilling equipment, plus the provision of project management, engineering, design and support services for the purpose of the Horizontal Directional Drilling works.

The Group will continue its efforts to improve and increase its efficiency and will continue to update shareholders on material or significant developments.

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

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

No dividend was declared or recommended for FY2019.

(b) Previous corresponding period

No dividend was declared or recommended for FY2018.

(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 and the reason(s) for the decision.

No dividend was declared or recommended for FY2019 as the Group has been incurring losses for FY2019. It is the Group's intention to conserve cash for working capital and business expansion purposes.

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 Issuer under Rule 720(1) of the Catalist Rules.

The Company confirms that it has procured all the required undertakings from all its directors and executive officers (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

15. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statement, with comparative information for the immediately preceding year.

FY2018	Offshore Rig Services and Supply Chain Management S\$'000	Vessels Sales and Newbuild S\$'000	Total S\$'000
Total revenue from external customers	38,060	–	38,060
Inter-segment revenue	3,891	–	3,891
Total segment revenue	41,951	–	41,951
Other income	1,244	–	1,244
Finance costs	(1,448)	–	(1,448)
Segment results	(12,593)	–	(12,593)
Income tax expense			(915)
Loss for the year			(13,508)
Other Information			
Segment assets	121,737	–	121,737
Segment liabilities	60,390	–	60,390
Capital Expenditure	3,989	–	3,989
Other material non-cash items:			
- Depreciation on property, plant and equipment	6,876	–	6,876
- Gain on disposal of property, plant and equipment	(89)	–	(89)
- Impairment loss on trade and other receivables	736	–	736
FY2019			
Total revenue from external customers	58,080	–	58,080
Inter-segment revenue	10,641	–	10,641
Total segment revenue	68,721	–	68,721
Other income	748	–	748
Finance costs	(2,040)	–	(2,040)
Segment results	(6,749)	–	(6,749)
Income tax (expense)/credit			(197)
Loss for the year			(6,946)
Other Information			
Segment assets	115,832	–	115,832
Segment liabilities	53,952	–	53,952
Capital Expenditure	1,582	–	1,582
Other material non-cash items:			
- Depreciation of property, plant and equipment	8,985	–	8,985

- Loss on disposal of property, plant and equipment	619	-	619
- Impairment loss on trade and other receivables	762	-	762
Impairment loss on plant and equipment	3,106	-	3,106

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items.

	Group	
	2019 S\$'000	2018 S\$'000
Revenue		
Total revenue for reportable segments	68,721	41,951
Elimination of inter-segment revenue	(10,641)	(3,891)
Consolidated revenue	<u>58,080</u>	<u>38,060</u>

The Group's operations are mainly in the region of Southeast Asia, Australasia (comprising mainly Australia, Marshall Islands and Papua New Guinea), Middle East, Europe and North America. In presenting information on geographical segments, segment revenue are based on the delivery order address of customers. Segment assets, based on the geographical location of the assets, are all in Singapore.

	Group	
	2019 S\$'000	2018 S\$'000
Revenue		
Australia	501	1,070
Bangladesh	2,021	-
Indonesia	-	889
Malaysia	16,635	7,570
Papua New Guinea	-	488
Singapore	23,226	17,994
United Arab Emirates	1,613	438
United States of America	7,493	4,957
Europe	1,946	-
Others	4,645	4,654
	<u>58,080</u>	<u>38,060</u>

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to Section 8.

17. A breakdown of sales as follows:

Group	FY2019 S\$'000	FY2018 S\$'000	% Change + / -
First Half			
Revenue reported for the first half-year	32,695	16,070	>100

Operating loss after tax reported for the first half-year	(1,924)	(5,805)	(67)
Second Half			
Revenue reported for the second half-year	25,385	21,990	15
Operating loss after tax reported for the second half-year	(5,022)	(7,703)	(35)

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2019 (S\$'000)	FY2018 (S\$'000)
Ordinary	–	–
Preference	–	–
Total	–	–

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Tan Keng Hoe Melvin	57	Brother of Mr. Thomas Tan, CEO & Chairman	Commercial and Operations Director To oversee the business and commercial aspects of the Group.	N.A.
Tan Peck Ling Jocelyn	37	Daughter of Mr. Thomas Tan, CEO & Chairman	Head of Corporate Services Responsible for corporate services and strategic planning for the Group and overseeing the coordination and allocation of Group resources for the achievement of the Group's strategic objectives since September 2014.	N.A.
Tan Peck Ching Jeliane	35	Daughter of Mr. Thomas Tan, CEO & Chairman	Head of Supply Chain Responsible for identifying and screening procurement suppliers, negotiating terms and conditions, standardizing business and procurement best practice processes since April 2006.	N.A.

Tan Wen Hao Justin Anderson	29	Son of Mr. Thomas Tan, CEO & Chairman	General Manager Oversee the planning and control of the Group's operations as well as business development since October 2015.	N.A.

BY ORDER OF THE BOARD

Tan Keng Siong Thomas
Executive Chairman and CEO
27 February 2020