



Company Registration No. 201311482K

# KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

## UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

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*SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.*

**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		+ / (-)
	31 Mar 2017	31 Mar 2016	
	S\$'000	S\$'000	%
Revenue	8,494	8,734	(3)
Cost of sales	(5,115)	(5,846)	(13)
<b>Gross profit</b>	<b>3,379</b>	<b>2,888</b>	<b>17</b>
<b>Gross profit margin</b>	<b>40%</b>	<b>33%</b>	
Other income	1,251	395	217
Distribution expenses	(159)	(237)	(33)
Administrative expenses	(3,069)	(3,829)	(20)
Other expenses	(880)	(708)	24
Finance costs	(178)	(228)	(22)
Profit/(Loss) before tax	344	(1,719)	N.M.
Tax expense	–	–	N.M.
<b>Profit/(Loss) for the period</b>	<b>344</b>	<b>(1,719)</b>	<b>N.M.</b>
<b>Other comprehensive income/(loss), net of tax</b>			
Translation differences relating to financial statements of foreign operations	(49)	(84)	(42)
<b>Total comprehensive income/(loss) for the period</b>	<b>295</b>	<b>(1,803)</b>	<b>N.M.</b>

*N.M. – not meaningful*

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

	<b>3 Months Ended</b>		
	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>+ / (-)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
<u>Other income</u>			
Interest income from bank deposits	(37)	(93)	(60)
Miscellaneous income	(748)	(282)	165
Gain on disposal of property, plant and equipment	(465)	(20)	2,225
Currency translations losses - net	151	457	(67)
Interest on loans & borrowings	178	228	(22)
Depreciation of property, plant and equipment	1,731	1,095	58

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	
	31 Mar 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	105,801	108,385	–	–
Club memberships	46	46	–	–
Subsidiaries	–	–	36,133	36,133
	105,847	108,431	36,133	36,133
<b>Current assets</b>				
Inventories	410	630	–	–
Trade and other receivables	9,252	7,830	32,330	30,152
Cash and cash equivalents	18,287	20,089	10,310	12,636
	27,949	28,549	42,640	42,788
<b>Total assets</b>	<b>133,796</b>	<b>136,980</b>	<b>78,773</b>	<b>78,921</b>
<b>EQUITY</b>				
Share capital	74,409	74,409	74,409	74,409
Reserves	(11,053)	(11,004)	–	–
Accumulated profits	28,285	27,941	4,074	4,249
<b>Equity attributable to owners of the Company</b>	<b>91,641</b>	<b>91,346</b>	<b>78,483</b>	<b>78,658</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	15,342	17,553	–	–
Deferred tax liabilities	10,286	10,286	–	–
	25,628	27,839	–	–
<b>Current liabilities</b>				
Loans and borrowings	7,039	7,474	–	–
Trade and other payables	9,434	10,279	290	263
Current tax payable	54	42	–	–
	16,527	17,795	290	263
<b>Total liabilities</b>	<b>42,155</b>	<b>45,634</b>	<b>290</b>	<b>263</b>
<b>Total equity and liabilities</b>	<b>133,796</b>	<b>136,980</b>	<b>78,773</b>	<b>78,921</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 31 March 2017		As at 31 December 2016	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	7,039	–	7,474	–

Amount repayable after one (1) year

	As at 31 March 2017		As at 31 December 2016	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	15,342	–	17,553	–

#### Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$44.7 million are pledged as collaterals for secured term loans;
- Fixed deposits of approximately S\$2.7 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 amounting to S\$29.4 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 31 Mar 2017 S\$'000	3 months ended 31 Mar 2016 S\$'000
<b>Cash flows from operating activities</b>		
Profit/(Loss) before tax	344	(1,719)
Adjustments for:		
Depreciation of property, plant and equipment	1,731	1,095
Gain on disposal of property, plant and equipment	(465)	(20)
Interest income	(37)	(93)
Interest expense	178	228
	1,751	(509)
<b>Changes in working capital</b>		
Inventories	219	(1,131)
Trade and other receivables	(1,538)	3,412
Trade and other payables	(720)	(525)
Cash generated (used in)/from operations	(288)	1,247
Tax paid	(26)	(264)
<b>Net cash (used in)/from operating activities</b>	(314)	983
<b>Cash flows from investing activities</b>		
Deposits pertaining to purchase of property, plant and equipment	–	(393)
Purchase of property, plant and equipment	(536)	(176)
Proceeds from disposal of property, plant and equipment	1,854	20
Interest received	37	93
<b>Net cash from/(used in) investing activities</b>	1,355	(456)
<b>Cash flows from financing activities</b>		
Interest paid	(178)	(228)
Repayment of finance lease liabilities - net	(1,552)	(776)
Repayment of term loans - net	(1,093)	(816)
Deposits withdrawn	1,010	14
<b>Net cash used in financing activities</b>	(1,813)	(1,806)
<b>Net decrease in cash and cash equivalents</b>	(772)	(1,279)
Cash and cash equivalents at beginning of the period~	16,382	32,106
Effect of exchange rate fluctuations on cash and cash equivalents	(20)	(32)
<b>Cash and cash equivalents at end of the period~</b>	15,590	30,795
<b>Significant non-cash transaction during the period</b>		
a. Purchase of property, plant and equipment under finance leases and term loans	–	2,326

~As adjusted for deposits pledged

~Cash and cash equivalents consist of the following:

	<b>3 months ended 31 Mar 2017 S\$'000</b>	<b>3 months ended 31 Mar 2016 S\$'000</b>
Cash at bank and in hand	7,518	8,456
Fixed deposits	10,769	23,023
Cash and cash equivalents	18,287	31,479
Deposits pledged	(2,697)	(684)
Cash and cash equivalents in the statements of cash flows	<u>15,590</u>	<u>30,795</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 S\$'000	Merger deficit S\$'000	Currency translation reserve S\$'000	Revaluation Reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
<b>2016</b>						
<b>As at 1 January 2016</b>	74,409	(32,763)	268	–	47,899	89,813
<b>Total comprehensive loss for the financial period</b>						
Loss for the financial period	–	–	–	–	(1,719)	(1,719)
<b>Other comprehensive loss/Total other comprehensive loss</b>						
Translation differences relating to financial statements of foreign operations	–	–	(84)	–	–	(84)
<b>Total comprehensive loss for the financial period</b>	–	–	(84)	–	(1,719)	(1,803)
<b>As at 31 March 2016</b>	<u>74,409</u>	<u>(32,763)</u>	<u>184</u>	<u>–</u>	<u>46,180</u>	<u>88,010</u>
<b>2017</b>						
<b>As at 1 January 2017</b>	74,409	(32,763)	293	21,466	27,941	91,346
<b>Total comprehensive income for the financial period</b>						
Profit for the financial period	–	–	–	–	344	344
<b>Other comprehensive income/Total other comprehensive income</b>						
Translation differences relating to financial statements of foreign operations	–	–	(49)	–	–	(49)
<b>Total comprehensive income for the financial period</b>	–	–	(49)	–	344	295
<b>As at 31 March 2017</b>	<u>74,409</u>	<u>(32,763)</u>	<u>244</u>	<u>21,466</u>	<u>28,285</u>	<u>91,641</u>

<u>Company</u>	<u>Share capital</u> S\$'000	<u>Accumulated profits</u> S\$'000	<u>Total equity</u> S\$'000
<b><u>2016</u></b>			
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	74,409	5,563	79,972
<b><u>2017</u></b>			
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	74,409	4,074	78,483

**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 the number of shares that may be issued on conversion of all the outstanding convertibles, 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.**

	<u>Number of Shares</u>	<u>Issued and paid-up share capital (S\$)</u>
<b>Issued and fully paid ordinary shares</b>		
Balance at 1 January 2017 and 31 March 2017	710,000,000	74,408,757

There were no outstanding convertibles or treasury shares or subsidiary holdings held by the Company as at 31 March 2016 and 31 March 2017.

**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.**

	<u>As at 31 March 2017</u>	<u>As at 31 December 2016</u>
<b>Total issued shares</b>	710,000,000	710,000,000

There were no outstanding options, convertibles or treasury shares held by the Company as at 31 March 2017 and 31 December 2016.

**1 (d)(iv) A statement showing all sales, transfers, 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, as the Company does not have any 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.

**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 March 2017 ("**1Q2017**") 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 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:**

(Loss)/Earnings per share ("LPS/EPS") is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

	<b>3 Months Ended</b>	
	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>
Net profit/(loss) attributable to equity holders of the Company (S\$'000)	344	(1,719)
Weighted average number of ordinary shares outstanding for earnings/(loss) per share	710,000,000	710,000,000
Basic and fully diluted earnings/(loss) per share (cents per share)	0.05	(0.2)

The basic and diluted LPS/EPS were the same for 1Q2017 as well as for the 3-month financial period ended 31 March 2016 ("**1Q2016**") as the Company had no dilutive equity instruments as at 31 March 2017 or 31 March 2016 respectively.

**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 March 2017	As at 31 December 2016	As at 31 March 2017	As at 31 December 2016
Net asset value per ordinary share (cents)	12.9	12.9	11.1	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 1Q2017 decreased by S\$0.2 million or 2.8%, from S\$8.7 million in 1Q2016 to S\$8.5 million in 1Q2017 due to the following:

- (a) a decrease in revenue of S\$0.5 million from the Vessel Sales and Newbuild segment as there was no new project being undertaken in 1Q2017; partially offset by
- (b) an increase in revenue of S\$0.3 million from the Offshore Rig Services and Supply Chain Management segment as the group secured certain offshore rig and support services transactions in 1Q2017.

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

Cost of sales decreased by S\$0.7 million or 12.5%, from S\$5.8 million in 1Q2016 to S\$5.1 million in 1Q2017 due to a decrease in sales volume for the Group's lower margin business.

Gross profit increased by S\$0.5 million or 17.0%, from S\$2.9 million in 1Q2016 to S\$3.4 million in 1Q2017, due to a higher gross profit margin for the period.

Gross profit margin increased from 33% for 1Q2016 to 40% for 1Q2017 mainly due to the higher gross profit margin of certain offshore rig and support services transactions secured by the Group during 1Q2017.

#### **Other income**

Other income increased by S\$0.9 million or 216.7%, from S\$0.4 million in 1Q2016 to S\$1.3 million in 1Q2017, mainly due to gain on disposal of plant and equipment and the write off of liability that was no longer required.

#### **Distribution expenses**

Distribution expenses decreased by S\$0.1 million or 32.9%, from S\$0.2 million in 1Q2016 to S\$0.1 million in 1Q2017, mainly due to lower vessel brokerage and commission expenses.

### **Administrative expenses**

Administrative expenses decreased by S\$0.8 million or 19.9%, from S\$3.8 million in 1Q2016 to S\$3.0 million in 1Q2017, mainly due to lower staff costs, directors' remuneration, professional fees and other administrative expenses.

### **Other expenses**

Other expenses increased by S\$0.2 million or 24.3%, from S\$0.7 million in 1Q2016 to S\$0.9 million in 1Q2017, mainly due to higher depreciation of property, plant and equipment consequent to revaluation of land and buildings during the year ended 31 December 2016. The increase was partially offset by lower other operating expenses.

### **Finance costs**

Finance costs decreased by S\$0.05 million or 21.9%, from S\$0.23 million in 1Q2016 to S\$0.18 million in 1Q2017 mainly due to lower interest expenses incurred for loans and borrowings.

### **Net profit**

As a result of the above, the Group made a net profit of S\$0.3 million in 1Q2017 as compared to a net loss of S\$1.7 million in 1Q2016.

### **Statement of Financial Position**

#### **Non-current assets**

Non-current assets decreased by S\$2.6 million from \$108.4 million as at 31 December 2016 to S\$105.8 million as at 31 March 2017. This was mainly due to disposal of plant and equipment and depreciation of property, plant and equipment consequent to revaluation of land and buildings during the year ended 31 December 2016.

#### **Current assets**

Current assets decreased by S\$0.6 million from S\$28.5 million as at 31 December 2016 to S\$27.9 million as at 31 March 2017. This was mainly due to decreases in cash and cash equivalents and inventories, partially offset by an increase in trade and other receivables.

Cash and cash equivalents decreased from \$20.1 million as at 31 December 2016 to S\$18.3 million as at 31 March 2017. This was mainly due to cash used in financing and operating activities, partially offset by cash from investing activities.

Inventories decreased from S\$0.6 million as at 31 December 2016 to S\$0.4 million as at 31 March 2017, during the normal course of operation.

Trade and other receivables increased from S\$7.8 million as at 31 December 2016 to S\$9.3 million as at 31 March 2017 as Group sales increased towards the end of 1Q2017.

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

Non-current liabilities decreased by S\$2.2 million from S\$27.8 million as at 31 December 2016 to S\$25.6 million as at 31 March 2017, mainly due to repayment of loans and borrowings in 1Q2017.

#### **Current liabilities**

Current liabilities decreased by S\$1.3 million from S\$17.8 million as at 31 December 2016 to S\$16.5 million as at 31 March 2017 mainly due to repayments of loans and borrowings, and the write-off of liability that was no longer required.

## **Consolidated Statement of Cash flows**

In 1Q2017, net cash from operating activities before changes in working capital amounted to S\$1.8 million. Net cash used in working capital amounted to S\$2.1 million. The net cash used in operating activities amounted to S\$0.3 million.

Net cash from investing activities of S\$1.4 million in 1Q2017 was mainly due to proceeds from disposal of plant and equipment, interest received, partially offset by purchase of plant and equipment.

Net cash used in financing activities of S\$1.8 million in 1Q2017 was mainly due to interest payment and the repayment of obligations under term loans and finance leases, partially offset by pledged deposits withdrawn.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net decrease of S\$0.8 million in our cash and cash equivalents, as adjusted for 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.**

As oil prices remain low, downward pressure on offshore exploration activities has not alleviated 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, marine infrastructure and other sector.

The Group has implemented cost-cutting measures and will continue to manage the cash flow prudently. Despite the protracted downturn, the debt equity ratio of the Group remains relatively low at 0.24, reflecting a sound balance sheet.

Moving forward, the Group will continue to assess potential merger and acquisition opportunities. The Group's healthy 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 of prospective targets.

### **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 1Q2017.

#### **(b) Previous corresponding period**

No dividend was declared or recommended for 1Q2016.

#### **(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 1Q2017.

**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 Rules.**

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 first quarter ended 31 March 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).

**BY ORDER OF THE BOARD**

Thomas Tan Keng Siong  
Executive Chairman and CEO  
26 April 2017

Yeo Seh Hong  
Executive Director and COO