Company Registration No. 201311482K

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 Months			9 Months		
	1 July 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	+/-	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017	+/-
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	9,226	6,324	46	25,296	22,227	14
Cost of sales	(8,214)	(5,508)	49	(21,462)	(16,786)	28
Gross profit	1,012	816	24	3,834	5,441	(30)
Gross profit margin	11%	13%		15%	24%	
Other income	180	258	(30)	994	1,805	(45)
Distribution expenses	(333)	(215)	55	(722)	(542)	33
Administrative expenses	(2,879)	(3,002)	(4)	(9,075)	(9,019)	1
Other operating expenses	(973)	(1,013)	(4)	(2,962)	(2,892)	2
Finance costs	(409)	(231)	77	(1,011)	(603)	68
Loss before tax	(3,402)	(3,387)	N.M.	(8,942)	(5,810)	54
Tax expenses	–	(510)	N.M.	(265)	(536)	(51)
Loss for the period	(3,402)	(3,897)	(13)	(9,207)	(6,346)	45
Other comprehensive income, net of tax						
Translation differences relating to financial statements of foreign operations	7	(19)	N.M.	36	(88)	N.M.
Total comprehensive loss for the period	(3,395)	(3,916)	(13)	(9,171)	(6,434)	43
Net loss attributable to:						
Owners of the Company	(3,262)	(3,897)	(17)	(9,019)	(6,346)	42
Non-Controlling Interests	(140)	–	N.M.	(188)	–	N.M.
	(3,402)	(3,897)		(9,207)	(6,346)	

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 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	+/-	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017	+/-
	S$'000	S$'000	%	S$'000	S$'000	%
Interest income from bank deposits	-	(8)	N.M.	(5)	(75)	(93)
Miscellaneous income	(186)	(144)	29	(620)	(1,081)	(43)
(Gain)/ Loss on disposal of property, plant and equipment	-	(106)	N.M.	95	(649)	N.M.
Currency translations losses/(gains) - net	6	243	(98)	(369)	540	N.M.
Interest on loans and borrowings	409	231	77	1,011	603	68
Depreciation of property, plant and equipment	1,712	1,791	(4)	5,171	5,259	(2)
Adjustment for under provision of tax in respect of prior years	-	510	N.M.	265	536	(51)

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 2018	As at 31 Dec 2017 (restated)*	As at 30 Sep 2018	As at 31 Dec 2017
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	96,568	99,359	–	–
Club memberships	57	46	–	–
Investments in subsidiaries	–	–	36,133	36,133
	96,625	99,405	36,133	36,133
Current assets				
Inventories	383	193	–	–
Trade and other receivables	10,954	8,753	45,961	42,174
Cash and cash equivalents	5,432	4,405	119	182
Assets held for sale	11,106	11,707	–	–
	27,875	25,058	46,080	42,356
Total assets	124,500	124,463	82,213	78,489
EQUITY				
Share capital	74,409	74,409	74,409	74,409
Reserves	(32,946)	(32,964)	(110)	(92)
Accumulated profits	28,773	38,288	2,892	3,920
Equity attributable to owners of the Company	70,236	79,733	77,191	78,237
Non-controlling interests	(188)	–	–	–
Total equity	70,048	79,733	77,191	78,237
LIABILITIES				
Non-current liabilities				
Loans and borrowings	23,860	17,893	4,073	–
Deferred tax liabilities	5,889	5,889	–	–
	29,749	23,782	4,073	–
Current liabilities				
Loans and borrowings	14,333	11,510	723	–
Trade and other payables	10,216	8,933	226	252
Current tax payable	154	505	–	–
	24,703	20,948	949	252
Total liabilities	54,452	44,730	5,022	252
Total equity and liabilities	124,500	124,463	82,213	78,489

** - Refer to Section 4 for more details on the restated statement of financial position as at 31 December 2017.*

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 2018	As at 31 December 2017
	Secured	Secured
	S$'000	S$'000
Loans and borrowings	14,333	11,510

Amount repayable after one (1) year

	As at 30 Sep 2018	As at 31 December 2017
	Secured	Secured
	S$'000	S$'000
Loans and borrowings	23,860	17,893

There are no unsecured borrowings as at 30 September 2018 and as at 31 December 2017.

Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S$33.6 million (31 December 2017: S$35.8 million) are pledged as collaterals for secured term loans, trust receipts and bank overdrafts;

- Fixed deposits of approximately S$0.28 million (31 December 2017: S$0.68 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$64.3 million (31 December 2017: S$56.5 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 2018 S$'000	**3 months ended 30 Sep 2017 S$'000**	**9 months ended 30 Sep 2018 S$'000**	**9 months ended 30 Sep 2017 S$'000**
Cash flows from operating activities				
Loss before income tax	(3,402)	(3,387)	(8,942)	(5,810)
Adjustments for:				
Depreciation of property, plant and equipment	1,712	1,791	5,171	5,259
(Gain)/Loss on disposal of property, plant and equipment	–	(106)	95	(649)
Interest income	–	(8)	(5)	(75)
Interest expense	409	231	1,011	603
	(1,281)	(1,479)	(2,670)	(672)
Changes in working capital:				
Inventories	413	(39)	(190)	415
Trade and other receivables	1,206	(1,265)	(2,078)	(2,365)
Trade and other payables	650	564	2,381	103
Cash from/(used) in operations	988	(2,219)	(2,557)	(2,519)
Income tax (paid)/received	(265)	12	(616)	(14)
Net cash generated from/(used in) operating activities	723	(2,207)	(3,173)	(2,533)
Cash flows from investing activities				
Purchase of property, plant and equipment	(366)	(370)	(3,265)	(13,168)
Proceeds from disposal of property, plant and equipment	–	288	1,786	2,734
Acquisition of club membership	–	–	(11)	–
Interest received	–	8	5	75
Net cash used in investing activities	(366)	(74)	(1,485)	(10,359)
Cash flows from financing activities				
Interest paid	(409)	(231)	(1,011)	(603)
Dividend paid	–	–	(496)	(497)
Repayment of finance lease liabilities	(656)	(1,040)	(1,957)	(3,891)
Repayment of term loans	(1,280)	(1,149)	(5,934)	(3,401)
Proceeds from term loan drawn down	1,000	5,000	15,000	10,000
Purchase of treasury shares	(13)	–	(18)	–
Deposits (pledged)/ withdrawn	(1)	1,004	394	2,026
Net cash (used in)/ generated from financing activities	(1,359)	3,584	5,978	3,634
Net (decrease)/ increase in cash and cash equivalents	(1,002)	1,303	1,320	(9,258)
Cash and cash equivalents at beginning of the period	6,279	5,795	3,728	16,382
Effect of exchange rate fluctuations on cash and cash equivalents	(128)	(7)	101	(33)
Cash and cash equivalents at end of the period~	5,149	7,091	5,149	7,091
Significant non-cash transactions during the period				
a. Purchase of property, plant and equipment under finance leases, term loans and deposits	–	–	–	7,390

~Cash and cash equivalents consist of the following:	3 months ended 30 Sep 2018 S$'000	3 months ended 30 Sep 2017 S$'000	9 months ended 30 Sep 2018 S$'000	9 months ended 30 Sep 2017 S$'000
Cash at bank and in hand	5,141	4,075	5,141	4,075
Fixed deposits	291	4,697	291	4,697
Cash and cash equivalents	5,432	8,772	5,432	8,772
Deposits pledged	(283)	(1,681)	(283)	(1,681)
Cash and cash equivalents in the statements of cash flows	5,149	7,091	5,149	7,091

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	Revaluation 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	S$'000
2017									
As at 1 January 2017	74,409	–	(32,763)	293	21,466	27,941	91,346	–	91,346
Effects of adopting SFRS(I) 1	–	–	–	(293)	(21,466)	26,156	4,397	–	4,397
Restated as at 1 January 2017	74,409	–	(32,763)	–	–	54,097	95,743	–	95,743
Total comprehensive income for the period									
Profit for the period	–	–	–	–	–	344	344	–	344
Other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	(49)	–	–	(49)	–	(49)
Total other comprehensive income for the period	–	–	–	(49)	–	–	(49)	–	(49)
Total comprehensive loss for the financial period	–	–	–	(49)	–	344	295	–	295
As at 31 March 2017	74,409	–	(32,763)	(49)	–	54,441	96,038	–	96,038

Group	Share capital	Treasury shares	Merger deficit	Currency translation reserve	Revaluation 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	S$'000
2017									
As at 1 April 2017	74,409	–	(32,763)	(49)	–	54,441	96,038	–	96,038
Total comprehensive income for the period									
Loss for the period	–	–	–	–	–	(2,793)	(2,793)	–	(2,793)
Other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	(20)	–	–	(20)	–	(20)
Total other comprehensive income for the period	–	–	–	(20)	–	–	(20)	–	(20)
Total comprehensive loss for the period	–	–	–	(20)	–	(2,793)	(2,813)	–	(2,813)
Transactions with owners, recognised directly in equity									
Dividends	–	–	–	–	–	(497)	(497)	–	(497)
Total transactions with owners	–	–	–	–	–	(497)	(497)	–	(497)
As at 30 June 2017	74,409	–	(32,763)	(69)	–	51,151	92,728	–	92,728

Group	Share capital	Treasury shares	Merger deficit	Currency translation reserve	Revaluation 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	S$'000
2017									
As at 1 July 2017	74,409	–	(32,763)	(69)	–	51,151	92,728	–	92,728
Total comprehensive income for the period									
Loss for the period	–	–	–	–	–	(3,897)	(3,897)	–	(3,897)
Other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	(19)	–	–	(19)	–	(19)
Total other comprehensive income for the period	–	–	–	(19)	–	–	(19)	–	(19)
Total comprehensive loss for the period	–	–	–	(19)	–	(3,897)	(3,916)	–	(3,916)
As at 30 September 2017	74,409	–	(32,763)	(88)	–	47,254	88,812	–	88,812

Group	Share capital	Treasury shares	Merger deficit	Currency translation reserve	Revaluation 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	S$'000
2018									
As at 1 January 2018	74,409	(92)	(32,763)	184	22,375	12,132	76,245	–	76,245
Effects of adopting SFRS(I) 1	–	–	–	(293)	(21,466)	26,156	4,397	–	4,397
Adjustment due to adoption of SFRS(I) 1	–	–	–	–	(909)	–	(909)	–	(909)
Restated as at 1 January 2018	74,409	(92)	(32,763)	(109)	–	38,288	79,733	–	79,733
Total comprehensive income for the period									
Loss for the financial period	–	–	–	–	–	(3,122)	(3,122)	7	(3,115)
Other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	(21)	–	–	–	–	(21)
Total other comprehensive loss for the period	–	–	–	(21)	–	–	–	–	(21)
Total comprehensive loss for the period	–	–	–	(21)	–	(3,122)	(3,143)	7	(3,136)
Transactions with owners, recognised directly in equity									
Purchase of treasury shares	–	(5)	–	–	–	–	(5)	–	(5)
Total transactions with owners	–	(5)	–	–	–	–	(5)	–	(5)
As at 31 March 2018	74,409	(97)	(32,763)	(130)	–	35,166	76,585	7	76,592

Group	Share capital	Treasury shares	Merger deficit	Currency translation reserve	Revaluation 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	S$'000
2018									
As at 1 April 2018	74,409	(97)	(32,763)	(130)	–	35,166	76,585	7	76,592
Total comprehensive income for the financial period									
Loss for the financial period	–	–	–	–	–	(2,635)	(2,635)	(55)	(2,690)
Other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	50	–	–	50	–	50
Total other comprehensive income for the financial period	–	–	–	50	–	–	50	–	50
Total comprehensive loss for the financial period	–	–	–	50	–	(2,635)	(2,585)	(55)	(2,640)
Transactions with owners, recognised directly in equity									
Dividends	–	–	–	–	–	(496)	(496)	–	(496)
Total transactions with owners	–	–	–	–	–	(496)	(496)	–	(496)
As at 30 June 2018	74,409	(97)	(32,763)	(80)	–	32,035	73,504	(48)	73,456

Group	Share capital	Treasury shares	Merger deficit	Currency translation reserve	Revaluation 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	S$'000
2018									
As at 1 July 2018	74,409	(97)	(32,763)	(80)	–	32,035	73,504	(48)	73,456
Total comprehensive income for the financial period									
Loss for the financial period	–	–	–	–	–	(3,262)	(3,262)	(140)	(3,402)
Other comprehensive income/Total other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	7	–	–	7	–	7
Total other comprehensive income for the financial period	–	–	–	7	–	–	7	–	7
Total comprehensive loss for the financial period	–	–	–	7	–	(3,262)	(3,255)	(140)	(3,395)
Transactions with owners, recognised directly in equity									
Purchase of treasury shares	–	(13)	–	–	–	–	(13)	–	(13)
Total transactions with owners	–	(13)	–	–	–	–	(13)	–	(13)
As at 30 September 2018	74,409	(110)	(32,763)	(73)	–	28,773	70,236	(188)	70,048

Company	Share capital	Treasury shares	Accumulated profits	Total equity
	S$'000	S$'000	S$'000	S$'000
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	74,409	–	4,074	78,483
As at 1 April 2017	74,409	–	4,074	78,483
Total comprehensive loss for the financial period	–	–	(135)	(135)
Transactions with owners, recognised directly in equity				
Dividends	–	–	(497)	(497)
Total transactions with owners	–	–	(497)	(497)
As at 30 June 2017	74,409	–	3,442	77,851
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	74,409	–	3,325	77,734
As at 1 January 2018	74,409	(92)	3,920	78,237
Total comprehensive loss for the financial period	–	–	(117)	(117)
Transaction with owners				
Purchase of treasury shares	–	(5)	–	(5)
Total transaction with owners	–	(5)	–	(5)
As at 31 March 2018	74,409	(97)	3,803	78,115
As at 1 April 2018	74,409	(97)	3,803	78,115
Total comprehensive loss for the financial period	–	–	(213)	(213)
Transactions with owners, recognised directly in equity				
Dividends	–	–	(496)	(496)
Total transactions with owners	–	–	(496)	(496)
As at 30 June 2018	74,409	(97)	3,094	77,406
As at 1 July 2018	74,409	(97)	3,094	77,406
Total comprehensive loss for the financial period	–	–	(202)	(202)
Transaction with owners, recognised directly in equity				
Purchase of treasury shares	–	(13)	–	(13)
Total transaction with owners	–	(13)	–	(13)
As at 30 September 2018	74,409	(110)	2,892	77,191

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.

	Number of Shares	Issued and paid-up share capital (S$)
Issued and fully paid ordinary shares		
Balance at 30 June 2018	709,000,000	74,408,757
Balance at 30 September 2018	708,832,300	74,408,757

During the quarter ended 30 September 2018, 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 30 September 2018 and 30 September 2017.

Treasury shares

The number of treasury shares held by the Company as at 30 September 2018 is 1,167,700 representing 0.16% of the total number of shares outstanding as at 30 September 2018. (30 September 2017: Nil).

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 2018	As at 31 December 2017
Total number of issued shares excluding treasury shares	708,832,300	709,050,800

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 ended 30 September 2018, there were no sale, 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.

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 2018 ("3Q2018") as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2017 except for the adoption of accounting standards and interpretations applicable for the financial period beginning 1 January 2018. The adoption of these new/revised Singapore Financial Reporting Standards have no significant impact on the Group's financial statements except as described below:

The Group elected the optional exemption in SFRS(I) 1 to measure the leasehold lands and buildings held by the Group at the date of transition to SFRS (I) at fair value and use that fair value as its deemed costs. The retained earnings of the Group increased by $25,863,000, the revaluation reserves decreased $21,466,000 and the deferred tax liabilities decreased by $4,397,000 as at 1 January 2017.

The Group elected the optional exemption in SFRS(I) to reset its cumulative currency translation reserves for all foreign operations to zero at the date of transition and reclassify the cumulative currency translation reserves of $293,000 as at 1 January 2017 to accumulated profits.

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 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 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017
Net loss attributable to equity holders of the Company (S$'000)	(3,262)	(3,897)	(9,019)	(6,346)
Weighted average number of ordinary shares outstanding	708,926,615	710,000,000	708,987,365	710,000,000
Basic and fully diluted loss per share (cents per share)	(0.5)	(0.5)	(1.3)	(0.9)

The diluted and basic loss per share are the same for each of 3Q2018, 3Q2017, 9M2018 and 9M2017 as the Company has no dilutive equity instruments as at 30 September 2018 and 30 September 2017.

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 Sep 2018	As at 31 December 2017 (restated)	As at 30 Sep 2018	As at 31 December 2017
Net asset value per ordinary share (cents)	9.9	11.2	10.9	11.0
Number of ordinary shares used in calculating net asset value per ordinary share	708,832,300	709,050,800	708,832,300	709,050,800

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 3Q2018 increased by S$2.9 million or 45.9%, from S$6.3 million in 3Q2017 to S$9.2 million in 3Q2018 as the Group managed to secure more chartering and towage contracts and vessels trading activity during the quarter.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by S$2.7 million or 49.1%, from S$5.5 million in 3Q2017 to S$8.2 million in 3Q2018, in line with the increase in revenue.

Gross profit increased by S$0.2 million or 24.0%, from S$0.8 million in 3Q2017 to S$1.0 million in 3Q2018, due to the increase in revenue.

Gross profit margin decreased from 13% in 3Q2017 to 11% in 3Q2018 due to lower margin contracts secured from the marine and offshore segment as compared to previous corresponding period.

Other income

Other income decreased by S$0.08 million or 30.2%, from S$0.26 million in 3Q2017 to S$0.18 million in 3Q2018, mainly due to gain on disposal of fixed asset of S$0.1 million recognised in 3Q2017.

Distribution expenses

Distribution expenses increased by S$0.1 million or 54.9%, from S$0.2 million in 3Q2017 to S$0.3 million in 3Q2018 mainly due to higher brokerage fees, travelling and entertainment expenses.

Administrative expenses

Administrative expenses decreased by S$0.1 million or 4.1%, from S$3.0 million in 3Q2017 to S$2.9 million in 3Q2018 mainly due to lower foreign worker staff costs.

Other operating expenses

Other operating expenses decreased by S$0.03 million or 4.1%, from S$1.0 million in 3Q2017 to S$0.97 million in 3Q2018 mainly due to lower currency translation losses in 3Q2018 as compared to 3Q2017.

Finance costs

Finance costs increased by S$0.2 million or 77.1%, from S$0.2 million in 3Q2017 to S$0.4 million in 3Q2018 mainly due to higher interest expenses incurred for new loans and borrowings.

Tax expenses

Tax expenses decreased by S$0.51 million in 3Q2018 as compared to 3Q2017 due to under-provision of tax expenses for prior years recognized in 3Q2017.

Net loss after tax

As a result of the above, the Group incurred a loss after tax of S$3.4 million in 3Q2018 as compared to a loss of S$3.9 million in 3Q2017.

Statement of Financial Position

Non-current assets

Non-current assets decreased by S$2.8 million from S$99.4 million as at 31 December 2017 to S$96.6 million as at 30 September 2018. The decrease was mainly due to disposal and depreciation of plant and equipment.

Current assets

Current assets increased by S$2.8 million from S$25.1 million as at 31 December 2017 to S$27.9 million as at 30 September 2018. This was mainly due to an increase in trade and other receivables, cash and cash equivalents and inventories, partially offset by decrease in assets held for sale.

Cash and cash equivalents increased from S$4.4 million as at 31 December 2017 to S$5.4 million as at 30 September 2018 mainly due to drawn down of new bank loans, and partially offset by cash used in repayment of term loans and finance lease liabilities, and cash used in operating activities.

Inventories increased from S$0.2 million as at 31 December 2017 to S$0.4 million as at 30 September 2018 due to the purchase of materials for secured projects.

Trade and other receivables increased from S$8.8 million as at 31 December 2017 to S$10.9 million as at 30 September 2018 which was mainly due to higher sales towards the end of 3Q2018 that remained outstanding as at 30 September 2018.

Receivable turnover days increased from 76 days as at 31 December 2017 to 93 days as at 30 September 2018 due to higher sales towards the end of 3Q2018 that remained outstanding as at 30 September 2018.

Non-current liabilities

Non-current liabilities increased by S$5.9 million, from S$23.8 million as at 31 December 2017 to S$29.7 million as at 30 September 2018, which was mainly due to new bank loans secured to finance working capital, partially offset by the repayment of loans and borrowings during the period.

Current liabilities

Current liabilities increased by S$3.8 million, from S$21.0 million as at 31 December 2017 to S$24.7 million as at 30 September 2018, mainly due to increase in trade and other payables, new bank loans and trust receipts.

Payable turnover day decreased from 90 days as at 31 December 2017 to 59 days as at 30 September 2018 mainly due to prompt payment to suppliers to avoid business disruption.

Consolidated Statement of Cash flows

In 3Q2018, net cash used in operating activities before changes in working capital amounted to S$1.3 million. The net cash generated from operating activities amounted to S$0.7 million. This was mainly due to decrease in trade and other receivables.

Net cash used in investing activities of S$0.4 million in 3Q2018 was mainly due to the purchase of plant and equipment.

Net cash used in financing activities of S$1.4 million in 3Q2018 were mainly due to repayment of obligations under finance leases, terms loans and interest payment partially offset by draw down of new loans.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net decrease of S$1.0 million in cash and cash equivalents (as adjusted for deposits pledged) in 3Q2018.

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.

During the quarter ended 30 September 2018, the Group acquired a 5000 DWT oil product tanker Angel Sun, measuring approximately 101.55 metres by 15.3 metres which is used for marine fuel trade. The vessel has been sold in the fourth quarter of the year for a profit.

We will continue to seek opportunities and pursue strategic transactions to acquire marine assets or businesses at the right price that will help to complement our strategy to grow our revenue streams.

As oil prices recovered and stabilized, the Group has seen the gradual increase in drilling activities which lift the demand for the offshore and marine industry. We believe we are well positioned for the eventual upturn in the oil industry. Barring any unforeseen circumstances, the Group is cautiously optimistic that the financial performance may improve in next twelve months.

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 3Q2018.

(b) Previous corresponding period

No dividend was declared or recommended for 3Q2017.

(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 3Q2018.

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 second quarter ended 30 September 2018 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
5 November 2018