



Company Registration No. 201311482K

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 | | | 6 Months | | |
|--|------------------------------|---------------------------------|------|------------------------------|------------------------------|------|
| | 1 Apr 2017 to 30 Jun 2017 | 1 Apr 2016 to 30 Jun 2016 | +/- | 1 Jan 2017 to 30 Jun 2017 | 1 Jan 2016 to 30 Jun 2016 | +/- |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| Revenue | 7,409 | 7,743 | (4) | 15,903 | 16,477 | (3) |
| Cost of sales | (6,163) | (5,155) | 20 | (11,278) | (11,001) | 3 |
| Gross profit | 1,246 | 2,588 | (52) | 4,625 | 5,476 | (16) |
| Gross profit margin | 17% | 33% | | 29% | 33% | |
| Other income | 296 | 221 | 34 | 1,547 | 616 | 151 |
| Distribution expenses | (168) | (271) | (38) | (327) | (508) | (36) |
| Administrative expenses | (2,948) | (3,361) | (12) | (6,017) | (7,190) | (16) |
| Other operating expenses | (999) | (381) | 162 | (1,879) | (1,089) | 73 |
| Finance costs | (194) | (217) | (11) | (372) | (445) | (16) |
| Loss before tax | (2,767) | (1,421) | 95 | (2,423) | (3,140) | (23) |
| Tax expenses | (26) | – | N.M. | (26) | – | N.M. |
| Loss for the period | (2,793) | (1,421) | 97 | (2,449) | (3,140) | (22) |
| Other comprehensive income, net of tax | | | | | | |
| Translation differences relating to financial statements of foreign operations | (20) | 6 | N.M. | (69) | (78) | N.M. |
| Total comprehensive loss | (2,813) | (1,415) | 99 | (2,518) | (3,218) | (22) |

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 | | | 6 Months | | |
|--|------------------------------|------------------------------|-------|------------------------------|------------------------------|------|
| | 1 Apr 2017 to 30 Jun 2017 | 1 Apr 2016 to 30 Jun 2016 | +/- | 1 Jan 2017 to 30 Jun 2017 | 1 Jan 2016 to 30 Jun 2016 | +/- |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| <u>Other income</u> | | | | | | |
| Interest income from bank deposits | (30) | (94) | (68) | (67) | (187) | (64) |
| Miscellaneous income | (189) | (33) | 473 | (937) | (315) | 197 |
| Gain on disposal of property, plant and equipment | (78) | (94) | (17) | (543) | (114) | 376 |
| Currency translations losses / (gains) - net | 146 | (131) | (211) | 297 | 326 | (9) |
| Interest on loans and borrowings | 194 | 217 | (11) | 372 | 445 | (16) |
| Depreciation of property, plant and equipment | 1,737 | 1,104 | 57 | 3,468 | 2,199 | 58 |
| Adjustment for under/(over) provision of tax in respect of prior years | 26 | – | 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 30 Jun 2017 | As at 31 Dec 2016 | As at 30 Jun 2017 | As at 31 Dec 2016 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 118,184 | 108,385 | – | – |
| Club memberships | 46 | 46 | – | – |
| Investments in subsidiaries | – | – | 36,133 | 36,133 |
| | <u>118,230</u> | <u>108,431</u> | <u>36,133</u> | <u>36,133</u> |
| Current assets | | | | |
| Inventories | 175 | 630 | – | – |
| Trade and other receivables | 8,746 | 7,830 | 38,878 | 30,152 |
| Cash and cash equivalents | 8,480 | 20,089 | 3,141 | 12,636 |
| | <u>17,401</u> | <u>28,549</u> | <u>42,019</u> | <u>42,788</u> |
| Total assets | <u>135,631</u> | <u>136,980</u> | <u>78,152</u> | <u>78,921</u> |
| EQUITY | | | | |
| Share capital | 74,409 | 74,409 | 74,409 | 74,409 |
| Other reserves | (11,073) | (11,004) | – | – |
| Accumulated profits | 24,995 | 27,941 | 3,442 | 4,249 |
| Equity attributable to owners of the Companies | <u>88,331</u> | <u>91,346</u> | <u>77,851</u> | <u>78,658</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Loans and borrowings | 19,625 | 17,553 | – | – |
| Deferred tax liabilities | 10,286 | 10,286 | – | – |
| | <u>29,911</u> | <u>27,839</u> | <u>–</u> | <u>–</u> |
| Current liabilities | | | | |
| Loans and borrowings | 7,689 | 7,474 | – | – |
| Trade and other payables | 9,647 | 10,279 | 301 | 263 |
| Current tax payable | 53 | 42 | – | – |
| | <u>17,389</u> | <u>17,795</u> | <u>301</u> | <u>263</u> |
| Total liabilities | <u>47,300</u> | <u>45,634</u> | <u>301</u> | <u>263</u> |
| Total equity and liabilities | <u>135,631</u> | <u>136,980</u> | <u>78,152</u> | <u>78,921</u> |

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

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

| | As at 30 June 2017 | | As at 31 December 2016 | |
|----------------------|--------------------|----------------------|------------------------|----------------------|
| | Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| Loans and borrowings | 7,689 | – | 7,474 | – |

Amount repayable after one (1) year

| | As at 30 June 2017 | | As at 31 December 2016 | |
|----------------------|--------------------|----------------------|------------------------|----------------------|
| | Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| Loans and borrowings | 19,625 | – | 17,553 | – |

Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$44.2 million are pledged as collaterals for secured term loans, trust receipts and bank overdrafts;
- 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\$54.0 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 Jun 2017 S\$'000 | 3 months ended 30 Jun 2016 S\$'000 | 6 months ended 30 Jun 2017 S\$'000 | 6 months ended 30 Jun 2016 S\$'000 |
| Cash flows from operating activities | | | | |
| Loss before income tax | (2,767) | (1,421) | (2,423) | (3,140) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 1,737 | 1,104 | 3,468 | 2,199 |
| Gain on disposal of property, plant and equipment | (78) | (94) | (543) | (114) |
| Interest income | (30) | (94) | (67) | (187) |
| Interest expense | 194 | 217 | 372 | 445 |
| | (944) | (288) | 807 | (797) |
| Changes in working capital: | | | | |
| Inventories | 235 | 75 | 454 | (1,056) |
| Trade and other receivables | 438 | 2,493 | (1,100) | 5,905 |
| Trade and other payables | 259 | (1,009) | (461) | (1,534) |
| Cash (used in)/generated from operations | (12) | 1,271 | (300) | 2,518 |
| Income tax paid | - | - | (26) | (264) |
| Net cash (used in)/generated from operating activities | (12) | 1,271 | (326) | 2,254 |
| Cash flows from investing activities | | | | |
| Deposits pertaining to purchase of property, plant and equipment | (19) | 393 | (19) | - |
| Purchase of property, plant and equipment | (8,943) | (1,928) | (9,479) | (2,104) |
| Proceeds from disposal of property, plant and equipment | 2,292 | 96 | 4,146 | 116 |
| Interest received | 30 | 94 | 67 | 187 |
| Net cash used in investing activities | (6,640) | (1,345) | (5,285) | (1,801) |
| Cash flows from financing activities | | | | |
| Interest paid | (194) | (217) | (372) | (445) |
| Dividend paid | (497) | (2,130) | (497) | (2,130) |
| Repayment of finance lease liabilities - net | (1,299) | (794) | (2,851) | (1,570) |
| Repayment of term loans - net | (1,159) | (755) | (2,252) | (1,571) |
| Deposits withdrawn/(pledged) | 12 | (3) | 1,022 | 11 |
| Net cash used in financing activities | (3,137) | (3,899) | (4,950) | (5,705) |
| Net decrease in cash and cash equivalents | (9,789) | (3,973) | (10,561) | (5,252) |
| Cash and cash equivalents at beginning of the period | 15,590 | 30,795 | 16,382 | 32,106 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (6) | 4 | (26) | (28) |
| Cash and cash equivalents at end of the period* | 5,795 | 26,826 | 5,795 | 26,826 |
| Significant non-cash transactions during the period | | | | |
| a. Purchase of property, plant and equipment under finance leases, term loans and deposits | 7,390 | 4,428 | 7,390 | 6,754 |

| ~Cash and cash equivalents consist of the following: | 3 months ended | 3 months ended | 6 months ended | 6 months ended |
|---|----------------|----------------|----------------|----------------|
| | 30 Jun 2017 | 30 Jun 2016 | 30 Jun 2017 | 30 Jun 2016 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash at bank and in hand | 3,781 | 6,704 | 3,781 | 6,704 |
| Fixed deposits | 4,699 | 20,809 | 4,699 | 20,809 |
| Cash and cash equivalents | 8,480 | 27,513 | 8,480 | 27,513 |
| Deposits pledged | (2,685) | (687) | (2,685) | (687) |
| Cash and cash equivalents in the statements of cash flows | 5,795 | 26,826 | 5,795 | 26,826 |

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 | Merger deficit | Currency translation reserve | Revaluation Reserve | Accumulated profits | Total equity |
|--|---------------|----------------|------------------------------|---------------------|---------------------|--------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 2016 | | | | | | |
| As at 1 January 2016 | 74,409 | (32,763) | 268 | – | 47,899 | 89,813 |
| Total comprehensive income for the financial period | | | | | | |
| Loss for the financial period | – | – | – | – | (1,719) | (1,719) |
| Other comprehensive income/Total other comprehensive income | | | | | | |
| Translation differences relating to financial statements of foreign operations | – | – | (84) | – | – | (84) |
| Total comprehensive loss for the financial period | – | – | (84) | – | (1,719) | (1,803) |
| As at 31 March 2016 | 74,409 | (32,763) | 184 | – | 46,180 | 88,010 |
| As at 1 April 2016 | 74,409 | (32,763) | 184 | – | 46,180 | 88,010 |
| Total comprehensive income for the financial period | | | | | | |
| Loss for the financial period | – | – | – | – | (1,421) | (1,421) |
| Other comprehensive income/Total other comprehensive income | | | | | | |
| Translation differences relating to financial statements of foreign operations | – | – | 6 | – | – | 6 |
| Total comprehensive loss for the financial period | – | – | 6 | – | (1,421) | (1,415) |
| Transactions with owners/Distribution to owners | | | | | | |
| Dividends | – | – | – | – | (2,130) | (2,130) |
| Total transactions with owners | – | – | – | – | (2,130) | (2,130) |
| As at 30 June 2016 | 74,409 | (32,763) | 190 | – | 42,629 | 84,465 |

| 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 |
|--|--------------------------|---------------------------|---|--------------------------------|--------------------------------|-------------------------|
| 2017 | | | | | | |
| As at 1 January 2017 | 74,409 | (32,763) | 293 | 21,466 | 27,941 | 91,346 |
| Total comprehensive income for the financial period | | | | | | |
| Profit for the financial period | – | – | – | – | 344 | 344 |
| Other comprehensive income/Total other comprehensive income | | | | | | |
| Translation differences relating to financial statements of foreign operations | – | – | (49) | – | – | (49) |
| Total comprehensive income for the financial period | – | – | (49) | – | 344 | 295 |
| As at 31 March 2017 | 74,409 | (32,763) | 244 | 21,466 | 28,285 | 91,641 |
| As at 1 April 2017 | 74,409 | (32,763) | 244 | 21,466 | 28,285 | 91,641 |
| Total comprehensive income for the financial period | | | | | | |
| Loss for the financial period | – | – | – | – | (2,793) | (2,793) |
| Other comprehensive income/Total other comprehensive income | | | | | | |
| Translation differences relating to financial statements of foreign operations | – | – | (20) | – | – | (20) |
| Total comprehensive loss for the financial period | – | – | (20) | – | (2,793) | (2,813) |
| Transactions with owners/Distribution to owners | | | | | | |
| Dividends | – | – | – | – | (497) | (497) |
| Total transactions with owners | – | – | – | – | (497) | (497) |
| As at 30 June 2017 | 74,409 | (32,763) | 224 | 21,466 | 24,995 | 88,331 |

| Company | Share capital | Accumulated profits/(losses) | Total equity |
|--|----------------------|-------------------------------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 |
| <u>2016</u> | | | |
| 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 |
| As at 1 April 2016 | 74,409 | 5,563 | 79,972 |
| Total comprehensive loss for the financial period | – | (199) | (199) |
| Transactions with owners/Distribution to owners | | | |
| Dividends | – | (2,130) | (2,130) |
| Total transactions with owners | – | (2,130) | (2,130) |
| As at 30 June 2016 | 74,409 | 3,234 | 77,643 |
| 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/Distribution to owners | | | |
| Dividends | – | (497) | (497) |
| Total transactions with owners | – | (497) | (497) |
| As at 30 June 2017 | 74,409 | 3,442 | 77,851 |

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

| | Number of Shares | Issued and paid-up share capital (S\$) |
|--|------------------|--|
| Issued and fully paid ordinary shares | | |
| Balance at 30 June 2017 and 31 March 2017 | 710,000,000 | 74,408,757 |

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

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

| | As at 30 June 2017 | As at 31 December 2016 |
|----------------------------|-----------------------|---------------------------|
| Total issued shares | 710,000,000 | 710,000,000 |

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

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

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

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

Not applicable.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the 3-months financial period ended 30 June 2017 (“**2Q2017**”) and 6-months financial period ended 30 June 2017 (“**1H2017**”) as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2016. A number of new standards, amendments to standards and interpretations are effective for the financial year beginning 1 January 2017. The adoption of these new/revised Singapore Financial Reporting Standards is presently assessed to have no significant impact on the Group’s financial statements.

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

Refer to paragraph 4 above.

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

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

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

| | 2Q - 3 Months | | 1H - 6 Months | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 1 Apr 2017 to 30 Jun 2017 | 1 Apr 2016 to 30 Jun 2016 | 1 Jan 2017 to 30 Jun 2017 | 1 Jan 2016 to 30 Jun 2016 |
| Net (loss) attributable to equity holders of the Company (S\$’000) | (2,793) | (1,421) | (2,449) | (3,140) |
| Weighted average number of ordinary shares outstanding | 710,000,000 | 710,000,000 | 710,000,000 | 710,000,000 |
| Basic and fully diluted (loss) per share (cents per share) | (0.4) | (0.2) | (0.3) | (0.4) |

The diluted and basic (loss) per share are the same for each of 2Q2017, 2Q2016, 1H2017 and 1H2016 as the Company has no dilutive equity instruments as at 30 June 2017 and 30 June 2016.

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

| | Group | | Company | |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | As at 30 June 2017 | As at 31 December 2016 | As at 30 June 2016 | As at 31 December 2016 |
| Net asset value per ordinary share (cents) | 12.4 | 12.9 | 11.0 | 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 2Q2017 decreased by S\$0.3 million or 4.31%, from S\$7.7 million in 2Q2016 to S\$7.4 million in 2Q2017 mainly due to the decrease in revenue from the Offshore Rig Services and Supply Chain Management segment, as the demand for maintenance of rigs and related goods and services from our customers has remained low during the current protracted downturn of the O&G industry.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by S\$1.0 million or 19.5%, from S\$5.2 million in 2Q2016 to S\$6.2 million in 2Q2017 due to an increase in sales volume for the Group's lower margin materials trading business.

Gross profit and gross profit margin decreased in 2Q2016 as compared to last year corresponding period mainly due to a decrease in contribution from the Group's higher margin marine offshore support services business.

Other income

Other income increased by S\$0.1 million or 33.9%, from S\$0.2 million in 2Q2016 to S\$0.3 million in 2Q2017 due to higher office space rental income and sundry income, partially offset by lower interest received.

Distribution expenses

Distribution expenses decreased by S\$0.1 million or 38.0%, from S\$0.3 million in 2Q2016 to S\$0.2 million in 2Q2017 due to lower advertisement and travelling expenses, partially offset by higher commission fees and entertainment expenses.

Administrative expenses

Administrative expenses decreased by S\$0.4 million or 12.3%, from S\$3.4 million in 2Q2016 to S\$3.0 million in 2Q2017 due to the implementation of various cost cutting measures to reduce staff costs and other administrative expenses.

Other operating expenses

Other operating expenses increased by S\$0.6 million or 162.2%, from S\$0.4 million in 2Q2016 to S\$1.0 million in 2Q2017 mainly due to higher depreciation of property, plant and equipment consequent to revaluation of land and building during the year ended 31 December 2016.

Finance costs

Finance costs decreased by S\$0.02 million or 10.6% in 2Q2017 as compared to 2Q2016 mainly due to lower interest expenses incurred for loans and borrowings.

Net loss

As a result of the above, the Group incurred a loss of S\$2.8 million in 2Q2017 as compared to a loss of S\$1.4 million in 2Q2016.

Statement of Financial Position

Non-current assets

Non-current assets increased by S\$9.8 million, from S\$108.4 million as at 31 December 2016 to S\$118.2 million as at 30 June 2017 mainly due to the purchased of three 130-ton Bollard Pull AHTS Vessels as announced on 12 June 2017.

Current assets

Current assets decreased by S\$11.1 million, from S\$28.5 million as at 31 December 2016 to S\$17.4 million as at 30 June 2017. This was mainly due to:

- i) the decrease in cash and cash equivalents for the purchase of vessels as explained above;
- ii) the decrease in inventories;

which were partially offset by:

- iii) the increase in trade and other receivables.

Cash and cash equivalents decreased from S\$20.1 million as at 31 December 2016 to S\$8.5 million as at 30 June 2017 mainly due to the purchase of vessels, payment of dividends and the repayment of bank loans.

Inventories decreased from S\$0.6 million as at 31 December 2016 to S\$0.2 million as at 30 June 2016, during the normal course of operation. Inventory turnover days decreased approximately from 11.2 days as at 31 December 2016 to 6.5 days as at 30 June 2017 mainly due to the Group holding lesser stock on hand.

Trade and other receivables increased from S\$7.8 million as at 31 December 2016 to S\$8.7 million as at 30 June 2017 mainly due to higher prepayment and deposits as well as higher Group sales towards the end of 2Q2017. Receivable turnover days decreased approximately from 105.2 days as at 31 December 2016 to 69.3 days as at 30 June 2017 as we have further tightened our credit control procedure.

Non-current liabilities

Non-current liabilities increased by S\$2.1 million, from S\$27.8 million as at 31 December 2016 to S\$29.9 million as at 30 June 2017, mainly due to new bank loans secured to finance the purchase of property, plant and equipment, partially offset by the repayment of loans and borrowings during the period.

Current liabilities

Current liabilities decreased by S\$0.4 million, from S\$17.8 million as at 31 December 2016 to S\$17.4 million as at 30 June 2017, mainly due to lower accrued operating expenses and deposits from customers. Trade payable turnover days decreased approximately from 106.3 days as at 31 December 2016 to 90.0 days as at 30 June 2017 mainly due to prompt payments to suppliers as they fell due to avoid business disruption.

Working Capital Position

The Group working capital was S\$0.01 million as at 30 June 2017 as compared to S\$10.8 million as at 30 June 2016, mainly due to the decrease of cash and bank balances as a result of our purchase of three 130-ton Bollard Pull AHTS Vessels as announced on 12 June 2017. Despite the low working capital, the Group is expected to meet its short-term obligations as and when they fall due because:

- i) The Group has secured the following banking facilities from UOB:
 - a) A long term 5-year vessel loan of S\$5 million which will be available to be drawn down in Q32017; and
 - b) A Money Market Line of S\$5 million (“MML”) to finance the working capital requirements of the Group. The MML is on a revolving basis and is presently available to be drawn down if the need arises.
- ii) The Group has maintained a good relationship with the banks and has not breached the loan covenants as stipulated in all existing banking facilities. The Group believes that the banks will continue to provide their financial support to the Group.

Because of the early closing of the purchase of the 3 AHTS vessels, the 5-year vessel loan of S\$5 million will be received only after the completion of the purchase. Therefore the Company has utilised S\$8.5 million from the IPO proceeds to partially fund the purchase of the 3 AHTS Vessels with the balance funded by existing bank loans. Following the future receipt of the S\$5 million vessel loan, the Company will utilise the loan to fund the working capital of the Company.

Consolidated Statement of Cash flows

In 2Q2017, net cash used in operating activities before changes in working capital amounted to S\$0.9 million. Net cash from working capital amounted to S\$0.9 million. The net cash in operating activities amounted to S\$0.01 million.

Net cash used in investing activities of S\$6.6 million in 2Q2017 was mainly due to purchase of vessels and equipment, partially offset by proceeds from disposal of equipment and interest received.

Net cash used in financing activities of S\$3.1 million in 2Q2017 were due to dividends payment, interest payment, and the repayment of obligations under finance leases and term loans.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net decrease of S\$9.8 million in cash and cash equivalents (as adjusted for deposits pledged) in 2Q2017.

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

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

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

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

Against a backdrop of uncertainty, it presents an opportunity for the Group to capitalise on the attractive valuations of prospective targets. During 2Q2017, the Group acquired three anchor handling tug supply (AHTS) vessels for a total consideration of U\$9.6 million. The ABS Class 130-tonne bollard pull vessels, each measuring 70.0 by 16.8 meters will be used to perform tow services for our clients' jack-up rigs and salvage operations.

The downturn of the oil and gas industry has enabled the Group to acquire these assets at attractive valuations. The AHTS vessels will enhance our service capabilities in these challenging market conditions. We plan to use them in the course of our normal business operations and also on long-term charters, as and when appropriate opportunities arise.

Moving forward, the Group will continue to assess potential merger and acquisition opportunities. The Group has implemented cost-cutting measures and will continue to manage its cash flow prudently. Despite the protracted downturn, the debt to equity ratio of the Group remains relatively low at 0.3, reflecting a sound balance sheet.

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 2Q2017.

(b) Previous corresponding period

No dividend was declared or recommended for 2Q2016.

(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 2Q2017.

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 June 2017 to be false or misleading in any material aspect.

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

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

16. Use of Proceeds

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

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

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

BY ORDER OF THE BOARD

Thomas Tan Keng Siong
Executive Chairman and CEO
3 August 2017

Yeo Seh Hong
Executive Director and COO