



Company Registration No. 201311482K

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Background

Kim Heng Offshore & Marine Holdings Limited ("**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 22 January 2014. The initial public offering ("**IPO**") of the Company was sponsored by Canaccord Genuity Singapore Pte. Ltd. ("**Sponsor**").

The Company was incorporated in the Republic of Singapore on 29 April 2013 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Company and its subsidiaries ("**Group**"), were formed pursuant to a restructuring exercise ("**Restructuring Exercise**") which involved acquisition and rationalization of the Group's corporate and shareholding structure prior to the IPO and the Company's listing on Catalist of the SGX-ST. Please refer to the Company's offer document dated 14 January 2014 ("**Offer Document**") for further details of the Restructuring Exercise.

For the purpose of this announcement, the comparative results of the Group for the second quarter ended 30 June 2013 ("**2Q2013**") represented a combination or aggregation of the financial statements of the Company and its subsidiaries after the Restructuring Exercise, and have been prepared on the assumption that the Group structure following the completion of the Restructuring Exercise has been in place since 1 January 2013.

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

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

The contact person for the Sponsor is Ms Soo Hsin Yu, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

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 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	+/-	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	20,131	19,574	3	43,718	40,956	7
Cost of sales	(14,045)	(10,708)	31	(27,829)	(23,593)	18
Gross profit	6,086	8,866	(31)	15,889	17,363	(8)
Gross profit margin	30%	45%		36%	42%	
Other income	246	168	46	714	256	179
Distribution expenses	(1,068)	(280)	281	(1,530)	(514)	198
Administrative expenses	(3,255)	(4,239)	(23)	(7,939)	(7,862)	1
Other operating expenses	(95)	1,041	N.M.	(479)	538	N.M.
Finance costs	(106)	(230)	(54)	(213)	(496)	(57)
Profit before income tax	1,808	5,326	(66)	6,442	9,285	(31)
Income tax expense	(221)	(643)	(66)	(962)	(1,256)	(23)
Profit for the period	1,587	4,683	(66)	5,480	8,029	(32)
Other comprehensive income, net of tax						
Translation differences relating to financial statements of foreign operations	(36)	6	N.M.	(57)	12	N.M.
Total comprehensive income	1,551	4,689	(67)	5,423	8,041	(33)

N.M. – not meaningful

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

	3 Months			6 Months		
	1 Apr 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	+/-	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Other income</u>						
Interest income from bank deposits	(81)	(1)	N.M.	(126)	(1)	N.M.
Miscellaneous (income)/expenses	(89)	38	N.M.	(339)	(50)	578
Gain on disposal of property, plant and equipment	(76)	(205)	(63)	(249)	(205)	21
Interest on borrowings	106	230	(54)	213	496	(57)
Depreciation of property, plant and equipment	1,006	1,150	(13)	2,006	2,266	(11)
Impairment (reversed)/provided in relation to trade receivables	(34)	(81)	(58)	23	129	(82)
Reversal of inventories obsolescence	(94)	(1,531)	(94)	(150)	(1,562)	(90)
Currency translation losses - net	111	185	(40)	133	70	90

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	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Investments in subsidiaries	-	-	36,133	36,133
Property, plant and equipment	59,794	57,779	5	-
Club memberships	44	44	-	-
	59,838	57,823	36,138	36,133
Current assets				
Inventories	751	691	-	-
Trade and other receivables	26,784	28,187	5,868	4,242
Non-current assets held-for-sale	1,826	1,792	-	-
Cash and cash equivalents	42,645	3,504	32,442	-
	72,006	34,174	38,310	4,242
Total assets	131,844	91,997	74,448	40,375
EQUITY				
Share capital	74,409	36,133	74,409	36,133
Other reserves	(33,006)	(32,949)	-	-
Accumulated profits	56,246	54,316	(22)	4,000
Equity attributable to owners of the Companies	97,649	57,500	74,387	40,133
LIABILITIES				
Non-current liabilities				
Loans and borrowings	4,938	3,991	-	-
Deferred tax liabilities	5,872	5,872	-	-
	10,810	9,863	-	-
Current liabilities				
Loans and borrowings	4,320	4,192	-	-
Trade and other payables	17,050	17,149	61	242
Current tax payable	2,015	3,293	-	-
	23,385	24,634	61	242
Total liabilities	34,195	34,497	61	242
Total equity and liabilities	131,844	91,997	74,448	40,375

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 Jun 2014		As at 31 Dec 2013	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	4,320	-	4,192	-

Amount repayable after one (1) year

	As at 30 Jun 2014		As at 31 Dec 2013	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	4,938	-	3,991	-

Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$12.8 million are pledged as collaterals for secured term loans, trust receipts and bank overdrafts;
- Fixed deposits of S\$0.7 million are pledged as security deposits for the operating lease of office premises and warehouse as well as to secure bank overdrafts, trust receipts, term loans and finance lease liabilities;
- Joint and several personal guarantees granted by Tan Keng Siong Thomas ("**Thomas Tan**") (Executive Chairman and CEO) and Tan Sek Khoon ("**SK Tan**") (brother of Thomas Tan and a former director of the Group) to banks in respect of banking facilities amounting to S\$9.2 million; and
- Corporate guarantees by the Group's subsidiary, Kim Heng Marine & Oilfield Pte. Ltd.

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			
	2Q2014 Ended 30 Jun 2014 S\$'000	2Q2013 Ended 30 Jun 2013 S\$'000	1H2014 Ended 30 Jun 2014 S\$'000	1H2013 Ended 30 Jun 2013 S\$'000
Cash flows from operating activities				
Profit before income tax	1,808	5,326	6,442	9,285
Adjustments for:				
Depreciation of property, plant and equipment	1,006	1,150	2,006	2,266
Gain on disposal of property, plant and equipment	(76)	(205)	(249)	(205)
Interest income	(81)	(1)	(126)	(1)
Interest expense	106	230	213	496
	2,763	6,500	8,286	11,841
Changes in working capital:				
Inventories	(215)	(1,090)	(61)	(806)
Trade and other receivables	9,647	3,750	5,085	3,741
Trade and other payables	(1,717)	(622)	(100)	1,580
Amounts due to directors	-	-	-	(120)
Cash generated from operations	10,478	8,538	13,210	16,236
Income tax paid	(1,572)	(328)	(2,239)	(677)
Net cash from operating activities	8,906	8,210	10,971	15,559
Cash flows from investing activities				
Deposits pertaining to purchase of property, plant and equipment	(2,565)	(293)	(3,856)	(293)
Purchase of property, plant and equipment	(2,503)	-	(2,517)	(1,479)
Proceeds from disposal of property, plant and equipment	169	916	2,234	916
Interest received	81	1	126	1
Net cash (used in)/from investing activities	(4,818)	624	(4,013)	(855)
Cash flows from financing activities				
Interest paid	(106)	(230)	(213)	(496)
Dividend paid	(3,550)	(1,060)	(3,550)	(2,811)
Repayment of finance lease liabilities - net	(540)	(2,543)	(1,120)	(4,207)
Repayment of trust receipts	-	(1,468)	-	(1,233)
Repayment of term loans	(666)	(2,076)	(1,329)	(3,634)
Proceeds from issue of share capital	-	-	38,445	-
Deposits pledged	504	(258)	507	(265)
Net cash (used in)/ from financing activities	(4,358)	(7,635)	32,740	(12,646)
Net (decrease)/ increase in cash and cash equivalents	(270)	1,199	39,698	2,058
Cash and cash equivalents at beginning of the period~	42,287	(1,422)	2,335	(2,281)
Effect of exchange rate fluctuations on cash and cash equivalents	(34)	5	(50)	5
Cash and cash equivalents at end of the period~	41,983	(218)	41,983	(218)
Significant non-cash transactions during the period				
a. Purchase of property, plant and equipment under finance leases, term loans and deposits	852	3,499	3,524	4,965
b. Issuance of restructuring shares	-	-	-	30,549

~As adjusted for bank overdrafts and deposits pledged

	2Q2014 Ended 30 Jun 2014 S\$'000	2Q2013 Ended 30 Jun 2013 S\$'000	1H2014 Ended 30 Jun 2014 S\$'000	1H2013 Ended 30 Jun 2013 S\$'000
~Cash and cash equivalents consist of the following:				
Cash at bank and in hand	21,901	2,194	21,901	2,194
Fixed deposits	20,744	1,169	20,744	1,169
Cash and cash equivalents	42,645	3,363	42,645	3,363
Bank overdrafts	-	(2,412)	-	(2,412)
Deposits pledged	(662)	(1,169)	(662)	(1,169)
Cash and cash equivalents in the statements of cash flows	41,983	(218)	41,983	(218)

1 (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital S\$'000	Merger deficit S\$'000	Currency translation reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
2013					
As at 1 January 2013	3,370	-	(235)	40,226	43,361
Total comprehensive income for the financial period					
Profit for the financial period	-	-	-	3,346	3,346
Other comprehensive income/Total other comprehensive income					
Translation differences relating to financial statements of foreign operations	-	-	6	-	6
Total comprehensive income for the financial period	-	-	6	3,346	3,352
Transactions with owners/Distribution to owners					
Dividends	-	-	-	(3,000)	(3,000)
Total transactions with owners	-	-	-	(3,000)	(3,000)
As at 31 March 2013	3,370	-	(229)	40,572	43,713
As at 1 April 2013	3,370	-	(229)	40,572	43,713
Total comprehensive income for the financial period					
Profit for the financial period	-	-	-	4,683	4,683
Other comprehensive income/Total other comprehensive income					
Translation differences relating to financial statements of foreign operations	-	-	6	-	6
Total comprehensive income for the financial period	-	-	6	4,683	4,689
Transactions with owners/Distribution to owners					
Adjustment pursuant to restructuring exercise	(3,370)	(32,763)	-	-	(36,133)
Issuance of restructuring shares	30,549	-	-	-	30,549
Total transactions with owners	27,179	(32,763)	-	-	(5,584)
As at 30 June 2013	30,549	(32,763)	(223)	45,255	42,818

Group	Share capital	Merger deficit	Currency translation reserve	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2014					
As at 1 January 2014	36,133	(32,763)	(186)	54,316	57,500
Total comprehensive income for the financial period					
Profit for the financial period	-	-	-	3,893	3,893
Other comprehensive income/Total other comprehensive income					
Translation differences relating to financial statements of foreign operations	-	-	(21)	-	(21)
Total comprehensive income for the financial period	-	-	(21)	3,893	3,872
Transactions with owners/Distribution to owners					
Issuance of shares, net of shares issue expenses	38,368	-	-	-	38,368
Total transactions with owners	38,368	-	-	-	38,368
As at 31 March 2014	74,501	(32,763)	(207)	58,209	99,740
2014					
As at 1 April 2014	74,501	(32,763)	(207)	58,209	99,740
Total comprehensive income for the financial period					
Profit for the financial period	-	-	-	1,587	1,587
Other comprehensive income/Total other comprehensive income					
Translation differences relating to financial statements of foreign operations	-	-	(36)	-	(36)
Total comprehensive income for the financial period	-	-	(36)	1,587	1,551
Transactions with owners/Distribution to owners					
Adjustment pursuant to capitalized expenses	(92)	-	-	-	(92)
Dividends	-	-	-	(3,550)	(3,550)
Total transactions with owners	(92)	-	-	(3,550)	(3,642)
As at 30 June 2014	74,409	(32,763)	(243)	56,246	97,649

Company	Share capital S\$'000	Capital reserve S\$'000	Accumulated profits/(losses) S\$'000	Total equity S\$'000
2013				
As at 29 April 2013 (Being the date of incorporation)	*	-	-	*
Transactions with owners/Distribution to owners				
Issuance of restructuring shares	30,549	-	-	30,549
Total transactions with owners	30,549	-	-	30,549
As at 30 June 2013	30,549	-	-	30,549
2014				
As at 1 January 2014	36,133	-	4,000	40,133
Total comprehensive loss for the financial period	-	-	(311)	(311)
Issuance of shares, net of shares issue expenses	38,368	-	-	38,368
As at 31 March 2014	74,501	-	3,689	78,190
As at 1 April 2014	74,501	-	3,689	78,190
Total comprehensive loss for the financial period			(161)	(161)
Transactions with owners/Distribution to owners				
Adjustment pursuant to capitalized expenses	(92)	-	-	(92)
Dividends	-	-	(3,550)	(3,550)
Total transactions with owners	(92)	-	(3,550)	(3,642)
As at 30 June 2014	74,409	-	(22)	74,387

*- The Company was incorporated on 29 April 2013 and its issued share capital was S\$1 comprising one (1) ordinary share.

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 shares, if any, against the total number of issued shares excluding treasury shares 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 1 April 2014 and 30 June 2014	710,000,000	74,501,451

There were no outstanding convertibles or treasury shares held by the Company as at 30 June 2014 and 30 June 2013.

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 Jun 2014	As at 31 Dec 2013
Total issued shares	710,000,000	550,000,000

As at 30 June 2014, the Company has no outstanding options, convertibles or treasury shares.

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.

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 2014 ("2Q2014") and 6-months financial period ended 30 June 2014 ("1H2014") as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2013. A number of new standards, amendments to standards and interpretations are effective for the financial year beginning 1 January 2014. 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:

Earnings per share based on the weighted average number of ordinary shares on issue:

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 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013
Net profit attributable to equity holders of the Company (S\$'000)	1,587	4,683	5,480	8,029

Weighted average number of ordinary shares outstanding for earnings per share	710,000,000	550,000,000 [^]	691,436,464	550,000,000 [^]
Basic and fully diluted earnings per share (cents per share)	0.2	0.9	0.8	1.5

[^] - Adjusted for the sub-division of every one (1) share into 550 shares pursuant to the Restructuring Exercise. Please refer to the Offer Document for further details.

The diluted and basic EPS are similar for 2Q2014, 2Q2013, 1H2014 and 1H2013 as the Company has no dilutive equity instruments as at 30 June 2014 and 30 June 2013.

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 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
Net asset value per ordinary share (S\$ cents)	13.8	10.5	10.5	7.3

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 2Q2014 increased by S\$0.6 million or 2.8%, from S\$19.6 million for 2Q2013 to S\$20.1 million for 2Q2014. This was mainly due to the increase in revenue from the Vessel Sales and Newbuild segment of S\$3.8 million, partially offset by a decrease in the Offshore Rig Services and Supply Chain Management revenue by S\$3.2 million.

Revenue from the Vessels Sales and Newbuild segment increased by S\$3.8 million from S\$1.0 million in 2Q2013 to S\$4.7 million in 2Q2014 due to the sale of two barges in 2Q2014.

Revenue in the Offshore Rig Services and Supply Chain Management segment decreased by S\$3.2 million to S\$15.4 million for 2Q2014 mainly due to a decrease in (i) sale of materials of S\$3.2 million, from S\$7.7 million in 2Q2013 to S\$4.5 million in 2Q2014; (ii) equipment rental income of S\$0.9 million, from S\$2.5 million in 2Q2013 to S\$1.6 million in 2Q2014; and (iii) marine offshore support services income of S\$0.6 million, from S\$5.6 million in 2Q2013 to S\$5.0 million in 2Q2014. The decrease was mainly due to delays in the arrival of drilling rigs and offshore support vessels from our customers. This was partially offset by an increase in chartering and towage income of S\$1.5 million, from S\$2.7 million in 2Q2013 to S\$4.3 million in 2Q2014, mainly due to an increase in demand for chartering services from one of our major customers.

Cost of sales, profit margin and gross profit margin

Cost of sales increased by S\$3.3 million or 31.2% from S\$10.7 million in 2Q2013 to S\$14.0 million in 2Q2014. This was mainly due to the increases in (i) costs incurred on vessel sales of S\$3.6 million; (ii) vessels-related costs of S\$1.6 million; and (iii) equipment rental costs of S\$0.1 million; partially offset by the decrease in cost of materials of S\$2.0 million.

As a result, gross profit decreased by S\$2.8 million or 31.4%, from S\$8.9 million in 2Q2013 to S\$6.1 million in 2Q2014.

Gross profit margin dropped from 45.3% for 2Q2013 to 30.2% for 2Q2014. The decrease in gross profit margin was mainly due to a higher proportion of lower margin projects which the Group had undertaken and vessel sales, which derived lower margins, in 2Q2014 and the delay in arrival of certain rigs.

Other income

Other income increased by S\$0.1 million from S\$0.2 million in 2Q2013 to S\$0.3 million in 2Q2014 mainly due to interest received from fixed deposits.

Distribution expenses

Distribution expenses increased by S\$0.8 million, from S\$0.3 million in 2Q2013 to S\$1.1 million in 2Q2014, due to increase in marketing and promotion expenses incurred in exploring new business opportunities of S\$0.4 million and brokerage and commission fees in relation to secured projects of S\$0.4 million.

Administrative expenses

Administrative expenses decreased by S\$1.0 million or 23.2%, from S\$4.2 million in 2Q2013 to S\$3.3 million in 2Q2014, due to decreases in (i) professional fees of S\$0.4 million; and (ii) staff costs and other admin-related expenses of S\$0.6 million.

Other operating expenses

Other operating expenses increased by S\$1.1 million mainly due to reversal of allowance for inventory obsolescence of S\$1.5 million in 2Q2013 compared to S\$0.1 million in 2Q2014. Depreciation costs decreased by S\$0.1 million in 2Q2014 as some of the Group's assets had been fully depreciated in FY2013.

Finance expenses

Finance costs decreased by S\$0.1 million or 53.9% from S\$0.2 million in 2Q2013 to S\$0.1 million in 2Q2014. The decrease was due to the repayment of obligations under the Group's financing facilities.

Income tax expenses

Income tax expenses decreased by S\$0.4 million or 65.6%, from S\$0.6 million in 2Q2013 to S\$0.2 million in 2Q2014, in line with the decrease in our profits. The effective tax rate was 12.1% for 2Q2013 and 12.2% for 2Q2014 which was below the prevailing statutory tax rate in Singapore due mainly to income from chartering services which is non-taxable.

Net profit

As a result of the above, our net profit decreased by S\$3.1 million from S\$4.7 million in 2Q2013 to S\$1.6 million in 2Q2014.

Statement of Financial Position

Current assets

Current assets increased by S\$37.8 million from S\$34.2 million as at 31 December 2013 to S\$72.0 as at 30 June 2014 mainly due to an increase in cash and cash equivalents of S\$39.1 million, partially offset by a decrease in trade and other receivables of S\$1.4 million.

Cash and cash equivalents increased from S\$3.5 million as at 31 December 2013 to S\$42.6 million as at 30 June 2014 due mainly to the proceeds from the Company's IPO on Catalist of the SGX-ST and collections from customers during the period.

Trade and other receivables decreased from S\$28.2 million as at 31 December 2013 to S\$26.8 million as at 30 June 2014 mainly due to collections from customers during the period, partially offset by down payments of S\$3.9 million to purchase vessels.

Current liabilities

Current liabilities decreased by S\$1.2 million from S\$24.6 million as at 31 December 2013 to S\$23.4 million as at 30 June 2014 due to decreases in current tax payables of S\$1.3 million as a result of lower profits for the period.

Non-current liabilities

Non-current liabilities increased by S\$0.9 million from S\$9.9 million as at 31 December 2013 to S\$10.8 million as at 30 June 2014 due to new loans taken up by the Group during the period to purchase vessels.

Shareholders' equity

Shareholders' equity amounted to S\$57.5 million and S\$97.6 million as at 31 December 2013 and 30 June 2014 respectively. The increase was due to an increase in (i) share capital of S\$38.4 million from the issuance of new shares pursuant to the IPO of the Company on Catalist of the SGX-ST; and (ii) profit for the period of S\$5.5 million, partially offset by dividends paid during the period of S\$3.6 million.

Consolidated Statement of Cash flows

In 2Q2014, we generated net cash from operating activities before changes in working capital of S\$2.8 million. Net cash from working capital amounted to S\$7.7 million. This was mainly due to a decrease in trade and other receivables of S\$9.6 million, partially offset by a decrease in trade and other payables of S\$1.7 million and increase in inventories of S\$0.2 million. We paid income tax of S\$1.6 million during the period. The net cash generated from operating activities amounted to S\$8.9 million.

Net cash used in investing activities of S\$4.8 million in 2Q2014 were mainly for the purchase of and deposits placed for the acquisition of plant and equipment of S\$5.1 million mainly for vessels, partially offset by proceeds from the disposal of property, plant and equipment of S\$0.2 million.

Net cash used in financing activities of S\$4.4 million in 2Q2014 were mainly due to (i) dividends of S\$3.6 million; (ii) the repayment of obligations under finance lease and term loans amounting to S\$0.5 million and S\$0.7 million respectively; and (iii) payment of interest amounting to S\$0.1 million, partially offset by withdrawal of fixed deposit amounting to S\$0.5 million.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net decrease of S\$0.3 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.

In the report “2014 - The Outlook for Energy: A View to 2040”, ExxonMobil projected total residential and commercial energy demand to rise by around 30 percent from 2010 to 2040, driven by increasing population, urbanization and rising living standards. ExxonMobil also expects the shift away from traditional biomass fuel, such as wood, in developing countries to further contribute to demand for modern energy such as oil and gas. Drawing from the buoyant demand coupled with the sustained high oil prices, and barring unforeseen circumstances, the Group expects the level of offshore exploration and production activities to remain robust, which may in turn translate into more opportunities for the Group.

On the back of the abovementioned long-term robust outlook, the Group has strong forward business and has forward commitments with estimated revenue of S\$86.0 million (over and above 1H2014 revenue) as at July 2014, of which approximately S\$40 million is attributable to a master service agreement recently signed with an international drilling contractor to provide services and supplies to four units of rigs over the next 18 to 24 months. Barring unforeseen circumstances, a significant portion of our forward commitments is expected to be recognised as revenue in 2014. The estimated revenue from forward commitments may not be reflective or indicative of the Group’s overall financial results and performance as it may be subject to variation, modification and cancellation by customers.

Additionally, with the increase in the global rig fleet, the Group expects more rigs requiring repair, maintenance and ancillary services. In anticipation of the Group’s increase in operational demands, the Group will invest and develop its waterfront yard and facilities at 48 Penjuru Road.

Moving forward, the Group will continue to assess potential merger and acquisition opportunities. The Group’s current strong cash position allows us to undertake expansion activities and additional projects, which will put the Group in good stead to capitalise on the growth in the energy sector.

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 2Q2014.

(b) Previous corresponding period

No dividend was declared or recommended for 2Q2013.

(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 2Q2014.

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 confirm that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results for the second quarter ended 30 June 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Thomas Tan Keng Siong
Executive Chairman and CEO
11 August 2014

Yeo Seh Hong
Executive Director and COO