



KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 29 April 2013)
(Company Registration Number: 201311482K)

SGX/MEDIA RELEASE – FOR IMMEDIATE RELEASE

Kim Heng's 2Q2014 revenue increases 3% year-on-year

- **Revenue increased on the back of stronger performance in vessel sales and vessel chartering businesses**
- **Gross profit margin declined due to higher proportion of lower margin projects, and delay in arrivals of customers' drilling rigs and offshore support vessels**
- **Group expects long-term industry outlook to remain robust; has forward commitments with estimated revenue of S\$86 million**

Singapore, 11 August 2014 – Kim Heng Offshore & Marine Holdings Limited (“**Kim Heng**” or the “**Group**”), an established integrated offshore and marine value chain services provider, has announced its financial results for the second quarter ended 30 June 2014 (“**2Q2014**”).

Financial Review

The Group reported revenue of S\$20.1 million for 2Q2014, a growth of 3% year-on-year (“**y-o-y**”). The revenue growth was mainly due to S\$3.8 million increase in revenue contribution from the Vessel Sales and Newbuild segment as the Group sold two barges. This was partially offset by a decrease in revenue in the Offshore Rig Services and Supply Chain Management (“**ORSSCM**”) segment by S\$3.2 million. Despite an increase of S\$1.5 million in chartering and towage income to S\$4.3 million for 2Q2014 as a result of higher chartering activities, the ORSSCM segment recorded a S\$3.2 million drop in revenue y-o-y to S\$15.4 million. This was mainly due to delays in arrival of the Group's customers' drilling rigs and offshore support vessels (“**OSV**”), which led to decreases in revenue in sales of materials, equipment rental and marine offshore support services by S\$3.2 million, S\$0.9 million and S\$0.6 million, respectively, to S\$4.5 million, S\$1.6 million and S\$5.0 million, respectively, for 2Q2014.

The Group's cost of sales increased 31% y-o-y from S\$10.7 million to S\$14.0 million for 2Q2014. The increase was mainly due to higher costs of S\$3.6 million incurred on vessel sales, S\$1.6 million increase in vessel-related costs and S\$0.1 million increase in equipment



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rental costs. The increase in cost of sales was partially offset by the decrease in costs of materials by S\$2.0 million.

Although the Group's revenue rose, the Group's gross profit fell by 31% y-o-y from S\$8.9 million for 2Q2013 to S\$6.1 million for 2Q2014. This was mainly due to completion of a higher proportion of lower margin projects and vessel sales, which derived lower margins, in 2Q2014, as compared to 2Q2013, and the aforementioned delay in arrival of the Group's customers' drilling rigs and OSVs. Consequently, the Group's gross profit margin was also impacted, falling from 45% for 2Q2013 to 30% for 2Q2014.

Administrative and Distribution expenses declined 4% y-o-y from S\$4.5 million in 2Q2013 to S\$4.3 million in 2Q2014 largely due to decreases in staff costs and admin-related expenses, as well as professional fees by S\$0.6 million and S\$0.4 million, respectively. These decreases outweighed the S\$0.8 million increase in distribution expenses from S\$0.3 million in 2Q2013 to S\$1.1 million 2Q2014. The increase in distribution expenses was due to higher marketing and promotional activities conducted in 2Q2014 to seek new business opportunities and brokerage and commission fees in relation to secured projects.

The Group incurred other operating expenses of S\$0.1 million for 2Q2014 as compared to other operating income of S\$1.0 million for 2Q2013 which was due to one-off reversal of allowance for inventory obsolescence in 2Q2013.

As a result of the above, the Group's net profit attributable to equity holders fell 66% y-o-y for 2Q2014 to S\$1.6 million. As at 30 June 2014, the Group is in a robust net cash position of S\$33.4 million.

Outlook

Commenting on the Group's performance and outlook, Mr. Thomas Tan, Executive Chairman and CEO of Kim Heng, said,

"We expect the level of offshore exploration and production activities to remain robust in the long-term barring unforeseen circumstances. As at July 2014, the Group has forward commitments with estimated revenue of S\$86.0 million. Barring any unforeseen circumstances, we expect a significant portion of these forward commitments to be recognised in FY2014.

In view of the long-term robust industry outlook and the Group's future business potential, the Group will invest and develop its waterfront yard and facilities at 48 Penjuru Road. The Group will also continue to assess potential merger and acquisition opportunities. Our cash position remains strong and allows us to undertake expansion activities and additional projects to seek growth for the Group."

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ABOUT Kim Heng Offshore & Marine Holdings Limited (Bloomberg Ticker: KHOM SP)

With over 40 years of experience and listed on the Catalist Board of the Singapore Exchange Securities on 22 January 2014, Kim Heng Offshore & Marine Holdings Limited is an established integrated offshore and marine value chain services provider. Strategically located in Singapore, the Group offers a one-stop comprehensive range of products and services that caters to different stages of offshore oil and gas projects from oil exploration to field development and oil production.

Kim Heng has built its brand over the years and currently caters to world renowned customers from over 25 countries in the regions of Southeast Asia, USA, Latin America, Australasia, Middle East and Europe.

The Kim Heng Group's operations are primarily located in Singapore, with two shipyards strategically located at 9 Pandan Crescent and 48 Penjuru Road. The shipyards, with a combined waterfront of 205 metres, enable Kim Heng to carry out afloat repairs, fabrication, newbuild, painting and blasting works.

Via its two waterfront facilities, Kim Heng is able to carry out a multitude of services, which are split into two main business segments.

Offshore Rig Services & Supply Chain Management

Offshore Rig Services

- Construction and fabrication works of sections or components of drilling rigs & drillships
- Installation of offshore production modules and systems
- Afloat repairs, maintenance and refurbishment of offshore rigs, platforms & vessels
- Supply of offshore drilling and production equipment

Supply Chain Management

- Provision of offshore supply vessels and heavy-lift equipment
- Provision of logistics, general shipping and crew management

Vessel Sales & Newbuild

- Purchase and refurbishment of vessels for onselling
- Newbuilding of vessels

For more information, please visit www.kimheng.com.sg

Issued for and on behalf of Kim Heng Offshore & Marine Holdings Limited

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