



Company Registration No. 201311482K

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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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 Ended		+ / (-)
	31 Mar 2018	31 Mar 2017	
	S\$'000	S\$'000	%
Revenue	7,420	8,494	(13)
Cost of sales	(6,101)	(5,115)	19
Gross profit	1,319	3,379	(61)
Gross profit margin	18%	40%	
Other income	287	1,251	(77)
Distribution expenses	(127)	(159)	(20)
Administrative expenses	(3,051)	(3,069)	(1)
Other expenses	(1,269)	(880)	44
Finance costs	(274)	(178)	54
(Loss)/Profit before tax	(3,115)	344	N.M.
Tax expense	–	–	N.M.
(Loss)/Profit for the period	(3,115)	344	N.M.
Other comprehensive (loss)/ income, net of tax			
Translation differences relating to financial statements of foreign operations	(21)	(49)	(57)
Total comprehensive (loss)/ income for the period	(3,136)	295	N.M.
Net profit/(loss) attributable to:			
Owners of the Company	(3,122)	344	N.M.
Non-Controlling Interests	7	–	N.M.
	(3,115)	344	

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

	3 Months Ended		
	31 Mar 2018	31 Mar 2017	+ / (-)
	S\$'000	S\$'000	%
Interest income from bank deposits	(1)	(37)	(97)
Miscellaneous income	(286)	(748)	(62)
Loss/(Gain) on disposal of property, plant and equipment	124	(465)	N.M.
Currency translations losses - net	233	151	54
Interest on loans & borrowings	274	178	54
Depreciation of property, plant and equipment	1,751	1,731	1
Impairment recognized in relation to property, plant and equipment	(52)	-	N.M.

1 (b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	31 Mar 2018	31 Dec 2017 Restated	31 Mar 2018	31 Dec 2017
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	97,144	99,359	–	–
Club memberships	57	46	–	–
Subsidiaries	–	–	36,133	36,133
	97,201	99,405	36,133	36,133
Current assets				
Inventories	178	193	–	–
Trade and other receivables	9,708	8,753	42,214	42,174
Cash and cash equivalents	6,128	4,405	2,545	182
Assets held for sale	11,920	11,707	–	–
	27,934	25,058	44,759	42,356
Total assets	125,135	124,463	80,892	78,489
EQUITY				
Share capital	74,409	74,409	74,409	74,409
Reserves	(32,990)	(32,964)	(97)	(92)
Accumulated profits	35,166	38,288	3,803	3,920
Equity attributable to owners of the Company	76,585	79,733	78,115	78,237
Non-controlling interests	7	–	–	–
Total Equity	76,592	79,733	78,115	78,237
LIABILITIES				
Non-current liabilities				
Loans and borrowings	19,063	17,893	2,137	–
Deferred tax liabilities	5,889	5,889	–	–
	24,952	23,782	2,137	–
Current liabilities				
Loans and borrowings	15,050	11,510	363	–
Trade and other payables	8,036	8,933	277	252
Current tax payable	505	505	–	–
	23,591	20,948	640	252
Total liabilities	48,543	44,730	2,777	252
Total equity and liabilities	125,135	124,463	80,892	78,489

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

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

	As at 31 March 2018		As at 31 December 2017	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	15,050	–	11,510	–

Amount repayable after one (1) year

	As at 31 March 2018		As at 31 December 2017	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	19,063	–	17,893	–

Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$35.3 million are pledged as collaterals for secured term loans;
- Fixed deposits of approximately S\$0.27 million are pledged as security deposits to secure term loans and finance lease liabilities; and
- Corporate guarantees by the Company amounting to S\$34.7 million.

1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	3 months ended 31 Mar 2018 S\$'000	3 months ended 31 Mar 2017 S\$'000
Cash flows from operating activities		
(Loss)/Profit before tax	(3,115)	344
Adjustments for:		
Depreciation of property, plant and equipment	1,751	1,731
Loss/(Gain) on disposal of property, plant and equipment	124	(465)
Impairment loss on property, plant and equipment	(52)	–
Interest income	(1)	(37)
Interest expense	274	178
	(1,019)	1,751
Changes in working capital		
Inventories	15	219
Trade and other receivables	(1,035)	(1,538)
Trade and other payables	792	(720)
Cash generated used in operations	(1,247)	(288)
Tax paid	–	(26)
Net cash used in operating activities	(1,247)	(314)
Cash flows from investing activities		
Purchase of property, plant and equipment	(748)	(536)
Proceeds from disposal of property, plant and equipment	696	1,854
Acquisition of club membership	(11)	–
Interest received	1	37
Net cash (used in)/from investing activities	(62)	1,355
Cash flows from financing activities		
Interest paid	(274)	(178)
Repayment of finance lease liabilities	(648)	(1,552)
Repayment of term loans	(1,031)	(1,093)
Proceeds from drawn down of term loans	5,000	–
Purchase of treasury shares	(5)	–
Deposits withdrawn	406	1,010
Net cash from/(used in) financing activities	3,448	(1,813)
Net increase/(decrease) in cash and cash equivalents	2,139	(772)
Cash and cash equivalents at beginning of the period~	3,728	16,382
Effect of exchange rate fluctuations on cash and cash equivalents	(10)	(20)
Cash and cash equivalents at end of the period~	5,857	15,590

~As adjusted for deposits pledged

	3 months ended 31 Mar 2018 S\$'000	3 months ended 31 Mar 2017 S\$'000
~Cash and cash equivalents consist of the following:		
Cash at bank and in hand	5,852	7,518
Fixed deposits	276	10,769
Cash and cash equivalents	6,128	18,287
Deposits pledged	(271)	(2,697)
Cash and cash equivalents in the statements of cash flows	5,857	15,590

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 financial period									
Profit for the financial period	–	–	–	–	–	344	344	–	344
Other comprehensive income/Total other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	(49)	–	–	(49)	–	(49)
Total other comprehensive income for the financial period	–	–	–	(49)	–	–	(49)	–	(49)
Total comprehensive income 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 S\$'000	Treasury shares S\$'000	Merger deficit S\$'000	Currency translation reserve S\$'000	Revaluation Reserve S\$'000	Accumulated profits S\$'000	Total equity attributable to equity holders of the company S\$'000	Non-controlling interests S\$'000	Total equity 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 financial period									
Loss for the financial period	–	–	–	–	–	(3,122)	(3,122)	7	(3,115)
Other comprehensive income/Total other comprehensive income									
Translation differences relating to financial statements of foreign operations	–	–	–	(21)	–	–	–	–	(21)
Total other comprehensive income for the financial period	–	–	–	(21)	–	–	(21)	–	(21)
Total comprehensive income for the financial 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

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
2018				
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 transactions with owners	–	(5)	–	–
As at 31 March 2018	74,409	(97)	3,803	78,115

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 1 January 2018	709,050,800	74,408,757
Balance as at 31 March 2018	709,000,000	74,408,757

During the quarter ended 31 March 2018, there has been no increase in the issued and paid up share capital of the Company.

Treasury shares

During the quarter ended 31 March 2018, the Company has purchased 50,800 ordinary shares to be held as treasury shares. The number of treasury shares held by the Company as at 31 March 2018 is 1,000,000 (31 March 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 31 March 2018	As at 31 December 2017
Total issued shares	709,000,000	709,050,800

There were no outstanding options, convertibles held by the Company as at 31 March 2018 and 31 December 2017.

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

During the quarter ended 31 March 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 31 March 2018 ("1Q2018") 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)/Earnings per share (“LPS/EPS”) is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

	3 Months Ended	
	31 Mar 2018	31 Mar 2017
Net (loss)/profit attributable to equity holders of the Company (S\$'000)	(3,122)	344
Weighted average number of ordinary shares outstanding for (loss)/earnings per share	709,036,689	710,000,000
Basic and fully diluted (loss)/earnings per share (cents per share)	(0.44)	0.05

The basic and diluted LPS/EPS were the same for 1Q2018 as well as for the 3-month financial period ended 31 March 2017 (“**1Q2017**”) as the Company had no dilutive equity instruments as at 31 March 2018 or 31 March 2017 respectively.

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

	Group		Company	
	As at 31 March 2018	As at 31 December 2017 (Restated)	As at 31 March 2018	As at 31 December 2017
Net asset value per ordinary share (cents)	10.8	11.2	11.0	11.0
Number of ordinary shares used in calculating net asset value per ordinary share	709,000,000	709,050,800	709,000,000	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 1Q2018 decreased by S\$1.1 million or 12.6%, from S\$8.5 million in 1Q2017 to S\$7.4 million in 1Q2018 due to the following:

- (a) a decrease in revenue of S\$1.5 million from the Offshore Rig Services and Supply Chain Management segment as there were fewer high value projects being undertaken in 1Q2018; partially offset by

(b) an increase in revenue of S\$0.4 million in charter income.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by S\$1.0 million or 19.3%, from S\$5.1 million in 1Q2017 to S\$6.1 million in 1Q2018 due to an increase in costs for marine services and chartering businesses.

Gross profit decreased by S\$2.1 million or 61.0%, from S\$3.4 million in 1Q2017 to S\$1.3 million in 1Q2018, due to a decrease in sales volume for the Group's high margin marine offshore support services.

Gross profit margin decreased from 40% for 1Q2017 to 18% for 1Q2018 mainly due to the lower gross profit margin of certain offshore rig and support services transactions secured by the Group during 1Q2018.

Other income

Other income decreased by S\$1.0 million or 77.1%, from S\$1.3 million in 1Q2017 to S\$0.3 million in 1Q2018, mainly due to one-off write off of liability that occurred in 1Q2017.

Distribution expenses

Distribution expenses decreased by S\$0.03 million or 20.1%, from S\$0.16 million in 1Q2017 to S\$0.13 million in 1Q2018, mainly due to lower advertising & promotion expenses incurred.

Administrative expenses

Administrative expenses decreased by S\$0.02 million or 0.6%, from S\$3.07 million in 1Q2017 to S\$3.05 million in 1Q2018, mainly due to lower staff costs, directors' remuneration and professional fees, partially offset by increase in other administrative expenses.

Other expenses

Other expenses increased by S\$0.4 million or 44.2%, from S\$0.9 million in 1Q2017 to S\$1.3 million in 1Q2018, mainly due to higher depreciation of new vessels acquired during 3Q2017, loss on disposal of property, plant and equipment and foreign exchange losses.

Finance costs

Finance costs increased by S\$0.1 million or 53.9%, from S\$0.18 million in 1Q2017 to S\$0.27 million in 1Q2018 mainly due to higher interest expenses incurred for new loans and borrowings.

Net Loss

As a result of the above, the Group made a net loss of S\$3.1 million in 1Q2018 as compared to a net profit of S\$0.3 million in 1Q2017.

Statement of Financial Position

Non-current assets

Non-current assets decreased by S\$2.2 million from \$99.4 million as at 31 December 2017 to S\$97.2 million as at 31 March 2018. The decrease was mainly due to disposal of plant and equipment and reclassification of non-current assets to assets held for sale.

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 31 March 2018. This was mainly due to an increase in trade and other receivables, cash and cash equivalents and assets held for sale, partially offset by decrease in inventories.

Cash and cash equivalents increased from \$4.4 million as at 31 December 2017 to S\$6.1 million as at 31 March 2018. This was mainly due to cash from financing activities, such as proceeds from term loans, partially offset by cash used in investing and operating activities.

Inventories decreased from S\$0.19 million as at 31 December 2017 to S\$0.18 million as at 31 March 2018, during the normal course of operations.

Trade and other receivables increased from S\$8.8 million as at 31 December 2017 to S\$9.7 million as at 31 March 2018 as the Group sales increased for the chartering business towards the end of 1Q2018.

Trade receivables turnover day increased from 76 days as at 31 December 2017 to 79 days as at 31 March 2018 mainly due to the sales increased towards end of 1Q2018.

Non-current liabilities

Non-current liabilities increased by S\$1.1 million from S\$23.8 million as at 31 December 2017 to S\$24.9 million as at 31 March 2018, mainly due to new loans drawn down in 1Q2018.

Current liabilities

Current liabilities increased by S\$2.6 million from S\$20.9 million as at 31 December 2017 to S\$23.5 million as at 31 March 2018 mainly due to new loans drawn down in 1Q2018 partially offset by repayments of loans and borrowings and trade payables.

Trade payables turnover days decreased from 90 days as at 31 December 2017 to 74 days as at 31 March 2018 due to prompt payment to suppliers.

Consolidated Statement of Cash flows

In 1Q2018, net cash used in operating activities before changes in working capital amounted to S\$1.0 million. The net cash used in operating activities amounted to S\$1.2 million. This was mainly due to increase in trade and other receivables.

Net cash used in investing activities of S\$0.06 million in 1Q2018 was mainly due to purchase of plant & equipment partially offset by proceeds from disposal of plant and equipment and interest received.

Net cash from financing activities of S\$3.4 million in 1Q2018 was mainly due to drawn down of new loans in 1Q2018 partially offset by pledged deposits withdrawn.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S\$2.1 million in our cash and cash equivalents for 1Q2018 as adjusted for deposits pledged.

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

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

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

As oil prices recently rallied to US\$70 per barrel, we anticipate that more global oil and gas firms are expected to increase their capital spending in 2018. We believe with higher capital expenditure and drilling activities, this will gradually help to lift the demand for the offshore and marine industry.

As we navigate into 2018, the management understands the importance of seizing any opportunity to ride on the recovery of the oil and gas sector. We believe we are well positioned for the eventual upturn in the oil industry to secure more jobs and contracts in the region.

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 1Q2018.

(b) Previous corresponding period

No dividend was declared or recommended for 1Q2017.

(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 1Q2018.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested person transactions.

14. Confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules.

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the interim financial results for the first quarter ended 31 March 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
23 April 2018