



Company Registration No. 201311482K

## KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

### UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

#### 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.

*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 Alice Ng, Director and Head of Continuing Sponsorship, 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 Ended		+/-
	31 Mar 2015	31 Mar 2014	
	S\$'000	S\$'000	%
Revenue	16,257	23,587	(31)
Cost of sales	(11,367)	(13,784)	(18)
<b>Gross profit</b>	4,890	9,803	(49)
<b>Gross profit margin</b>	31%	42%	
Other income	868	468	85
Distribution expenses	(443)	(462)	(4)
Administrative expenses	(3,534)	(4,601)	(23)
Other operating expenses	(397)	(467)	(15)
Finance costs	(84)	(107)	(21)
Profit before tax	1,300	4,634	(72)
Tax expense	(195)	(741)	(74)
<b>Profit for the period</b>	1,105	3,893	(72)
<b>Other comprehensive income, net of tax</b>			
Translation differences relating to financial statements of foreign operations	168	(21)	N.M.
<b>Total comprehensive income for the period</b>	1,273	3,872	(67)

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

	<b>3 Months Ended</b>		
	<b>31 Mar 2015</b>	<b>31 Mar 2014</b>	<b>+/-</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Interest income from bank deposits	(70)	(45)	55
Miscellaneous income	(274)	(250)	10
Gain on disposal of property, plant and equipment	-	(173)	(100)
Currency translations (gains) / losses - net	(524)	22	N.M.
Interest on loans & borrowings	84	107	(21)
Depreciation of property, plant and equipment	1,046	1,000	5
Provision for doubtful debts for trade receivables	141	57	147
Reversal of inventories obsolescence	-	(56)	(100)

*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	
	31 Mar 2015 S\$'000	31 Dec 2014 S\$'000	31 Mar 2015 S\$'000	31 Dec 2014 S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	63,342	63,206	4	4
Club memberships	90	89	-	-
Investments in subsidiaries	-	-	36,133	36,133
	<u>63,432</u>	<u>63,295</u>	<u>36,137</u>	<u>36,137</u>
<b>Current assets</b>				
Inventories	2,883	2,232	-	-
Trade and other receivables	22,880	14,625	15,698	15,716
Cash and cash equivalents	42,013	49,894	31,834	32,168
	<u>67,776</u>	<u>66,751</u>	<u>47,532</u>	<u>47,884</u>
<b>Total assets</b>	<b>131,208</b>	<b>130,046</b>	<b>83,669</b>	<b>84,021</b>
<b>EQUITY</b>				
Share capital	74,409	74,409	74,409	74,409
Other reserves	(32,572)	(32,740)	-	-
Accumulated profits	57,488	56,383	8,782	9,016
<b>Equity attributable to owners of the Companies</b>	<b>99,325</b>	<b>98,052</b>	<b>83,191</b>	<b>83,425</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	3,573	4,730	-	-
Deferred tax liabilities	5,843	5,843	-	-
	<u>9,416</u>	<u>10,573</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Loans and borrowings	3,397	3,397	-	-
Trade and other payables	18,810	17,814	380	484
Current tax payable	260	210	98	112
	<u>22,467</u>	<u>21,421</u>	<u>478</u>	<u>596</u>
<b>Total liabilities</b>	<b>31,883</b>	<b>31,994</b>	<b>478</b>	<b>596</b>
<b>Total equity and liabilities</b>	<b>131,208</b>	<b>130,046</b>	<b>83,669</b>	<b>84,021</b>

### 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 2015		As at 31 December 2014	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	3,397	-	3,397	-

Amount repayable after one (1) year

	As at 31 March 2015		As at 31 December 2014	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	3,573	-	4,730	-

#### Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$11.8 million are pledged as collaterals for secured term loans, trust receipts and bank overdrafts;
- Fixed deposits of approximately S\$1.0 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\$17.0 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 31 Mar 2015 S\$'000	3 months ended 31 Mar 2014 S\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,300	4,634
Adjustments for:		
Depreciation of property, plant and equipment	1,046	1,000
Gain on disposal of property, plant and equipment	-	(173)
Interest income	(70)	(45)
Interest expense	84	107
	2,360	5,523
<b>Changes in working capital</b>		
Inventories	(651)	154
Trade and other receivables	(6,242)	(1,592)
Trade and other payables	996	1,617
Cash (used in)/generated from operations	(3,537)	5,702
Income tax paid	(146)	(667)
<b>Net cash (used in)/from operating activities</b>	(3,683)	5,035
<b>Cash flows from investing activities</b>		
Deposits pertaining to purchase of property, plant and equipment	(2,013)	(4,261)
Purchase of property, plant and equipment	(1,182)	(14)
Proceeds from disposal of property, plant and equipment	-	2,065
Interest received	70	45
<b>Net cash used in investing activities</b>	(3,125)	(2,165)
<b>Cash flows from financing activities</b>		
Interest paid	(84)	(107)
Repayment of finance lease liabilities - net	(508)	(580)
Repayment of term loans	(649)	(663)
Proceeds from issue of share capital	-	38,445
Deposits pledged	-	3
<b>Net cash (used in)/ from financing activities</b>	(1,241)	37,098
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(8,049)</b>	<b>39,968</b>
Cash and cash equivalents at beginning of the period~	48,931	2,335
Effect of exchange rate fluctuations on cash and cash equivalents	168	(16)
<b>Cash and cash equivalents at end of the period~</b>	<b>41,050</b>	<b>42,287</b>
<b>Significant non-cash transactions during the period</b>		
a. Purchase of property, plant and equipment under finance leases, term loans and deposits	-	2,672

~As adjusted for deposits pledged

~Cash and cash equivalents consist of the following:	3 months ended	3 months ended
	31 Mar 2015	31 Mar 2014
	S\$'000	S\$'000
Cash at bank and in hand	15,747	22,287
Fixed deposits	26,266	21,166
Cash and cash equivalents	42,013	43,453
Deposits pledged	(963)	(1,166)
Cash and cash equivalents in the statements of cash flows	41,050	42,287

**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	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2014</b>					
<b>As at 1 January 2014</b>	36,133	(32,763)	(186)	54,316	57,500
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	3,893	3,893
<b>Other comprehensive income/Total other comprehensive income</b>					
Translation differences relating to financial statements of foreign operations	-	-	(21)	-	(21)
<b>Total comprehensive (loss)/income for the financial period</b>	-	-	(21)	3,893	3,872
<b>Transactions with owners/Distribution to owners</b>					
Issuance of shares, net of shares issue expenses	38,368	-	-	-	38,368
<b>Total transactions with owners</b>	38,368	-	-	-	38,368
<b>As at 31 March 2014</b>	74,501	(32,763)	(207)	58,209	99,740
<b>2015</b>					
<b>As at 1 January 2015</b>	74,409	(32,763)	23	56,383	98,052
<b>Total comprehensive income for the financial period</b>					
Profit for the financial period	-	-	-	1,105	1,105
<b>Other comprehensive income/Total other comprehensive income</b>					
Translation differences relating to financial statements of foreign operations	-	-	168	-	168
<b>Total comprehensive income for the financial period</b>	-	-	168	1,105	1,273
<b>As at 31 March 2015</b>	74,409	(32,763)	191	57,488	99,325

Company	Share capital S\$'000	Accumulated profits S\$'000	Total equity S\$'000
<b><u>2014</u></b>			
<b>As at 1 January 2014</b>	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
<b>As at 31 March 2014</b>	74,501	3,689	78,190
<b><u>2015</u></b>			
<b>As at 1 January 2015</b>	74,409	9,016	83,425
Total comprehensive loss for the financial period	-	(234)	(234)
<b>As at 31 March 2015</b>	74,409	8,782	83,191

**1 (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State 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\$)
<b>Issued and fully paid ordinary shares</b>		
Balance at 1 January 2015 and 31 March 2015	710,000,000	74,408,757

There were no outstanding convertibles or treasury shares held by the Company as at 31 March 2014 and 31 March 2015.

**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 2015	As at 31 December 2014
<b>Total issued shares</b>	710,000,000	710,000,000

As at 31 March 2015, 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 31 March 2015 (“1Q2015”) as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2014. A number of new standards, amendments to standards and interpretations are effective for the financial year beginning 1 January 2015. 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.

	3 Months Ended	
	31 Mar 2015	31 Mar 2014
Net profit attributable to equity holders of the Company (S\$’000)	1,105	3,893
Weighted average number of ordinary shares outstanding for earnings per share	710,000,000	672,666,667
Basic and fully diluted earnings per share (cents per share)	0.2	0.6

The diluted and basic EPS are the same for 1Q2015 and 1Q2014 as the Company has no dilutive equity instruments as at 31 March 2015 and 31 March 2014 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 2015	As at 31 December 2014	As at 31 March 2015	As at 31 December 2014
Net asset value per ordinary share (cents)	14.0	13.8	11.7	11.8
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 1Q2015 decreased by S\$7.3 million or 31.1%, from S\$23.6 million in 1Q2014 to S\$16.3 million in 1Q2015. This was due to the decrease in revenue from the Offshore Rig Services and Supply Chain Management segment of S\$9.1 million, partially offset by the increase in revenue from the Vessel Sales and Newbuild segment of S\$1.8 million.

The decrease in revenue in the Offshore Rig Services and Supply Chain Management segment for 1Q2015 was due to decreases in (i) marine offshore support services income of S\$4.0 million, from S\$9.5 million in 1Q2014 to S\$5.5 million in 1Q2015; (ii) chartering and towage income of S\$2.1 million, from S\$6.3 million in 1Q2014 to S\$4.2 million in 1Q2015; (iii) equipment rental income of S\$1.5 million, from S\$2.6 million in 1Q2014 to S\$1.1 million in 1Q2015; and (iv) sale of materials of S\$1.4 million, from S\$5.2 million in 1Q2014 to S\$3.8 million in 1Q2015. These decreases were mainly due to continued low demand for maintenance of rigs and related goods and services from our customers as oil prices remain low.

Revenue from the Vessel Sales and Newbuild segment increased due to the recognition of revenue from a Vessel Newbuild project in 1Q2015. There was no such revenue from this segment in 1Q2014.

#### **Cost of sales, profit margin and gross profit margin**

Cost of sales decreased by S\$2.4 million or 17.5%, from S\$13.8 million in 1Q2014 to S\$11.4 million in 1Q2015 due to the decline in revenue. This was mainly due to the decreases in (i) freight, transportation and port charges of S\$1.9 million; and (ii) cost of materials of S\$1.5 million; partially offset by the increase in cost of Vessel Newbuild of S\$1.3 million.

Gross profit decreased by S\$4.9 million or 50.1%, from S\$9.8 million in 1Q2014 to S\$4.9 million in 1Q2015 and gross profit margin decreased from 41.6% for 1Q2014 to 30.1% for 1Q2015. The decreases in gross profit and gross profit margin were due to lower margin projects which the Group had undertaken in 1Q2015.

#### **Other income**

Other income increased by S\$0.4 million, from S\$0.5 million in 1Q2014 to S\$0.9 million in 1Q2015, mainly due to exchange gains from the appreciation of the US dollar.

#### **Administrative expenses**

Administrative expenses decreased by S\$1.1 million or 23.2%, from S\$4.6 million in 1Q2014 to S\$3.5 million in 1Q2015, due to decreases in (i) professional fees of S\$0.7 million; and (ii) staff costs of S\$0.3 million.

#### **Other operating expenses**

Other operating expenses decreased by S\$0.1 million or 15.0%, from S\$0.5 million in 1Q2014 to S\$0.4 million in 1Q2015, mainly due to the decrease in depreciation costs as some of the Group's assets had been fully depreciated in FY2014.

### **Finance expenses**

Finance costs remained relatively stable at S\$0.1 million in 1Q2015 and 1Q2014.

### **Income tax expenses**

Income tax expenses decreased by S\$0.5 million or 73.7%, from S\$0.7 million in 1Q2014 to S\$0.2 million in 1Q2015 due to the lower taxable profits in 1Q2015. The effective tax rate was 16.0% for 1Q2014 and 15.0% for 1Q2015 which was below the prevailing statutory tax rate in Singapore due mainly to income from chartering services which were non-taxable.

### **Net profit**

As a result of the above, our net profit decreased by S\$2.8 million from S\$3.9 million in 1Q2014 to S\$1.1 million in 1Q2015.

### **Statement of Financial Position**

#### **Current assets**

Current assets increased by S\$1.1 million, from S\$66.8 million as at 31 December 2014 to S\$67.8 million as at 31 March 2015. This was mainly due to increases in trade and other receivables of S\$8.3 million and inventories of S\$0.7 million, partially offset by a decrease in cash and cash equivalents of S\$7.9 million.

Trade and other receivables increased from S\$14.6 million as at 31 December 2014 to S\$22.9 million as at 31 March 2015. This was mainly due to deposits of S\$1.7 million paid for the purchase of fixed assets and increase in billings made to customers towards the end of the period.

Inventories increased from S\$2.2 million as at 31 December 2014 to S\$2.9 million as at 31 March 2015. This was due mainly to inventories purchased amounting to S\$2.6 million relating to a project that is due to complete in 2Q2015.

Cash and cash equivalents decreased from S\$49.9 million as at 31 December 2014 to S\$42.0 million as at 31 March 2015 due mainly to cash used in operating activities.

#### **Current liabilities**

Current liabilities increased by S\$1.0 million, from S\$21.4 million as at 31 December 2014 to S\$22.5 million as at 31 March 2015, due to an increase in trade and other payables.

Trade and other payables increased from S\$17.8 million as at 31 December 2014 to S\$18.8 million as at 31 March 2015 mainly due to more purchases made towards the end of the period.

#### **Non-current liabilities**

Non-current liabilities decreased by S\$1.2 million or 10.9%, from S\$10.6 million as at 31 December 2014 to S\$9.4 million as at 31 March 2015, due to the repayment of obligations under the Group's financing facilities.

## **Consolidated Statement of Cash flows**

In 1Q2015, we generated net cash from operating activities before changes in working capital of S\$2.4 million. Net cash used in working capital amounted to S\$5.9 million. This was mainly due to increases in trade and other receivables and inventories of S\$6.2 million and S\$0.7 million, respectively, partially offset by an increase in trade and other payables of S\$1.0 million. We paid income tax of S\$0.1 million during the period. The net cash used in operating activities amounted to S\$3.7 million.

Net cash used in investing activities of S\$3.1 million in 1Q2015 were for the purchase of, and deposits placed for, the acquisition of plant and equipment.

Net cash used in financing activities of S\$1.2 million in 1Q2015 were mainly due to (i) the repayment of obligations under finance lease and term loans amounting to S\$0.5 million and S\$0.6 million respectively; and (ii) payment of interest amounting to S\$0.1 million.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net decrease of S\$8.0 million in our cash and cash equivalents (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 remain low, downward pressure on offshore exploration activities has not alleviated 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 volatile and challenging in the next 12 months.

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 attractive valuations expected within 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 1Q2015.

#### **(b) Previous corresponding period**

No dividend was declared or recommended for 1Q2014.

#### **(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 1Q2015.

**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 first quarter ended 31 March 2015 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Thomas Tan Keng Siong  
Executive Chairman and CEO  
29 April 2015

Yeo Seh Hong  
Executive Director and COO