



Company Registration No. 201311482K

## KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

### UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

*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.*

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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 2016	31 Mar 2015	
	S\$'000	S\$'000	
Revenue	8,734	16,257	(46)
Cost of sales	(5,846)	(11,367)	(49)
<b>Gross profit</b>	2,888	4,890	(41)
<b>Gross profit margin</b>	33%	30%	
Other income	395	868	(54)
Distribution expenses	(237)	(443)	(47)
Administrative expenses	(3,829)	(3,534)	8
Other expenses	(708)	(397)	78
Finance costs	(228)	(84)	171
(Loss)/Profit before tax	(1,719)	1,300	N.M.
Tax expense	–	(195)	(100)
<b>(Loss)/Profit for the period</b>	(1,719)	1,105	N.M.
<b>Other comprehensive (loss)/income, net of tax</b>			
Translation differences relating to financial statements of foreign operations	(84)	168	N.M.
<b>Total comprehensive (loss)/income for the period</b>	(1,803)	1,273	N.M.

*N.M. – not meaningful*

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

	<b>3 Months Ended</b>		
	<b>31 Mar 2016</b>	<b>31 Mar 2015</b>	<b>+ / (-)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Interest income from bank deposits	(93)	(70)	33
Miscellaneous income	(282)	(274)	3
Gain on disposal of property, plant and equipment	(20)	–	N.M.
Currency translations losses/(gains) - net	457	(524)	N.M.
Interest on loans & borrowings	228	84	171
Depreciation of property, plant and equipment	1,095	1,046	5
Impairment provided in relation to trade receivables	–	141	(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 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	85,411	84,004	2	2
Club memberships	45	46	–	–
Subsidiaries	–	–	36,133	36,133
	<u>85,456</u>	<u>84,050</u>	<u>36,135</u>	<u>36,135</u>
<b>Current assets</b>				
Inventories	1,910	779	–	–
Trade and other receivables	12,272	15,509	20,897	19,407
Cash and cash equivalents	31,479	32,804	23,533	25,479
	<u>45,661</u>	<u>49,092</u>	<u>44,430</u>	<u>44,886</u>
<b>Total assets</b>	<b>131,117</b>	<b>133,142</b>	<b>80,565</b>	<b>81,021</b>
<b>EQUITY</b>				
Share capital	74,409	74,409	74,409	74,409
Reserves	(32,579)	(32,495)	–	–
Accumulated profits	46,180	47,899	5,563	5,907
<b>Equity attributable to owners of the Company</b>	<b>88,010</b>	<b>89,813</b>	<b>79,972</b>	<b>80,316</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	18,997	16,239	–	–
Deferred tax liabilities	5,889	5,889	–	–
	<u>24,886</u>	<u>22,128</u>	<u>–</u>	<u>–</u>
<b>Current liabilities</b>				
Loans and borrowings	7,345	7,615	–	–
Trade and other payables	10,824	13,284	593	455
Current tax payable	52	302	–	250
	<u>18,221</u>	<u>21,201</u>	<u>593</u>	<u>705</u>
<b>Total liabilities</b>	<b>43,107</b>	<b>43,329</b>	<b>593</b>	<b>705</b>
<b>Total equity and liabilities</b>	<b>131,117</b>	<b>133,142</b>	<b>80,565</b>	<b>81,021</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 2016		As at 31 December 2015	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	7,345	–	7,615	–

Amount repayable after one (1) year

	As at 31 March 2016		As at 31 December 2015	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	18,997	–	16,239	–

**Details of any collateral**

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$17.5 million are pledged as collaterals for secured term loans;
- Fixed deposits of approximately S\$0.7 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\$34.0 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 2016 S\$'000	3 months ended 31 Mar 2015 S\$'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before tax	(1,719)	1,300
Adjustments for:		
Depreciation of property, plant and equipment	1,095	1,046
Gain on disposal of property, plant and equipment	(20)	–
Interest income	(93)	(70)
Interest expense	228	84
	(509)	2,360
<b>Changes in working capital</b>		
Inventories	(1,131)	(651)
Trade and other receivables	3,412	(6,242)
Trade and other payables	(525)	996
Cash generated from/(used in) operations	1,247	(3,537)
Tax paid	(264)	(146)
<b>Net cash from/(used in) operating activities</b>	983	(3,683)
<b>Cash flows from investing activities</b>		
Deposits pertaining to purchase of property, plant and equipment	(393)	(2,013)
Purchase of property, plant and equipment	(176)	(1,182)
Proceeds from disposal of property, plant and equipment	20	–
Interest received	93	70
<b>Net cash used in investing activities</b>	(456)	(3,125)
<b>Cash flows from financing activities</b>		
Interest paid	(228)	(84)
Repayment of finance lease liabilities - net	(776)	(508)
Repayment of term loans - net	(816)	(649)
Deposits withdrawn	14	–
<b>Net cash used in financing activities</b>	(1,806)	(1,241)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,279)</b>	<b>(8,049)</b>
Cash and cash equivalents at beginning of the period~	32,106	48,931
Effect of exchange rate fluctuations on cash and cash equivalents	(32)	168
<b>Cash and cash equivalents at end of the period~</b>	<b>30,795</b>	<b>41,050</b>
<b>Significant non-cash transaction during the period</b>		
a. Purchase of property, plant and equipment under finance leases and term loans	2,326	–

~As adjusted for deposits pledged

	<b>3 months ended 31 Mar 2016 S\$'000</b>	<b>3 months ended 31 Mar 2015 S\$'000</b>
	~Cash and cash equivalents consist of the following:	
Cash at bank and in hand	8,456	15,747
Fixed deposits	23,023	26,266
Cash and cash equivalents	31,479	42,013
Deposits pledged	(684)	(963)
Cash and cash equivalents in the statements of cash flows	<u>30,795</u>	<u>41,050</u>

**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
<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
<hr/>					
<b>As at 31 March 2015</b>	74,409	(32,763)	191	57,488	99,325
<b>2016</b>					
<b>As at 1 January 2016</b>	74,409	(32,763)	268	47,899	89,813
<b>Total comprehensive loss for the financial period</b>					
Loss for the financial period	–	–	–	(1,719)	(1,719)
<b>Other comprehensive loss/Total other comprehensive loss</b>					
Translation differences relating to financial statements of foreign operations	–	–	(84)	–	(84)
<b>Total comprehensive loss for the financial period</b>	–	–	(84)	(1,719)	(1,803)
<hr/>					
<b>As at 31 March 2016</b>	74,409	(32,763)	184	46,180	88,010

Company	Share capital S\$'000	Accumulated profits S\$'000	Total equity S\$'000
<b>2015</b>			
As at 1 January 2015	74,409	9,016	83,425
Total comprehensive loss for the financial period	–	(234)	(234)
As at 31 March 2015	74,409	8,782	83,191
<b>2016</b>			
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

**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 2016 and 31 March 2016	710,000,000	74,408,757

There were no outstanding convertibles or treasury shares held by the Company as at 31 March 2015 and 31 March 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 31 March 2016	As at 31 December 2015
<b>Total issued shares</b>	710,000,000	710,000,000

There were no outstanding options, convertibles or treasury shares held by the Company as at 31 March 2016 and 31 December 2015.

**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 2016 ("1Q2016") as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2015. A number of new standards, amendments to standards and interpretations are effective for the financial year beginning 1 January 2016. 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:**

(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 2016	31 Mar 2015
Net (loss)/profit attributable to equity holders of the Company (S\$'000)	(1,719)	1,105
Weighted average number of ordinary shares outstanding for (loss)/earnings per share	710,000,000	710,000,000
Basic and fully diluted (loss)/earnings per share (cents per share)	(0.2)	0.2

The basic and diluted LPS/EPS are the same for 1Q2016 and 3-months financial period ended 31 March 2015 ("1Q2015") as the Company has no dilutive equity instruments as at 31 March 2016 and 31 March 2015 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 2016	As at 31 December 2015	As at 31 March 2016	As at 31 December 2015
Net asset value per ordinary share (cents)	12.4	12.6	11.3	11.3
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 1Q2016 decreased by S\$7.5 million or 46.3%, from S\$16.3 million in 1Q2015 to S\$8.7 million in 1Q2016 due to the following:

- (a) a decrease in revenue of S\$6.2 million from the Offshore Rig Services and Supply Chain Management segment mainly due to lower demand for maintenance of rigs and related goods and services from our customers as oil prices remained low and the decrease was in line with the downturn of the industry; and
- (b) a decrease in revenue of S\$1.3 million from the Vessel Sales and Newbuild segment due to no new vessel newbuild in 1Q2016.

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

Cost of sales decreased by S\$5.5 million or 48.6%, from S\$11.4 million in 1Q2015 to S\$5.8 million in 1Q2016 in line with the decrease in revenue. Gross profit decreased by S\$2.0 million or 40.9%, from S\$4.9 million in 1Q2015 to S\$2.9 million in 1Q2016.

Gross profit margin increased from 30% for 1Q2015 to 33% for 1Q2016 mainly due to an increase in gross profit contribution from one of the Group's higher margin business.

#### **Other income**

Other income decreased by S\$0.5 million or 54.5%, from S\$0.9 million in 1Q2015 to S\$0.4 million in 1Q2016, mainly due to exchange loss from the depreciation of the US dollar in 1Q2016 as compared to an exchange gain in 1Q2015.

#### **Distribution expenses**

Distribution expenses decreased by S\$0.2 million or 46.5%, from S\$0.4 million in 1Q2015 to S\$0.2 million in 1Q2016, mainly due to lower vessel brokerage and commission expenses.

#### **Administrative expenses**

Administrative expenses increased by S\$0.3 million or 8.3%, from S\$3.5 million in 1Q2015 to S\$3.8 million in 1Q2016, due to higher professional fees and staff costs attributable to additional headcounts from a new subsidiary incorporated at the end of 1Q2015.

#### **Other expenses**

Other expenses increased by S\$0.3 million or 78.3%, from S\$0.4 million in 1Q2015 to S\$0.7 million in 1Q2016, mainly due to exchange loss in 1Q2016 attributable to weakening of the US dollar.

#### **Finance costs**

Finance costs increased by S\$0.1 million or 171.4%, from S\$0.1 million in 1Q2015 to S\$0.2 million in 1Q2016 mainly due to interest expenses incurred for new loans and borrowings obtained for the purchase of property, plant and equipment.

### **Tax expenses**

Tax expenses decreased by S\$0.2 million or 100.0%, from S\$0.2 million in 1Q2015 to nil tax expense in 1Q2016 due to the loss incurred in 1Q2016.

### **Net profit**

As a result of the above, we incurred a loss of S\$1.7 million in 1Q2016 as compared to a profit of S\$1.1 million in 1Q2015.

### **Statement of Financial Position**

#### **Non-current assets**

Non-current assets increased by S\$1.4 million from \$84.1 million as at 31 December 2015 to S\$85.5 million as at 31 March 2016. This was mainly due to purchase of new machineries and yard development at 48 Penjuru Road.

#### **Current assets**

Current assets decreased by S\$3.4 million from S\$49.1 million as at 31 December 2015 to S\$45.7 million as at 31 March 2016. This was mainly due to decreases in cash and cash equivalents and trade and other receivables, partially offset by an increase in inventories.

Inventories increased from S\$0.8 million as at 31 December 2015 to S\$1.9 million as at 31 March 2016, due mainly to vessels under construction.

Trade and other receivables decreased from S\$15.5 million as at 31 December 2015 to S\$12.3 million as at 31 March 2016 mainly due to collections from customers and lower revenue.

Cash and cash equivalents decreased from \$32.8 million as at 31 December 2015 to S\$31.5 million as at 31 March 2016. This was mainly due to cash used in investing and financing activities, partially offset by cash from operating activities.

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

Non-current liabilities increased by S\$2.8 million from S\$22.1 million as at 31 December 2015 to S\$24.9 million as at 31 March 2016, mainly due to new loans obtained for the purchase of property, plant and equipment.

#### **Current liabilities**

Current liabilities decreased by S\$3.0 million from S\$21.2 million as at 31 December 2015 to S\$18.2 million as at 31 March 2016 mainly due to repayments of loans and borrowings, trade and other payables and current tax payable.

### **Consolidated Statement of Cash flows**

In 1Q2016, net cash used in operating activities before changes in working capital amounted to S\$0.5 million. Net cash from working capital amounted to S\$1.8 million. We paid income tax of S\$0.3 million during 1Q2016. The net cash generated from operating activities amounted to S\$1.0 million.

Net cash used in investing activities of S\$0.5 million in 1Q2016 was mainly due to deposits and consideration paid for purchase of property, plant and equipment.

Net cash used in financing activities of S\$1.8 million in 1Q2016 was mainly due to interest payment and the repayment of obligations under term loans and finance leases, 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 decrease of S\$1.3 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.**

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 challenging in the next 12 months. We continue to actively explore diversification opportunities into the maritime and marine infrastructure sector.

In order to manage costs, the Group has implemented a number of costs reduction initiatives, including rationalising the workforce.

Yard development at 48 Penjuru Road is ongoing and completion is expected to be in the first half of the financial year ending 31 December 2016.

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 of prospective targets.

**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 1Q2016.

**(b) Previous corresponding period**

No dividend was declared or recommended for 1Q2015.

**(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 1Q2016.

**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 2016 to be false or misleading in any material aspect.

**15. Confirmation by the Issuer under Rule 720(1) of the Catalist Rules.**

The Company confirms that it has procured all the required undertakings from all its directors and executive officers (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

**BY ORDER OF THE BOARD**

Thomas Tan Keng Siong  
Executive Chairman and CEO  
26 April 2016

Yeo Seh Hong  
Executive Director and COO