



Company Registration No. 201311482K

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**").*

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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			6 Months		
	1 Apr 2019 to 30 Jun 2019	1 Apr 2018 to 30 Jun 2018	+/-	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	14,976	8,650	73	32,695	16,070	103
Cost of sales	(11,935)	(7,147)	67	(25,958)	(13,248)	96
Gross profit	3,041	1,503	102	6,737	2,822	139
Gross profit margin	20%	17%		21%	18%	
Other income	156	527	(70)	321	814	(61)
Distribution expenses	(317)	(262)	21	(480)	(389)	23
Administrative expenses	(3,030)	(3,145)	(4)	(6,054)	(6,196)	(2)
Other operating expenses	(1,557)	(720)	116	(2,176)	(1,989)	9
Finance costs	(433)	(328)	32	(918)	(602)	52
Loss before tax	(2,140)	(2,425)	(12)	(2,570)	(5,540)	(54)
Tax expenses	-	(265)	N.M.	646	(265)	N.M.
Loss for the period	(2,140)	(2,690)	(20)	(1,924)	(5,805)	(67)
Other comprehensive income, net of tax						
Translation differences relating to financial statements of foreign operations	(15)	50	N.M.	(26)	29	N.M.
Total comprehensive loss for the period	(2,155)	(2,640)	(18)	(1,950)	(5,776)	(66)
Net (loss)/profit attributable to:						
Owners of the Company	(2,197)	(2,635)	(17)	(1,974)	(5,757)	(66)
Non-Controlling Interests	57	(55)	N.M.	50	(48)	N.M.
	(2,140)	(2,690)		(1,924)	(5,805)	
EBITDA gain/(loss)	558	(389)	N.M.	2,906	(1,479)	N.M.

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

	3 Months			6 Months		
	1 Apr 2019 to 30 Jun 2019	1 Apr 2018 to 30 Jun 2018	+/-	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018	+/-
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income from bank deposits	(7)	(4)	75	(7)	(5)	40
Miscellaneous income	(149)	(148)	1	(314)	(434)	(28)
Loss on disposal of property, plant and equipment	595	22	>100	203	94	>100
Currency translations losses/(gains) - net	114	(608)	N.M.	193	(375)	N.M.
Interest on loans and borrowings	433	328	32	918	602	52
Depreciation of property, plant and equipment	2,265	1,708	33	4,558	3,459	32
Adjustment for under/(over) provision of tax in respect of prior years	-	265	N.M.	(646)	265	N.M.
Over provision for inventories obsolescence	(2)	-	N.M.	(2)	-	N.M.

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	
	As at 30 Jun 2019	As at 31 Dec 2018	As at 30 Jun 2019	As at 31 Dec 2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	105,566	102,488	–	–
Club memberships	57	57	–	–
Subsidiaries	–	–	36,133	36,133
	<u>105,623</u>	<u>102,545</u>	<u>36,133</u>	<u>36,133</u>
Current assets				
Inventories	228	168	–	–
Trade and other receivables	19,014	10,229	45,718	46,378
Cash and cash equivalents	2,409	4,952	106	20
Assets held for sale	–	3,843	–	–
	<u>21,651</u>	<u>19,192</u>	<u>45,824</u>	<u>46,398</u>
Total assets	<u>127,274</u>	<u>121,737</u>	<u>81,957</u>	<u>82,531</u>
EQUITY				
Share capital	74,409	74,409	74,409	74,409
Reserves	(32,985)	(32,949)	(120)	(110)
Accumulated profits	17,893	19,867	3,091	3,448
Equity attributable to owners of the Company	<u>59,317</u>	<u>61,327</u>	<u>77,380</u>	<u>77,747</u>
				–
Non-Controlling interests	70	20	–	–
Total Equity	<u>59,387</u>	<u>61,347</u>	<u>77,380</u>	<u>77,747</u>
LIABILITIES				
Non-current liabilities				
Loans and borrowings	19,965	22,474	3,501	3,822
Lease liabilities	7,810	–	–	–
Deferred tax liabilities	10,238	10,885	–	–
	<u>38,013</u>	<u>33,359</u>	<u>3,501</u>	<u>3,822</u>
Current liabilities				
Bank overdrafts	–	2,985	–	–
Loans and borrowings	12,532	12,384	757	738
Lease liabilities	1,402	–	–	–
Trade and other payables	15,762	11,484	319	224
Current tax payable	178	178	–	–
	<u>29,874</u>	<u>27,031</u>	<u>1,076</u>	<u>962</u>
Total liabilities	<u>67,887</u>	<u>60,390</u>	<u>4,577</u>	<u>4,784</u>
Total equity and liabilities	<u>127,274</u>	<u>121,737</u>	<u>81,957</u>	<u>82,531</u>

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 June 2019		As at 31 December 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	12,532	–	15,369	–

Amount repayable after one (1) year

	As at 30 June 2019		As at 31 December 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Loans and borrowings	19,965	–	22,474	–

Details of any collateral

The loans and borrowings are secured as follows:

- Property, plant and equipment amounting to S\$28.9 million are pledged as collaterals for secured term loans, trust receipts and bank overdrafts;
- Fixed deposits of approximately S\$0.29 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\$59.1 million to secure outstanding term loan and finance lease liabilities of S\$32.5 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 30 Jun 2019 S\$'000	3 months ended 30 Jun 2018 S\$'000	6 months ended 30 Jun 2019 S\$'000	6 months ended 30 Jun 2018 S\$'000
Cash flows from operating activities				
Loss before income tax	(2,140)	(2,425)	(2,570)	(5,540)
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	2,265	1,708	4,558	3,459
Loss on disposal of property, plant and equipment	595	22	203	94
Interest income	(7)	(4)	(7)	(5)
Interest expense	433	328	918	602
	<u>1,146</u>	<u>(371)</u>	<u>3,102</u>	<u>(1,390)</u>
Changes in working capital:				
Inventories	(60)	(617)	(60)	(602)
Trade and other receivables	758	(2,249)	(9,375)	(3,284)
Trade and other payables	(2,435)	939	5,026	1,731
Cash used in operations	(591)	(2,298)	(1,307)	(3,545)
Income tax paid	-	(351)	-	(351)
Net cash used in operating activities	<u>(591)</u>	<u>(2,649)</u>	<u>(1,307)</u>	<u>(3,896)</u>
Cash flows from investing activities				
Deposits pertaining to purchase of property, plant and equipment	(20)	(1,699)	(20)	(1,699)
Purchase of property, plant and equipment	(155)	(452)	(312)	(1,200)
Proceeds from disposal of property, plant and equipment	1,858	1,090	6,093	1,786
Acquisition of club membership	-	-	-	(11)
Interest received	7	4	7	5
Net cash generated from / (used) in investing activities	<u>1,690</u>	<u>(1,057)</u>	<u>5,768</u>	<u>(1,119)</u>
Cash flows from financing activities				
Interest paid	(433)	(328)	(918)	(602)
Dividend paid	-	(496)	-	(496)
Repayment of finance lease liabilities	(343)	(653)	(1,429)	(1,301)
Repayment of term loans	(1,577)	(3,623)	(3,120)	(4,654)
Repayment of trust receipts, net	(12)	-	(12)	-
Proceeds from term loan drawn down	-	9,000	1,500	14,000
Payment of treasury shares	(10)	-	(10)	(5)
Deposits (pledged)/ withdrawn	(6)	(11)	(12)	395
Net cash (used) in/ generated from financing activities	<u>(2,381)</u>	<u>3,889</u>	<u>(4,001)</u>	<u>7,337</u>
Net (decrease)/increase in cash and cash equivalents				
	(1,282)	183	460	2,322
Cash and cash equivalents at beginning of the period	3,412	5,857	1,685	3,728
Effect of exchange rate fluctuations on cash and cash equivalents	(15)	239	(30)	229
Cash and cash equivalents at end of the period~	<u>2,115</u>	<u>6,279</u>	<u>2,115</u>	<u>6,279</u>

~Cash and cash equivalents consist of the following:	3 months ended	3 months ended	6 months ended	6 months ended
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash at bank and in hand	2,115	6,270	2,115	6,270
Fixed deposits	294	290	294	290
Cash and cash equivalents	2,409	6,560	2,409	6,560
Deposits pledged	(294)	(281)	(294)	(281)
Cash and cash equivalents in the statements of cash flows	2,115	6,279	2,115	6,279

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	Treasury shares S\$'000	Merger deficit S\$'000	Currency translation 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								
Restated as at 1 January 2018	74,409	(92)	(32,763)	(109)	33,891	75,336	–	75,336
Total comprehensive income for the period								
Loss for the financial period	–	–	–	–	(3,122)	(3,122)	7	(3,115)
Other comprehensive income								
Translation differences relating to financial statements of foreign operations	–	–	–	(21)	–	(21)	–	(21)
Total comprehensive loss for the 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)	30,769	72,188	7	72,195

Group	Share capital	Treasury shares	Merger deficit	Currency translation 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
2018								
As at 1 April 2018	74,409	(97)	(32,763)	(130)	30,769	72,188	7	72,195
Total comprehensive income for the financial period								
Loss for the financial period	-	-	-	-	(2,635)	(2,635)	(55)	(2,690)
Other comprehensive income/Total other comprehensive income								
Translation differences relating to financial statements of foreign operations	-	-	-	50	-	50	-	50
Total other comprehensive income for the financial period	-	-	-	50	-	50	-	50
Total comprehensive loss for the financial period	-	-	-	50	(2,635)	(2,585)	(55)	(2,640)
Transactions with owners, recognised directly in equity								
Dividends	-	-	-	-	(496)	(496)	-	(496)
Total transactions with owners	-	-	-	-	(496)	(496)	-	(496)
As at 30 June 2018	74,409	(97)	(32,763)	(80)	27,638	69,107	(48)	69,059

Group 2019	Share capital S\$'000	Treasury shares S\$'000	Merger deficit S\$'000	Translation 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
As at 1 January 2019	74,409	(110)	(32,763)	(76)	19,867	61,327	20	61,347
Total comprehensive income for the financial period								
Profit for the financial period	–	–	–	–	223	223	(7)	216
Other comprehensive income/Total other comprehensive income								
Translation differences relating to financial statements of foreign operations	–	–	–	(11)	–	(11)	–	(11)
Total other comprehensive income for the financial period	–	–	–	(11)	–	(11)	–	(11)
Total comprehensive income for the financial period	–	–	–	(11)	223	212	(7)	205
Transactions with owners, recognised directly in equity								
Purchase of treasury shares	–	–	–	–	–	–	–	–
Total transactions with owners	–	–	–	–	–	–	–	–
As at 31 March 2019	74,409	(110)	(32,763)	(87)	20,090	61,539	13	61,552

Group 2019	Share capital S\$'000	Treasury shares S\$'000	Merger deficit S\$'000	Translation 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
As at 1 April 2019	74,409	(110)	(32,763)	(87)	20,090	61,539	13	61,552
Total comprehensive income for the financial period								
Loss for the financial period	–	–	–	–	(2,197)	(2,197)	57	(2,140)
Other comprehensive income/Total other comprehensive income								
Translation differences relating to financial statements of foreign operations	–	–	–	(15)	–	(15)	–	(15)
Total other comprehensive income for the financial period	–	–	–	(15)	–	(15)	–	(15)
Total comprehensive loss for the financial period	–	–	–	(15)	(2,197)	(2,212)	57	(2,155)
Transactions with owners, recognised directly in equity								
Purchase of treasury shares	–	(10)	–	–	–	(10)	–	(10)
Total transactions with owners	–	(10)	–	–	–	(10)	–	(10)
As at 30 June 2019	74,409	(120)	(32,763)	(102)	17,893	59,317	70	59,387

Company	Share capital	Treasury shares	Accumulated profits	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
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)
As at 31 March 2018	74,409	(97)	3,803	78,115
As at 1 April 2018	74,409	(97)	3,803	78,115
Total comprehensive loss for the financial period	–	–	(213)	(213)
Transactions with owners, recognised directly in equity				
Dividends	–	–	(496)	(496)
Total transactions with owners	–	–	(496)	(496)
As at 30 June 2018	74,409	(97)	3,094	77,406
2019				
As at 1 January 2019	74,409	(110)	3,448	77,747
Total comprehensive loss for the financial period	–	–	(160)	(160)
As at 31 March 2019	74,409	(110)	3,288	77,587
As at 1 April 2019	–	–	(197)	(197)
Total comprehensive loss for the financial period	–	–	(197)	(197)
Transactions with owners, recognised directly in equity				
Purchase of treasury shares	–	(10)	–	(10)
As at 30 June 2019	74,409	(120)	3,091	77,380

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 31 March 2019	710,000,000	76,133,121
Balance as at 30 June 2019	710,000,000	76,133,121

During the quarter ended 30 June 2019 ("2Q2019"), there was a share buyback by the Company of 150,000 shares by way of market acquisition and held as treasury shares.

Treasury shares

The number of treasury shares held by the Company as at 30 June 2019 is 1,317,700 representing 0.19% of the total number of issued shares outstanding as at 30 June 2019 (30 June 2018: 1,000,000 representing 0.14% of the total number of issued shares outstanding as at 30 June 2018).

There were no outstanding options, convertibles held by the Company as at 30 June 2019 and 30 June 2018.

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 June 2019	As at 31 December 2018
Total issued shares (excluding treasury shares)	708,682,300	708,832,300

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.

During 2Q2019, 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. The Company does not have subsidiary holdings.

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 6-months financial period ended 30 June 2019 ("2Q2019") as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2018 except for Singapore Financial Reporting Standard (International) 16-Leases ("SFRS(I)16").

The Group has adopted the new SFRS(I)16 which took effect on 1 January 2019, using the modified retrospective approach. SFRS(I)16 introduces a single, on balance sheet lease accounting model. The rationale of the change is to better reflect the economic substance of lease transactions. It is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

In compliance with SFRS(I)16, the Group has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to the initial recognition, the Group depreciated the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognised interest expense on the lease liabilities.

The ROU assets as at 30 June 2019 were mainly related to leases of the shipyards at 9 Pandan Crescent and 48 Penjuru Road. Accordingly, there was a corresponding increase in lease liabilities of approximately S\$9.2 million as at 30 June 2019.

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

Loss 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 2019 to 30 Jun 2019	1 Apr 2018 to 30 Jun 2018	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018
Net loss attributable to equity holders of the Company (S\$'000)	(2,197)	(2,635)	(1,974)	(5,757)
Weighted average number of ordinary shares outstanding	708,728,454	709,000,000	708,780,377	709,018,243
Basic and fully diluted loss per share (cents per share)	(0.3)	(0.4)	(0.3)	(0.8)

The diluted and basic loss per share are the same for each of 2Q2019, 2Q2018, 1H2019 and 1H2018 as the Company has no dilutive equity instruments as at 30 June 2019 and 30 June 2018.

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 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Net asset value per ordinary share (cents)	8.4	8.7	10.9	11.0
Number of ordinary shares used in calculating net asset value per ordinary share	708,682,300	708,832,300	708,682,300	708,832,300

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 2Q2019 increased by S\$6.3 million or 73.1%, from S\$8.7 million in 2Q2018 to S\$15.0 million in 2Q2019 as the Group managed to secure more contracts for offshore rig services and supply chain management segment during the quarter.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by S\$4.8 million or 67.0%, from S\$7.1 million in 2Q2018 to S\$11.9 million in 2Q2019, in line with the increase in revenue.

Gross profit increased by S\$1.5 million or 102.3%, from S\$1.5 million in 2Q2018 to S\$3.0 million in 2Q2019, in line with the increase in revenue.

Gross profit margin increased to 20% in 2Q2019 as compared to 17% in the last corresponding period, as the Group managed to secure certain higher margin contracts during the quarter.

Other income

Other income decreased by S\$0.37 million or 70.4%, from S\$0.53 million in 2Q2018 to S\$0.16 million in 2Q2019, mainly due to the currency translation loss recognised in 2Q2019 as compared to currency translation gain recognised in 2Q2018.

Distribution expenses

Distribution expenses increased by S\$0.06 million or 21.0%, from S\$0.26 million in 2Q2018 to S\$0.32 million in 2Q2019 mainly due to higher brokerage fees, travelling and entertainment expenses, to support the revenue growth.

Administrative expenses

Administrative expenses decreased by S\$0.1 million or 3.7%, from S\$3.1 million in 2Q2018 to S\$3.0 million in 2Q2019 mainly due to lower staff costs.

Other operating expenses

Other operating expenses increased by S\$0.8 million or 116%, from S\$0.7 million in 2Q2018 to S\$1.5 million in 2Q2019 mainly due to the higher loss on disposal on property plant and equipment and currency translation losses in 2Q2019.

Finance costs

Finance costs increased by S\$0.1 million or 32.0%, from S\$0.3 million in 2Q2018 to S\$0.4 million in 2Q2019 mainly due to higher interest expenses incurred for new loans and borrowings, trust receipts and bank overdraft and additional interest expense recognized for lease liabilities due to adoption of SFRS(I)16 effective from 1 January 2019.

Net loss after tax

As a result of the above, the Group incurred a loss of S\$2.1 million in 2Q2019 as compared to a loss of S\$2.7 million in 2Q2018.

EBITDA

The group achieved an EBITDA gain of S\$0.6 million in 2Q2019 as compared to a negative EBITDA of S\$0.4 million in 2Q2018.

Statement of Financial Position

Non-current assets

Non-current assets increased by S\$3.1 million from S\$102.5 million as at 31 December 2018 to S\$105.6 million as at 30 June 2019. The increase was mainly due to recognition of right of use asset of S\$9.2 million partially offset by depreciation and disposal of plant and equipment.

Current assets

Current assets increased by S\$2.5 million from S\$19.2 million as at 31 December 2018 to S\$21.7 million as at 30 June 2019. This was mainly due to an increase in trade and other receivables and inventories, partially offset by decrease in cash and cash equivalents and assets held for sale.

Cash and cash equivalents decreased from S\$5.0 million as at 31 December 2018 to S\$2.4 million as at 30 June 2019 mainly due to cash used in repayment of term loans and finance lease liabilities and cash used in operating activities.

Inventories increased from S\$0.17 million as at 31 December 2018 to S\$0.23 million as at 30 June 2019 due to purchase of materials for projects undertaken in 2Q2019.

Trade and other receivables increased from S\$10.2 million as at 31 December 2018 to S\$19.0 million as at 30 June 2019 mainly due to higher Group sales towards the end of 2Q2019 in addition to the outstanding receivables as at 30 June 2019.

Receivable turnover increased from 61 days as at 31 December 2018 to 78 days as at 30 June 2019 as the Group recognized more revenue towards the end of 2Q2019.

Non-current liabilities

Non-current liabilities increased by S\$4.6 million, from S\$33.4 million as at 31 December 2018 to S\$38.0 million as at 30 June 2019, mainly due to recognition of lease liabilities of S\$7.8 million due to adoption of new accounting standard SFRS(I)16 effective from 1 January 2019, partially offset by the repayment of loans and borrowings during the period.

Current liabilities

Current liabilities increased by S\$2.9 million, from S\$27.0 million as at 31 December 2018 to S\$29.9 million as at 30 June 2019, mainly due to increase in trade payables and recognition of lease liabilities due to adoption of new accounting standard SFRS(I)16 effective from 1 January 2019, partially offset by repayment of bank overdraft.

Payable turnover day increased from 62 days as at 31 December 2018 to 74 days as at 30 June as we managed to negotiate a looser credit term with the suppliers.

Working capital

The Group is in a net current liabilities position of S\$8.2 million as at 30 June 2019. Notwithstanding this, the Board is of the view that the Group will be able to meet its short-term obligations as and when they fall due, after taking into consideration the following:

- 1) Future cash inflows from the Group's operating activities for the financial year ending 31 December 2019;
- 2) The Group has obtained additional credit financing line of an aggregate amount of S\$6.0 million from a bank and
- 3) The Group's ability to realise its property, plant and equipment to fund financial obligations of the Group, when required.

Consolidated Statement of Cash flows

In 2Q2019, net cash generated from operating activities before changes in working capital amounted to S\$1.1 million. The net cash used in operating activities after changes in working capital amounted to S\$0.6 million mainly due to the decrease in trade and other payables.

Net cash generated from investing activities of S\$1.7 million in 2Q2019 was mainly due to proceeds from disposal of equipment and interest received, partially offset by the purchase of property, plant & equipment.

Net cash used in financing activities of S\$2.4 million in 2Q2019 were mainly due to interest payment and the repayment of obligations under finance leases and term loans.

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 cash and cash equivalents (as adjusted for deposits pledged) in 2Q2019.

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.

The broader market in the offshore and shipping industries will continue to face uncertainties. However, we have seen some opportunities in certain segments such as offshore windfarm renewable energy in the regions that we operate in, and we are taking active steps to capitalize on them.

Apart from our home market in Singapore, we will also continue with our overseas efforts to explore new related markets segments.

We are optimistic in relation to our chartering business with our Anchor Handling Tugs that we acquired some years back, as the utilization and chartering rates have improved and stabilised.

We also expect more fabrication and repair works in our shipyards in the second half of this financial year.

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 2Q2019.

(b) Previous corresponding period

No dividend was declared or recommended for 2Q2018.

(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 and the reason(s) for the decision

No dividend was declared or recommended for 2Q2019 as the Group has been experiencing operating cash outflows. It is the Group's intention to conserve cash for working capital and business expansion purposes.

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 second quarter ended 30 June 2019 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
13 August 2019