

CH OFFSHORE LTD

Co. Reg. No. 197600666D

Unaudited 1st Quarter Financial Statements And Dividend Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1 (a) A statement of profit or loss and other comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Statement of profit or loss and other comprehensive income for the financial period ended 30 September 2017

	Group		
	1Q17/18 30/9/2017 US\$'000	1Q16/17 30/9/2016 US\$'000	Change %
Revenue	3,710	5,092	(27.1)
Cost of sales	(1,160)	(1,654)	(29.9)
Gross profit before direct depreciation	2,550	3,438	(25.8)
Direct depreciation	(1,837)	(1,899)	(3.3)
Gross profit after direct depreciation	713	1,539	(53.7)
Other income (refer to note below)	189	67	182.1
Other expenses (refer to note below)	(97)	(8)	1112.5
Indirect depreciation	(19)	(10)	90.0
Administrative expenses	(760)	(1,155)	(34.2)
Profit from Operations	26	433	(94.0)
Finance Costs	(116)	(73)	58.9
Profit before Income Tax and results of associated Companies	(90)	360	
Share of results of associated companies	(79)	(354)	(77.7)
(Loss) / Profit before income tax	(169)	6	(2916.7)
Income tax	-	-	0.0
(Loss) / Profit after income tax	(169)	6	(2916.7)
Other comprehensive income:	-	-	-
Total comprehensive income for the period	(169)	6	(2916.7)

1(a)(ii) Notes to the Statement of Comprehensive Income

	Group		
	1Q17/18 30/9/2017 US\$'000	1Q16/17 30/9/2016 US\$'000	% Change
Miscellaneous Income	72	-	n.m.
Interest Income	117	8	1362.5
Foreign Exchange Gain	-	59	(100.0)
Foreign Exchange Loss	(97)	-	n.m.
Sales of Fixed Assets/ Fixed Assets Written off	-	(8)	100.0

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

Statements of financial position as at 30 September 2017

	Group		Company	
	30/9/2017	30/6/2017	30/9/2017	30/6/2017
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	5,644	4,668	3,423	2,841
Trade and other receivables	18,984	18,148	62,355	48,748
Prepayments	215	103	86	56
Total current assets	24,843	22,919	65,864	51,645
Non-current assets				
Subsidiary companies		-	8,751	8,751
Associated companies	26,045	26,226	4,986	4,986
Fixed assets	95,672	97,420	45,987	59,915
Total non-current assets	121,717	123,646	59,724	73,652
Total assets	146,560	146,565	125,588	125,297
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	2,893	2,472	40,173	39,730
Other payables - deferred gain	403	403	-	-
Borrowings	5,523	5,447	5,523	5,447
Advance from client	383	1,517	383	1,517
Deferred interest income	-	-	3,954	-
Unrecognised revenue	851	-	851	-
Total current liabilities	10,053	9,839	50,884	46,694
Non-current Liabilities				
Borrowings	3,682	3,631	3,682	3,631
Other payables - deferred gain	4,941	5,043	-	-
Client deposit	3,000	3,000	3,000	3,000
Deferred taxation	3,834	3,833	2,583	2,583
Total non-current liabilities	15,457	15,507	9,265	9,214
Capital and reserves				
Issued capital	55,379	55,379	55,379	55,379
Treasury stock	(46)	(46)	(46)	(46)
Accumulated profits	65,717	65,886	10,106	14,056
Total equity	121,050	121,219	65,439	69,389
Total liabilities and equity	146,560	146,565	125,588	125,297

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

- (a) **Amount repayable in one year or less, or on demand** S\$7.5 million (equivalent to US\$5.523million) as at 30 Sep 2017
S\$7.5 million (equivalent to US\$5.447million) as at 30 Jun 2017
- (b) **Amount repayable after one year** S\$5 million (US equivalent of US\$3.682million) as at 30 Sep 2017
S\$5 million (US equivalent of US\$3.631million) as at 30 Jun
- (c) **Details of any collaterals** Borrowing is unsecured.

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

Consolidated Statement of Cash Flows

	Q1	Q1
	30/09/2017	30/09/2016
	US\$'000	US\$'000
Operating activities:		
(Loss) / Profit before income tax and results of associated companies	(90)	360
Adjustments for :		
Depreciation	1,856	1,909
Interest income	(117)	(8)
Interest expense	112	73
Net foreign exchange loss / (gain) - unrealized	141	(62)
Operating profit before working capital changes	1,902	2,272
Trade receivables and other receivables	(718)	(1,363)
Prepayments	(113)	(277)
Trade and other payables	472	265
Unearned revenue	851	-
Advance from client	(1,134)	(1,434)
Cash generated from / (used in) operations	1,260	(537)
Interest received	1	11
Interest paid	(163)	-
Net cash generated from / (used in) operating activities	1,098	(526)
Investing activities:		
Purchases of fixed assets	(108)	-
Proceeds from disposal of plant and equipment	-	9
Net cash (used in) / generated from investing activities	(108)	9
Financing activities:		
Repayments of bank loans	-	(1,853)
Purchase of treasury shares	-	(38)
Net cash used in financing activities	-	(1,891)
Net decrease in cash and cash equivalents	990	(2,408)
Cash and cash equivalents at the beginning of the year	4,668	9,711
Effects of exchange rate changes on the balance of cash held in foreign currencies	(14)	(2)
Cash and cash equivalents at the end of the period	5,644	7,301
	-	-

- 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.

<u>Statements of changes in equity</u>	Issued capital US\$'000	Treasury Shares US\$'000	Retained profits US\$'000	Total US\$'000
GROUP				
<u>QTR 1 ENDED 30 SEPTEMBER 2016</u>				
Balance at 1 July 2016	55,379	-	105,966	161,345
Profit for the period, representing total comprehensive income for the period	-	-	6	6
Purchase of treasury shares	-	(38)	-	(38)
Balance at 30 September 2016	55,379	(38)	105,972	161,313
<u>QTR 1 ENDED 30 SEPTEMBER 2017</u>				
Balance at 1 July 2017	55,379	(46)	65,886	121,219
Profit for the period, representing total comprehensive income for the period	-	-	(169)	(169)
Purchase of treasury shares	-	-	-	-
Balance at 30 September 2017	55,379	(46)	65,717	121,050
COMPANY				
<u>QTR 1 ENDED 30 SEPTEMBER 2016</u>				
Balance at 1 July 2016	55,379	-	23,854	79,233
Profit for the period, representing total comprehensive income for the period	-	-	773	773
Purchase of treasury shares	-	(38)	-	(38)
Balance at 30 September 2016	55,379	(38)	24,627	79,968
<u>QTR 1 ENDED 30 SEPTEMBER 2017</u>				
Balance at 1 July 2017	55,379	(46)	14,056	69,389
Profit for the period, representing total comprehensive income for the period	-	-	(3,950)	(3,950)
Purchase of treasury shares	-	-	-	-
Balance at 30 September 2017	55,379	(46)	10,106	65,439

- 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.

There is no change in the company's share capital since the previous period reported on.

	Number of shares as at	
	30/9/2017	30/9/2016
Total number of issued shares as at end of financial period reported	705,090,514	705,090,514
Less: Treasury shares held as at end of financial period reported	(198,000)	(155,000)
Total number of issued shares, excluding treasury shares	<u>704,892,514</u>	<u>704,935,514</u>

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.

	Number of shares as at	
	30/9/2017	30/6/2017
Total number of issued shares at end of financial period reported on	705,090,514	705,090,514
Less: Treasury shares at end of financial period reported on	(198,000)	(198,000)
Total number of issued shares, excluding treasury shares	<u>704,892,514</u>	<u>704,892,514</u>

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the current reported financial period.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 financial statements for the current reporting period as compared with the most recently audited financial statements for the year ended 30 June 2017 except as disclosed in paragraph 5 below.

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.

The Group has adopted all the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant in the current financial period. The adoption of these new and revised FRS and INT FRS has no material effect on the financial statements.

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 ordinary share for the period based on net profit attributable to shareholders:

		Group	
		Q1 ended 30 Sept	
		2017	2016
(i) Based on weighted average number of ordinary shares on issue	US cents	(0.02)	0.00
(ii) On a fully diluted basis	US cents	(0.02)	0.00

Note to item 6 (i)

Group basic earnings per ordinary share is calculated by dividing Group net profit attributable to members by the weighted average number of ordinary shares on issue.

Net profit attributable to members (US\$'000)

Weighted average number of ordinary shares on issue

Group	
Q1 ended 30 Sept	
2017	2016
(169)	6
704,932,192	705,064,030

Note to item 6 (ii)

Group basic earnings per share is the same as the fully diluted earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 30 September 2017 and 30 September 2016.

7 Net asset value (for the issuer and the group) per ordinary share based on 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

Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on

US cents

	Group		Company	
	30/9/2017	30/6/2017	30/9/2017	30/6/2017
	17.17	17.20	9.28	9.84

- 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.**

The Group incurred a loss of US\$0.169 million in the first quarter ended 30 September 2017 ("1Q1718") as compared to a profit after income tax of US\$6,000 in the quarter ended 30 September 2016 ("1Q1617"). The decrease was mainly driven by US\$1.382 million decrease in revenue which was partially offset by US\$0.494 million decrease in operating expenses and US\$0.395 million decrease in administrative expenses and US\$0.275 million decrease in its share of associates' losses.

Revenue

The Group's revenue decreased 27.1% from US\$5.092 million in 1Q1617 to US\$3.71 million in 1Q1718 despite higher vessel utilization rate of 79% in 1Q1718 as compared to 77% in 1Q1617. The lower revenue was mainly driven by a significant decrease in market charter rate.

Cost of Sales and Depreciation

1Q1718 Operating expenses decreased 29.9%, in line with the 27.1% decrease in revenue. Gross profit before depreciation was 68.5% in 1Q1718 and 67.5% in 1Q1617.

Gross Profit after Direct Depreciation

Gross profit margins after direct depreciation was 19.2% in 1Q1718, representing a 59.8% decrease compared to the 32.2% achieved in 1Q1617.

Administrative Expenses

Administrative expenses decreased 34.2% to US\$0.76 million in 1Q1718 from US\$1.155 million in 1Q1617 mainly due to the reversal of one-time business development cost of US\$0.2 million in 1Q1718 and the impact of the costs restructuring exercise done previously.

Share of Results of Associated Companies

The Group's share of associates' loss narrowed US\$0.275 million from US\$0.354 million in 1Q1617 to US\$0.079 million in 1Q1718 mainly due to effective operating costs management. Operating cost decreased from US\$0.582 million in 1Q1617 to US\$0.269 million in 1Q1718.

A Review of the Financial Position

The Group net assets value was US\$121.05 million and net asset value per share was 17.17 US cents per share as at 30 September 2017. Current ratio was 2.47 as at 30 September 17, compared to current ratio of 2.33 as at 30 June 17.

Cash and cash equivalents increased by US\$0.976 million or 20.9% to US\$5.644 million as at 30 September 2017 compared to 30 June 2017. The increase was mainly due to the generation of positive operating cash flow of US\$1.098 million and incurrence of minimal capital expenditure in 1Q1718.

Trade and other receivables increased by US\$0.836 million or 4.6% to US\$18.984 million as at 30 September 2017 as compared to 30 June 2017. US\$1.47 million increase was due to payment delay from Group's customers & US\$0.661 million increase was due to non-payment from the Group's related parties and holding company. The increase was partially offset by the decrease in the amount due from associates by US\$1.295 million.

A client paid the Group one-year charter revenue in advance at the beginning of 2016. Advance from Client decreased US\$1.134 million in line with the charter services provided in 1Q1718.

The unrecognised revenue balance arised from the Group ceasing revenue recognition from a charterer who has defaulted on their payments. Legal actions has been taken against the client.

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

Not Applicable

10 **A commentary at the date of this 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.**

In May 2017, OPEC and non-OPEC members agreed to a further nine-month extension of production cuts to first quarter of 2018. The compliance with the agreed production cuts and improved world economy has supported oil prices between US\$45 – US\$50 per barrel. However, operating conditions are expected to remain challenging over the next 12 months. The Group will continue to develop ways to increase operational efficiency, cut costs and preserve cash that will allow us to ride out the rest of the downturn and be ready for the rebound in the industry.

Save as disclosed herein, there are no known factors or events which may affect the Group in the next reporting period and the next 12 months.

11 **Dividend**

Any dividend for the period has been declared?

- | | |
|-----------------------------------|----------------|
| (a) Present Period | No |
| (b) Previous Corresponding Period | No |
| (c) Date payable | Not applicable |
| (d) Books closing date | Not applicable |

12 **If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared or recommended.

13 **Interested Person Transactions**

The Company did not obtain a general mandate from shareholders for Interested Person Transactions.

The following are details of the interested person transactions entered into by the Group in 1st Quarter ended 30 September 2017:

	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	<u>(US\$'000)</u>	<u>(US\$'000)</u>
Falcon Energy Group of Companies	<u>797</u>	<u>-</u>

14 **Negative assurance confirmation by the Board pursuant to Rule 705 (5) of the Listing Manual.**

The Board of Directors of the Company hereby confirm to the best of their knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 30 September 2017 to be false or misleading in any material respect.

15 **Confirmation of compliance to Rule 720(1) of the Listing Manual**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule720(1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Lim Mee Fun
Company Secretary
3 November 2017