

CH OFFSHORE LTD.
(Co. Reg. No. 197600666D)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors of CH OFFSHORE LTD. (the "Company" together with its subsidiaries, collectively referred to as the "Group") wishes to announce the following in response to the queries raised by SGX-ST in respect of Annual Report FY 30 June 2017 ("FY2017 Annual Report") and 1st quarter Financial Statements for the period ended 30 September 2017 ("1Q Financial Statements"):-

SGX-ST query 1

It was disclosed in Note 8 (Trade and other Receivables) of the FY2017 Annual Report that an amount of US\$4,090,000 which bears effective interest at 4.30% per annum is due from the ultimate holding company, Falcon Energy Group Limited ("Falcon").

Please provide the following information:

- (i) Details of how this receivable came about; and*
- (ii) Whether and how the Company has complied with the requirements on Interested Person Transactions in the SGX-ST Listing Manual.*

Company's response

- i. CHO granted loans of US\$4,090,000 to Falcon to assist in Falcon meet its payment obligations to the banks. Falcon has bonds as well as a number of bank loans. Falcon's shares in CHO has been pledged to one of the banks to secure the loan. Falcon's inability to meet its payment obligations to any one of the said banks may trigger cross default across all its bank loans, resulting in the possibility of a large block of CHO's shares being forced-sold in the open market. The loan was granted to Falcon taking into considerations the possibility of CHO's shares being forced-sold in the market by the bank which could destroy shareholders' value and create uncertainty in the market place regarding CHO's continuing viability and equity support. In short, the loan to Falcon was in the best interest of CHO and its shareholders.
- ii. SGX-ST Listing Manual requires issuer to make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during the same financial year if the aggregate value of all interested person transactions entered into with the same interested person during the financial year amounts to 3% or more of the group's latest audited net tangible assets

Accordingly, CHO Group made an announcement on interested person transactions which include the above mentioned loans on 9 May 2017 when total IPT transactions exceeded 3% of the group's FY2016 audited net tangible assets.

SGX-ST query 2

It was disclosed that “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 and US\$0.661 million increase was due to non-payment from the Group's related parties and holding company.”

What are the repayment terms applicable to the receivables arising to the Company by Falcon?

Company's response

Please refer to the trade and other receivables breakdown below:

	Jun-17	Sep-17	Variance	
	US\$'000	US\$'000	US\$'000	Reason for increase
Outside Parties	5,844	7,314	1,470	Delay in payment from Group customers
Associated companies	2,095	800	- 1,295	
Related parties	4,328	4,465	136	Increase was mainly due to Q1 FY1718 partially paid bareboat charter billing to Passiflora for FEG Merlin
Ultimate Holding company	4,461	4,522	61	Increase was due to Q1 loan interest charge to Falcon that remained unpaid as the end of Q1 FY1718.
Other Receivables	1,312	1,699	387	Recharge of business development expense incurred in 2015 on Hydra project to third party resulting in increase in other receivable balances
Bunker stocks	108	184	76	
Total trade and other receivables	18,149	18,984	835	

Trade credit terms to Falcon is 30 days and loans to Falcon are payable on demand.

By Order of the Board
Lim Mee Fun
Company Secretary
7 December 2017