

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 2018

	Group		
	1Q18/19 30/9/2018 US\$'000	1Q17/18 30/9/2017 US\$'000	Change %
Revenue	2,774	3,710	(25.2)
Cost of sales	(1,703)	(1,160)	46.8
Gross profit before direct depreciation	1,071	2,550	(58.0)
Direct depreciation	(1,588)	(1,837)	(13.6)
Gross (loss)/ profit after direct depreciation	(517)	713	(172.5)
Other income (refer to note below)	235	189	24.3
Other expenses (refer to note below)	(17)	(97)	(82.5)
Indirect depreciation	(4)	(19)	(78.9)
Administrative expenses	(999)	(760)	31.4
(Loss)/Profit from Operations	(1,302)	26	(5107.7)
Finance Costs	(113)	(116)	(2.6)
(Loss)/Profit before Income Tax and results of associated Companies	(1,415)	(90)	
Share of results of associated companies	36	(79)	(145.6)
Loss before income tax	(1,379)	(169)	716.0
Income tax	-	-	0.0
Loss after income tax	(1,379)	(169)	716.0
Other comprehensive income:	-	-	-
Total comprehensive income for the period	(1,379)	(169)	716.0
Attributable to:			
Shareholders of the company	(1,376)	(169)	
Non-controlling interests	(3)	-	
	(1,379)	(169)	

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

	Group		
	1Q18/19 30/9/2018 US\$'000	1Q17/18 30/9/2017 US\$'000	% Change
Miscellaneous Income	45	72	(37.5)
Interest Income	91	117	(22.2)
Write back of allowance of doubtful debt	99	-	n.m.
Foreign Exchange Loss	(17)	(97)	(82.5)

- 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 2018

	Group		Company	
	30/9/2018 US\$'000	30/6/2018 US\$'000	30/9/2018 US\$'000	30/6/2018 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	3,680	4,249	2,219	2,667
Trade and other receivables	10,490	9,800	55,898	55,359
Inventories	155	140	20	44
Loan to associated company	4,047	3,595	-	-
Prepayments	277	122	103	42
Total current assets	18,649	17,906	58,240	58,112
Non-current assets				
Subsidiary companies	-	-	8,751	8,751
Associated companies	10,024	10,069	-	-
Loan to associated company	3,161	3,818	-	-
Fixed assets	87,375	88,988	42,699	43,429
Total non-current assets	100,560	102,875	51,450	52,180
Total assets	119,209	120,781	109,690	110,292
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	3,842	3,965	40,317	39,974
Other payables - deferred gain	321	321	-	-
Borrowings	5,867	5,651	5,867	5,651
Income tax payable	3	3	-	-
Client deposit	3,000	3,000	3,000	3,000
Deferred interest income	-	-	1,175	696
Total current liabilities	13,033	12,940	50,359	49,321
Non-current Liabilities				
Borrowings	3,277	3,513	3,277	3,513
Other payables - deferred gain	3,671	3,752	-	-
Deferred interest income	-	-	2,002	2,660
Deferred taxation	3,952	3,952	2,768	2,769
Total non-current liabilities	10,900	11,217	8,047	8,942
Capital and reserves				
Issued capital	55,379	55,379	55,379	55,379
Treasury stock	(46)	(46)	(46)	(46)
Other reserve	150	-	-	-
Accumulated profits	39,916	41,291	(4,049)	(3,304)
	95,399	96,624	51,284	52,029
Non-controlling interests				
	(123)	-	-	-
Total equity	95,276	96,624	51,284	52,029
Total liabilities and equity	119,209	120,781	109,690	110,292

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

(a) Amount repayable in one year or less, or on demand

S\$8.0 million (equivalent to US\$5.867million) as at 30 Sep 2018
S\$7.7 million (equivalent to US\$5.651million) as at 30 Jun 2018

(b) Amount repayable after one year

S\$4.5 million (equivalent to US\$3.277million) as at 30 Sep 2018
S\$4.8 million (equivalent to US\$3.513million) as at 30 Jun 2018

(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
	30/09/2018	30/09/2017
	US\$'000	US\$'000
Operating activities:		
Loss before income tax	(1,379)	(169)
Adjustments for :		
Share of (profit)/loss of associates	(36)	79
Depreciation	1,592	1,856
Interest income	(91)	(117)
Interest expense	113	112
Net foreign exchange loss - unrealized	17	141
Operating profit before working capital changes	216	1,902
Trade receivables and other receivables	(755)	(718)
Prepayments	(156)	(113)
Inventories	(15)	-
Trade and other payables	(100)	472
Unrecognised revenue	-	851
Advance from client	-	(1,134)
Cash (used in) / generated from operations	(810)	1,260
Interest received	153	1
Interest paid	(163)	(163)
Net cash (used in) / generated from operating activities	(820)	1,098
Investing activities:		
Purchases of fixed assets	-	(108)
Proceeds from disposal of plant and equipment	22	-
Repayment from associates	206	-
Net cash generated from / (used in) investing activities	228	(108)
Financing activities:		
Proceeds from share issuance by subsidiary	30	-
Net cash generated from financing activities	30	-
Net decrease in cash and cash equivalents	(562)	990
Cash and cash equivalents at the beginning of the year	4,249	4,668
Effects of exchange rate changes on the balance of cash held in foreign currencies	(7)	(14)
Cash and cash equivalents at the end of the period	3,680	5,644

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- 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	Other Reserve US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
GROUP							
<u>QTR 1 ENDED 30 SEPTEMBER 2017</u>							
Balance at 1 July 2017	55,379	(46)	65,886	-	121,219	-	121,219
(Loss)/Profit for the period, representing total comprehensive income for the period	-	-	(169)	-	(169)	-	(169)
Balance at 30 September 2017	55,379	(46)	65,717	-	121,050	-	121,050
<u>QTR 1 ENDED 30 SEPTEMBER 2018</u>							
Balance at 1 July 2018	55,379	(46)	41,292	-	96,625	-	96,625
(Loss)/Profit for the period, representing total comprehensive income for the period	-	-	(1,376)	-	(1,376)	(3)	(1,379)
Other changes in non-controlling interest				150	150	(120)	30
Balance at 30 September 2018	55,379	(46)	39,916	150	95,399	(123)	95,276
COMPANY							
<u>QTR 1 ENDED 30 SEPTEMBER 2017</u>							
Balance at 1 July 2017	55,379	(46)	14,056	-	69,389	-	69,389
(Loss)/Profit for the period, representing total comprehensive income for the period	-	-	(3,950)	-	(3,950)	-	(3,950)
Balance at 30 September 2017	55,379	(46)	10,106	-	65,439	-	65,439
<u>QTR 1 ENDED 30 SEPTEMBER 2018</u>							
Balance at 1 July 2018	55,379	(46)	(3,304)	-	52,029	-	52,029
(Loss)/Profit for the period, representing total comprehensive income for the period	-	-	(745)	-	(745)	-	(745)
Balance at 30 September 2018	55,379	(46)	(4,049)	-	51,284	-	51,284

- 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	
	30/9/2018	30/9/2017
Total number of issued shares	705,090,514	705,090,514
Less: Treasury shares	(198,000)	(198,000)
Total number of issued shares, excluding treasury shares	<u>704,892,514</u>	<u>704,892,514</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	
	30/9/2018	30/6/2018
Total number of issued shares	705,090,514	705,090,514
Less: Treasury shares	(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 2018 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 a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), in the current financial period.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The adoption of the new standards did not have any significant impact on the financial statements of the Group except for the following:

Adoption of SFRS (I) 9 Financial Instruments

SFRS (I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS (I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group and Company adopted the new standard on the required effective date without restating prior periods' information and recognizes any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

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:

- (i) Based on weighted average number of ordinary shares on issue
(ii) On a fully diluted basis

	Group	
	Q1 ended 30 Sept	
	2018	2017
US cents	(0.20)	(0.02)
US cents	(0.20)	(0.02)

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	
	2018	2017
(1,379)	(169)	
704,892,514	704,932,192	

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 2018 and 30 September 2017.

- 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	
30/9/2018	30/6/2018	30/9/2018	30/6/2018
13.52	13.71	7.28	7.38

- 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 made a loss of US\$1.38 million in the first quarter ended 30 September 2018 ("1Q1819") as compared to a loss after income tax of US\$0.17 million in the quarter ended 30 September 2017 ("1Q1718"). The loss widened by US\$0.94 million mainly driven by decline in revenue, US\$0.54 million increase in cost of sales and US\$0.24 million increase in administrative expenses.

Revenue

The Group's revenue decreased 25% from US\$3.71 million in 1Q1718 to US\$2.77 million in 1Q1819. The lower revenue was mainly driven by lower utilization rate of 60% in 1Q1819 as compared to 79% in 1Q1718. The charter rates was significantly reduced compared to corresponding quarter in previous year.

Cost of Sales and Depreciation

The operating expenses increased 47% from US\$1.16 million in 1Q1718 to US\$1.70 million in 1Q1819 largely due to higher bunker, port charges and repair costs incurred. Depreciation expenses decreased 13.6% as compared to 1Q1718 due to lower vessels' book value after the impairment charge taken over the past year.

Administrative Expenses

Administrative expenses increased 31% from US\$0.76 million in 1Q1718 to US\$1.00 million in 1Q1819 as there was a one-off reversal of business development expenses of US\$0.20 million in 1Q1718. Excluding the one-off adjustment, administrative expenses in 1Q1718 would have been US\$0.96 million, marginally lower than the US\$1.00 million incurred in 1Q1819.

Share of Results of Associated Companies

The Group's share of associates results had improved from a loss of US\$79,000 to a profit of US\$36,000. This improvement was mainly due to improved vessel utilization rate of our associates.

Loss after Income Tax

The Group's loss after tax increased from US\$0.17 million loss in 1Q1718 of US\$1.38 million in 1Q1819. Lower revenue contribution and higher operating cost were the main factors for the losses in 1Q1819.

A Review of the Financial Position

The Group net assets value was US\$95.28 million and net asset value per share was 13.52 US cents per share as at 30 September 2018. Current ratio was 1.43 as at 30 September 18, an increase when compared to current ratio of 1.38 as at 30 June 18.

Cash and cash equivalents decreased by US\$0.57 million or 13% to US\$3.68 million as at 30 September 2018 compared to 30 June 2018. The increase was mainly due to cash used for operating activities of US\$0.82 million in 1Q1819. The cash outflow from operations was mainly due to longer time taken to collect payments from clients and the increased payment to vendors due to the higher repair costs incurred. The cash out flow from operations was partially offset by partial repayment of shareholder's loan from an associated company.

Trade and other receivables increased by US\$0.69 million or 7% to US\$10.49 million as at 30 September 2018 compare to 30 June 2018 largely driven by delay in payments from a few customers.

	30-Sep-18	30-Jun-18	Variance	Reasons for variance
	US\$'000	US\$'000	US\$'000	
Trade and Other Receivables				
Outside Parties	8,411	7,770	641	Delay in payment from customers
Associated companies	244	229	15	Immaterial variance
FEG Group and its related parties	-	-	-	
Other Receivables	1,835	1,801	34	Immaterial variance
	<u>10,490</u>	<u>9,800</u>	<u>690</u>	

8(a) FY1718 Annual report Clarification

In FY2018, as there was a change of holding company, the Board and Management considered it prudent that the Company make a provision for doubtful debts of US\$8,657,000 of which, US\$4,100,000 relates to loan due from Falcon Energy Group Ltd ("FEG").

The 4.3% interest charged on the non-trade loan of US\$4,100,000 to FEG was determined based on the Company's borrowing costs at the point of granting the loan. The loans to FEG was granted in Oct 16 and Mar 17 when the Company's borrowing rate was 4.28% and 4.20% respectively. The loans were supposed to be short term in nature. The effective interest rate of 4.5% as shown in the annual report for period ended 30 Jun 17 was derived by taking the average of the loan interest from 1 Feb 16 to 28 Jul 16 of 4.73% and loan interest from 29 Jul 16 to 30 Jan 17 of 4.28%.

Discussion with FEG to reach a repayment plan is ongoing, against the background of FEG working out its restructuring plan with its bankers.

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.

The oil and gas sector are showing sign of improvement with tender activities picking up. If oil prices continue to improve through 2018 and 2019, infill well drilling should resume and new production should commence as exploration and production companies grow more confident of oil price strength. However, charter rates are not expected to improve due to the oversupply situation in the near term. Barring any unexpected geopolitical developments or a decline in oil prices that could derail the sector recovery, we are cautiously optimistic that the market will find its balance in the medium term.

The Group will continue to develop ways to increase operational efficiency, cut costs and preserve cash. This strategy 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 2018:

	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	-	-

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 2018 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 Rule 720(1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Lim Mee Fun
Company Secretary
26 October 2018