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 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 Comprehensive Income for the first quarter ("1Q1516") ended 30 September 2015.**

	Group		
	1Q15/16 30/9/2015 US$'000	**1Q14/15 30/9/2014 US$'000**	Change %
Revenue	**5,665**	**9,067**	(37.5)
Cost of sales	(1,253)	(1,471)	(14.8)
Gross profit before direct depreciation	**4,412**	**7,596**	(41.9)
Others - Direct depreciation	(1,886)	(1,834)	2.8
Gross profit after direct depreciation	**2,526**	**5,762**	(56.2)
Other income (refer to note below)	27	15	80.0
Other expenses - Indirect depreciation	(9)	(7)	28.6
Administrative expenses	(1,374)	(927)	48.2
Profit before income tax and results of associated companies	**1,170**	**4,843**	(75.8)
Share of results of associated companies	65	721	(91.0)
Profit before income tax	**1,235**	**5,564**	(77.8)
Income tax	-	-	0.0
Profit after income tax	1,235	5,564	(77.8)
Other comprehensive income:	-	-	-
Total comprehensive income for the period	**1,235**	**5,564**	(77.8)

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

	Group		
	1Q15/16 30/9/2015 US$'000	**1Q14/15 30/9/2014 US$'000**	% Change
Miscellaneous income	27	15	80.0

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 2015

	Group		Company	
	30/9/2015	**30/6/2015**	**30/9/2015**	**30/6/2015**
	US$'000	US$'000	US$'000	US$'000
ASSETS				
Current assets				
Cash and cash equivalents	83,476	139,047	82,828	138,540
Trade receivables	3,872	4,729	1,626	3,090
Other receivables and prepayments	589	308	28,149	28,540
Total current assets	87,937	144,084	112,603	170,170
Non-current assets				
Subsidiary companies	-	-	8,751	8,751
Associated companies	35,864	35,901	4,986	4,986
Club membership	-	3	-	3
Fixed assets	139,403	135,249	75,141	76,109
Total non-current assets	175,267	171,153	88,878	89,849
Total assets	**263,204**	**315,237**	**201,481**	**260,019**
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	12,827	17,088	10,040	20,206
Other payables	3,000	3,000	61,210	61,741
Other payables - deferred gain	403	403	-	-
Dividend payables	71,812	47,197	71,812	47,197
Total current liabilities	88,042	67,688	143,062	129,144
Non-current Liabilities				
Other payables - deferred gain	5,747	5,849	-	-
Total non-current liabilities	5,747	5,849	-	-
Capital and reserves				
Issued capital	55,379	55,379	55,379	55,379
Accumulated profits	114,036	186,321	3,040	75,496
Total equity	169,415	241,700	58,419	130,875
Total liabilities and equity	**263,204**	**315,237**	**201,481**	**260,019**
	-	-	-	-

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

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

(b) Amount repayable after one year NIL

(c) Details of any collaterals. Not applicable

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 30/09/2015** US$'000	**Q1 30/09/2014** US$'000
Operating activities:		
Profit before income tax and results of associated companies	1,170	4,843
Adjustments for :		
Depreciation	1,895	1,841
Interest income	(170)	(178)
Net foreign exchange loss - unrealized	217	51
Operating profit before working capital changes	3,112	6,557
Trade receivables	857	1,651
Other receivables and prepayments	(315)	(295)
Trade payables	(4,261)	(2,430)
Cash (used)/ generated from operations	(607)	5,483
Interest received	205	150
Income tax paid	-	-
Net cash (used)/ from operating activities	(402)	5,633
Investing activities:		
Purchases of fixed assets	(6,054)	(624)
Proceeds from disposal of plant and equipment	5	-
Proceeds from disposal of club membership	3	-
Net cash used in investing activities	(6,046)	(624)
Financing activities:		
Dividends paid	(47,141)	-
Net cash used in financing activities	(47,141)	-
Net (decrease)/ increase in cash and cash equivalents	(53,589)	5,009
Cash and cash equivalents at the beginning of the year	139,047	79,949
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,982)	(47)
Cash and cash equivalents at the end of the period	83,476	84,911

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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.**

Statements of changes in equity

GROUP	**Issued capital US$'000**	**Accumulated profits US$'000**	**Total US$'000**
QTR 1 ENDED 30 SEPTEMBER 2014			
Balance at 1 July 2014	55,379	184,602	239,981
Profit for the period, representing total comprehensive income for the period	-	5,564	5,564
Balance at 30 September 2014	55,379	190,166	245,545
QTR 1 ENDED 30 SEPTEMBER 2015			
Balance at 1 July 2015	55,379	186,321	241,700
Profit for the period, representing total comprehensive income for the period	-	1,235	1,235
Dividends representing transactions with owners, recognised directly in equity	-	(73,520)	(73,520)
Balance at 30 September 2015	55,379	114,036	169,415

COMPANY	**Issued capital US$'000**	**Accumulated profits US$'000**	**Total US$'000**
QTR 1 ENDED 30 SEPTEMBER 2014			
Balance at 1 July 2014	55,379	82,880	138,259
Profit for the period, representing total comprehensive income for the period	-	3,045	3,045
Balance at 30 September 2014	55,379	85,925	141,304
QTR 1 ENDED 30 SEPTEMBER 2015			
Balance at 1 July 2015	55,379	75,496	130,875
Profit for the period, representing total comprehensive income for the period	-	1,064	1,064
Dividends representing transactions with owners, recognised directly in equity	-	(73,520)	(73,520)
Balance at 30 September 2015	55,379	3,040	58,419

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 has been no change in the company's share capital since the end of the previous period reported on.

There were no treasury shares as at the end of the current financial period and as at the end of the corresponding period of the immediately preceding year.

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 September 2015 and 30 June 2015, the total number of issued shares excluding treasury shares was 705,090,514.

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.**

Not applicable.

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 2015 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") that are relevant in the current financial period. The adoption of these new and revised FRS and INT 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.**

			Group	
Earnings per ordinary share for the period based on net profit attributable to shareholders:			Q1 ended 30 Sept	
			2015	2014
(i)	Based on weighted average number of ordinary shares on issue	US cents	0.18	0.79
(ii)	On a fully diluted basis	US cents	0.18	0.79

Note to item 6 (i)
Group basic earnings per ordinary share is calculated by dividing Group net profit attributable to members by the post restructuring number of ordinary shares issued as follows:

	Group	
	Q1 ended 30 Sept	
	2015	2014
Net profit attributable to members (US$'000)	1,235	5,564
Weighted average number of ordinary shares on issue	705,090,514	705,090,514

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 2015 and 30 September 2014.

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**

		Group		Company	
		30/9/2015	30/6/2015	30/9/2015	30/6/2015
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	US cents	24.03	34.28	8.29	18.56

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.**

For the first quarter ended 30 September 2015 ("1Q1516"), the Group's profit after income tax was US$1.235 million as compared to US$5.564 million for the same quarter in 2014.

Revenue

Group's revenue decreased 37.5% to US$5.665 million from US$9.067 million for 1Q1516. Challenging OSV market impacted by low oil prices drove down demand and charter rates. Consequently, fleet utilisation suffered and charter rate cuts caused revenue to dip 37.5%. Furthermore, one vessel was offhired during 1Q1516 for mandatory major overhaul.

Cost of Sales and Depreciation

During 1Q1516, operating costs were lower by 14.8%. This resulted in cost of sales to decrease from US$1.471 million to US$1.253 million. Gross profit margins before direct depreciation were 77.9% in 1Q1516 and 83.8% in 1Q1415. Direct depreciation for 1Q1516 was slightly higher than 1Q1415 by 2.8%.

Gross Profit after Direct Depreciation

Gross profit after direct depreciation dipped 56.2% to US$2.526 million during current reporting period was mainly due to lower revenue generated for the quarter as the reduction in cost of sales by 14.8% was insufficient to mitigate the decline in revenue.

Administrative Expenses

During 1Q1516, the Group carried out restructuring and integration exercise due to the recent takeover of the Group by Energian Pte Ltd, a 100%-owned subsidiary of Falcon Energy Group Limited ("FEG"). As a result of this exercise, staff costs were higher by 48.3% or US$0.313 million due to an increase in headcount as well as redundancy payouts during 1Q1516. As part of the integration programme, the Group moved to its new office in September 2015 resulting in higher rental expenses. Exchange losses were higher by US$0.157 million due to stronger United States Dollars against Singapore Dollars. Consequently, administrative expenses rose 48.2% to US$1.374 million in 1Q1516 from US$0.927 million.

Share of Results of Associated Companies

Likewise, the associates' vessels were not spared by the current difficult OSV market. Utilisation and charter rates were lower due to the lower demand for the vessels. Utilisation rate dipped further as two vessels were offhired for mandatory major overhaul during 1Q1516. Share of results of associated companies for the current first quarter decreased 91% to US$0.065 million from US$0.721 million.

Profit after Income Tax

Profit after income tax of the Group had been badly affected by the low market demand. Compared to 1Q1415, profit after tax had dropped from US$5.564 million to US$1.235 million. Significantly lower revenue generated, weak profit contributions from its associates combined with higher administrative expenses had impacted the Group's bottom line in 1Q1516.

A Review of the Financial Position

As at 30 September 2015, financial position of the Group remained positive despite a weak 1st Quarter performance due to increasing difficult OSV market conditions. Due to poor operating performance, there was deficit in cash generated from operations of US$0.607 million and negative working capital of US$0.105 million. Trade receivables also declined 18.1% to US$3.872 million from US$4.729 million.

At the recent Annual General Meeting held on 23 September 2015, shareholders approved final and special dividend of S$0.02 per ordinary share and S$0.125 per ordinary for the Financial Year Ended 30 June 2015 respectively. Together, this amounted to approximately US$71.812 million in dividend payables as at 30 September 2015. As a result, net asset value of the Group declined to 24.03 US cents from 34.28 US cents.

Cash and cash equivalents decreased by US$55.571 million or 40% to US$83.476 million. This was mainly due to a substantial interim special dividend of S$0.09 per ordinary share was paid out on 8 July 2015, which amounted to approximately US$47.141 million. The Group also paid out US$5 million security deposit to purchase a vessel in September 2015. Details of the purchase are disclosed below. Cash and cash equivalents were further depleted due to payment to trade creditors which resulted in a 24.9% decline in trade payables. Other receivables and prepayments rose 91.2% to US$0.589 million from US$0.308 million primarily due to prepaid insurance and other prepayments.

On 15 September 2015, a wholly-owned subsidiary of the Company entered into an agreement with a related company, Axus Marine Pte Ltd, a 100%-owned indirect subsidiary of FEG to purchase the vessel, "FEG Merlin", a ½ FiFi offshore supply vessel for a consideration of US$6.5 million. FEG has a 86.71% interest in the share capital of the Company.

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 offshore support industry remains challenging. The continued low oil price has caused exploration and production companies to reduce their capital spending for offshore projects, which has resulted in a decrease in activity for offshore support vessels. Overall fleet utilization for the offshore support industry has fallen significantly over the last 18 months, increasing the number of available vessels that are pursuing the fewer opportunities. As a result, there is significant competition for offshore projects, leading to a decrease in the day rates available for offshore support vessels. The low oil price environment is expected to extend through 2016. The group will continue to decrease operating and overhead costs and focus on maintaining and gaining fleet utilization.

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 2015:

	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 $100,000)**
	(US$'000)	**(US$'000)**
Falcon Energy Group of Companies	**5,055**	**-**

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 2015 to be false or misleading in any material respect.

BY ORDER OF THE BOARD
Lim Mee Fun
Company Secretary
6 November 2015