



CH OFFSHORE LTD



FORGING **AHEAD**

Annual Report 2018

CONTENTS

Company Profile	01	Report on Corporate Governance	37
Our Vision & Mission	02	Directors' Statement	57
Chairman's Message	03	Independent Auditor's Report	60
Five-Year Group Financial Statistics & Charts	05	Statements of Financial Position	65
Review of Results	07	Statements of Profit or Loss and Other Comprehensive Income	66
Corporate Structure	08	Statements of Changes in Equity	67
Sustainability Report	09	Consolidated Statement of Cash Flows	69
Our Fleet	29	Notes to the Financial Statements	70
Board of Directors	31	Statistics of Shareholdings	110
Key Management	34	Notice of Annual General Meeting	112
Our Employees	35	Proxy Form	
Financial Calendar	36		



COMPANY PROFILE

CH Offshore Ltd ("CHO" or "the Group") was incorporated on 31 March 1976 as Mico Line Pte Ltd and in April 1976 became a wholly owned subsidiary of Chuan Hup Marine Pte Ltd. The company became a public limited company, changed its name to CH Offshore Ltd and was listed on the Singapore Exchange Securities Trading Limited on 28 February 2003.

In October 2005, Scomi Marine Berhad (formerly Habib Corporation Berhad), a public listed company on the Bursa Malaysia, acquired a 29.07% stake in CHO from Chuan Hup Holdings Limited. On 28 April 2010, Scomi Marine Berhad sold its entire 29.07% stake in CHO to Energian Pte Ltd, a wholly-owned subsidiary of Falcon Energy Group Limited ("FEG").

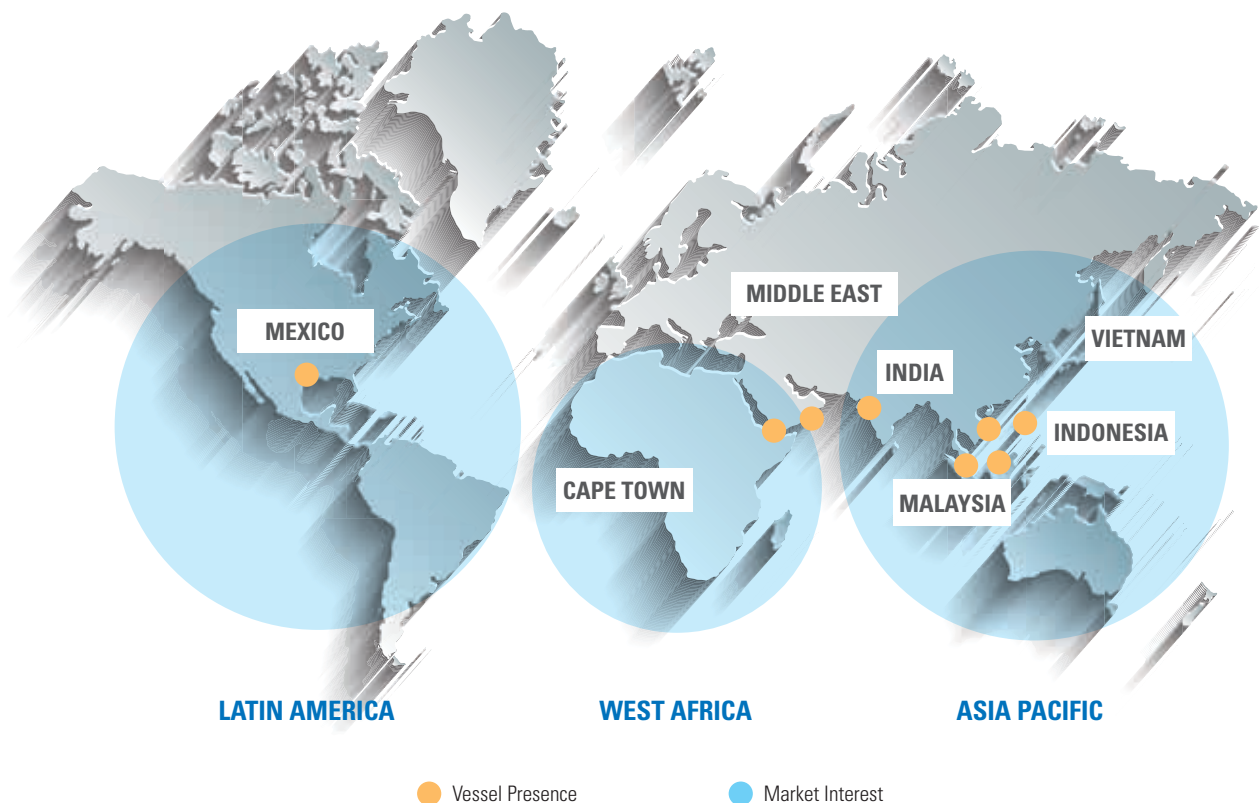
February 2015 marked another significant milestone in CHO's history when with the successful conclusion of Voluntary Unconditional Cash Offer, FEG through its wholly-owned subsidiary Energian Pte Ltd acquired 86.71% stake in CHO and it became a subsidiary of FEG.

On 7 April 2017, FEG and Energian Pte Ltd sold 21.83% stake in CHO to SZ Offshore Investment Pte Ltd. CHO remains a subsidiary of FEG.

More recently on 26 July 2018, Baker Technology Limited ("BT") through its direct wholly-owned subsidiary BT Investment Pte. Ltd. successfully acquired 52.72% stake in CHO and it became a subsidiary of BT. As a result of the said acquisition, BT investment Pte. Ltd. is required to make a mandatory unconditional cash offer for all other shares. The offer will close on 7 September 2018.

Currently, CHO operates fifteen AHTS vessels and one OSV vessel. Eleven of which are wholly owned AHTS vessels with an average age of eleven years old as at 30 June 2018. Seven of the newer AHTS are 12,240 bhp vessels equipped with state-of-the-art facilities for heavier offshore work in deeper waters.

Building on CHO's long history of strength and expertise, the Group will continue to forge excellent relationships with its customer through firm commitment to quality, reliability and high service standard.



OUR VISION



To be the preferred marine support service provider in the Oil and Gas industry delivering incident-free operations all the time, everywhere.

OUR MISSION



To provide our customers with safe, superior quality, reliable and cost effective marine services delivered by a team of people who are passionate about operational excellence.





CHAIRMAN'S MESSAGE

“THE GROUP WILL CONTINUE TO PERSEVERE AND BRAVE THROUGH THE CHALLENGING MARKET CONDITION. WE WILL CONTINUE TO BE FLEXIBLE, LEAN AND PRUDENT IN OUR WORKING CAPITAL MANAGEMENT. IT IS WITH THIS MIND-SET THAT WE WILL BE ABLE TO ACHIEVE SUSTAINABLE LONG TERM GROWTH ONCE THE EXPECTED RECOVERY IN THE OFFSHORE OIL AND GAS INDUSTRY MATERIALIZES.”



DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of the CH Offshore Group (“the Group”, “CHO”, or “the Company”) for the financial year ended 30 June 2018.

The offshore and marine sector has finally stabilised towards the beginning of 2018 with the price of a barrel of Brent crude passing US\$70 on 11 January 2018, the first time it has done so since late 2014. This would well mean that the market has seen its bottom. Whilst the oil price has now risen back to levels close to those before its collapse, this has only resulted in marginal improvement in offshore activity during 2018. 2018 has shown a small improvement in vessel utilisation levels but no real improvement in rate levels. Charter rates are not expected to improve significantly in the near term due to the current vessel overcapacity issue which is exacerbated by insufficient scrapping of vessels. Significant improvement of the offshore oil and gas market is still required before offshore vessel rates and utilization levels improve, and before most vessels can move back into profit.

In the near term, the operating environment will remain intensely competitive. It is therefore crucial that we stay focus on implementing our strategic priorities through efficient operation and prudent working capital management, while continuing to actively pursue new charter contracts in our target markets, especially in South East Asia, Mexico and the Middle East. Currently, the Group has ten vessels in South East Asia, three vessels in Middle East, two in Mexico and one in Africa. We have managed to maintain an average utilization rate of 53% in FY2018 despite the market challenges.

We will continue to focus on driving utilisation rate that generate positive cash flow and improving our operational efficiency in a safe and sustainable manner.

FINANCIAL REVIEW

The Group recorded a revenue of US\$9.91 million and a net loss of US\$24.60 million in FY2018. The 40% decline in Group revenue from previous year were reflective of the challenging market conditions which had adversely impacted our vessel charter rates and utilisation level. The loss included total impairment charges totally US\$14.33 million, of which US\$3.33 million was for our owned fleet, US\$2.10 million was for our jointly-owned vessel, US\$8.66 million was for doubtful debt and US\$0.24 million was for the impairment of our investment in an associate company. The Group net asset value decreased from US\$121.22 million as at 30 June 2017 to US\$96.62 million as at 30 June 2018. The Group net asset value per ordinary shares decreased from 17.20 US cents per share to 13.71 US cents per share.

During the year, the Group faced significant operational and cash flow challenges including increasing cabotage play in the region, delay in trade debt collections and termination of a long term contract which resulted in the Group incurring costs to take possession of a vessel. One of our joint venture partner also expressed their unwillingness to pay their outstanding debt due to us resulting in us taking over two vessels from the joint venture in settlement of the outstanding debt.

Despite the challenge, the Group had managed to maintain cash neutral position. We had during the year done a thorough review on our labour and administrative expenses and had managed to reduce our corporate expenditure by 13% as compared to previous year.

OUTLOOK AND PROSPECTS

We are starting to see the early signs of recovery in the offshore oil and gas industry, with tendering activity for new projects marginally increasing. If oil prices continue to strengthen through 2018 and 2019, new well drilling should resume and new production should

CHAIRMAN'S MESSAGE

commence as E&P 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, especially in the 5,000 horse-power AHTS vessels. 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.

Our fleet of AHTS (Anchor Handling Tug Supply) is relatively young and uniquely situated to enjoy the eventual upturn in the market. The core of our fleet is the Japanese-built 12,240 horse-power AHTS vessels. These vessels have high quality equipment, large deck space and enjoy the horse-power required to serve the newer, larger jackup drilling rigs. Additionally, these larger vessels enjoy a less oversupplied market in comparison to the smaller sized vessels, where significant speculative building over the last 5-6 years created a significant overly supplied market. The Group's competitive edge also includes the quality of its experienced Management and staff as well as the underlying strength of its main market in Middle East and Southeast Asia.

We serve an economically fast-growing region with several countries that have huge populations and a growing demand for energy. The oil and gas wells in the region are largely older and producing in marginal fields. Consequently, many of the wells in Asia require near constant maintenance and well stimulation in order to maintain production, which in turn produces a steady stream of offshore projects for our high quality fleet. Additionally, as existing and older wells decline in production new wells are required to even maintain flat production. The improved oil price and the nearly non-existent exploration activity over the last several years will inevitably cause exploration and production companies to quickly re-start their activities offshore. As a result, demand for our fleet – especially our 12,240 horse-power vessels – will significantly improve as new drilling campaigns are launched in the eventual upturn in the market.

The Group will continue to develop ways to increase operational efficiency, cut costs and preserve cash. This is the simple strategy that will allow us to ride out the rest of the downturn and be ready for the rebound in the industry.

SUSTAINABILITY COMMITMENT

CHO's sustainability strategy is aligned with our core values of Passion, Respect, Integrity & Honesty, Monetary Discipline and Excellence (Prime) and our "Do No Harm" corporate policy. CHO is committed to improving the economic and social well-being of our stakeholders by operating the *CHO* way which ensures that we do no harm to ourselves as human, to those involved and affected by our operations, to the assets involved and affected by our operations; to the environment in which we work and to our relations with clients, subcontractors, customers, stakeholders and those affected by our operations.

CHO upholds high standards of corporate governance and transparency to safeguard shareholders' interests. We have in place an adequate and effective Enterprise Risk Management framework to enhance our business resilience and agility. CHO continuously strive to ensure full compliance with the 1974 International Convention for the Safety of Life at Sea (SOLAS 1974).

We rigorously strive to balance commercial viability with sustainability for future generations and have incorporated the key principles of environment, social and governance in settling out our business strategies and operations. However, it is clear to us that focusing on sustainability is good for our business and profitability. By adhering with our sustainability strategy, we will increase productivity and efficiencies and reduce our costs, which is increasingly vital in the currently challenged offshore oil and gas sector. Additionally, performing our business in a sustainable fashion avoids the risks and liability associated with environmental damage and provides a competitive advantage in securing and maintaining contracts with major oil and gas companies and national oil companies, which are increasingly demanding that key contractors adopt sustainable business practices. In short, our sustainability initiatives make good business sense for our shareholders, employees and stakeholders.

ACKNOWLEDGEMENTS AND APPRECIATION

Our ability to cope with the past financial year's challenges would not have been possible without the outstanding efforts of our entire workforce. In FY2018, the executive team worked determinedly to steer the business through these difficult times and many tough decisions were taken along the way.

On behalf of the Board, therefore, I would like to thank our people for their outstanding efforts and dedication to the Group. To our shareholders, bankers, suppliers, customers and business associates, our heartfelt gratitude for their understanding and unwavering support and confidence in our ability to weather the headwinds in the sector.

To the Board, I wish to record my appreciation for their guidance and valuable advice.

On 26 July 2018, Baker Technology Limited (BT) through its direct wholly-owned subsidiary BT Investment Pte. Ltd. successfully acquired 52.72% stake in CHO and it became a subsidiary of BT. With the acquisition, BT has nominated Dr Benety Chang, Ms Jeanette Chang, Mr Heath McIntyre and Mr Tan Kiang Kherng onto the Board on 27 August 2018. On behalf of the Board, I would like to extend a warm welcome to them.

Mr Thia Peng Heok, George

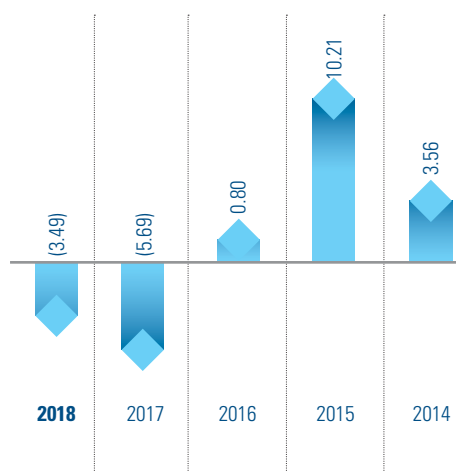
Independent, Non-Executive Chairman
27 August 2018

FIVE-YEAR GROUP FINANCIAL STATISTICS

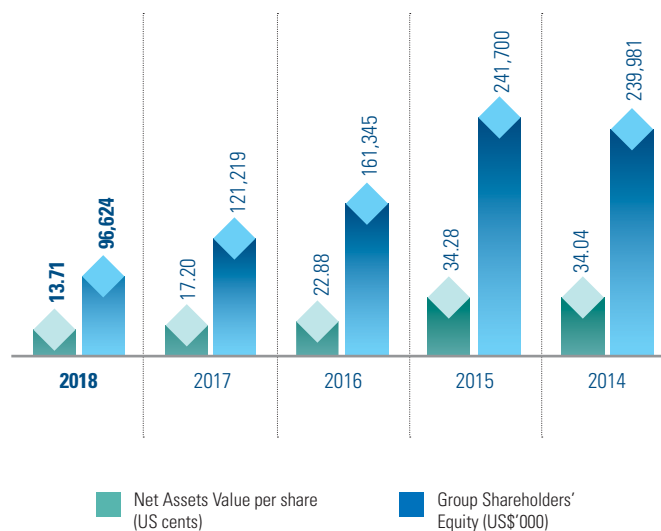
	FY2018 US\$'000	FY2017 US\$'000	FY2016 US\$'000	FY2015 US\$'000	FY2014 US\$'000
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
REVENUE	9,906	16,405	24,725	31,818	35,137
Gross profit after direct depreciation	(2,561)	4,040	10,998	19,112	23,315
Profit (Loss) before income tax	(24,473)	(40,836)	10,215	71,988	25,051
Profit (Loss) after income tax	(24,595)	(40,080)	5,626	71,988	25,081
Gross profit margin	(25.9%)	24.6%	44.5%	60.1%	66.4%
Profit (Loss) before income tax margin	(247.1%)	(248.9%)	41.3%	226.2%	71.3%
Profit (Loss) after income tax margin	(248.3%)	(244.3%)	22.8%	226.2%	71.4%
STATEMENTS OF FINANCIAL POSITION					
Current assets	17,906	22,919	19,110	144,084	87,673
Non-current assets	102,875	123,646	168,838	171,153	170,944
Total assets	120,781	146,565	187,948	315,237	258,617
Current liabilities	12,940	9,839	13,568	64,688	9,384
Non-current liabilities	11,217	15,507	13,035	8,849	9,252
Total liabilities	24,157	25,346	26,603	73,537	18,636
Net current assets	4,966	13,080	5,542	79,396	78,289
Shareholders' equity	96,624	121,219	161,345	241,700	239,981
PER SHARE DATA					
Earnings Per Share (US cents):					
Basic	(3.49)	(5.69)	0.80	10.21	3.56
Fully Diluted	(3.49)	(5.69)	0.80	10.21	3.56
Dividends Per Share (SGD cents)	0.00	0.00	2.5	23.5	4.50
Net Assets Value Per Share (US cents)	13.71	17.20	22.88	34.28	34.04

FIVE-YEAR GROUP FINANCIAL CHARTS

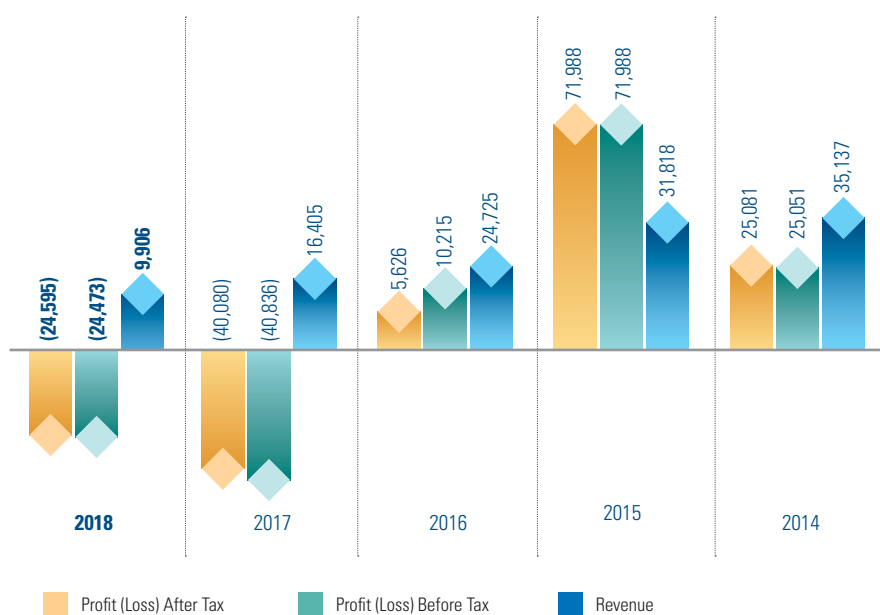
EARNINGS PER SHARE
(US CENTS)



GROUP SHAREHOLDERS' EQUITY AND NET ASSETS VALUE PER SHARE



GROUP REVENUE, PROFIT (LOSS) BEFORE TAX & PROFIT (LOSS) AFTER TAX (US\$'000)





Challenging operating conditions persisted in the offshore oil and gas (O&G) sector for the financial year ended 30 June 2018 (FY2018).

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

The Group registered revenue of approximately US\$9.91 million in FY2018, which represented a decrease of 40% or US\$6.50 million when compared to Group revenue of US\$16.41 million in FY2017. The decrease was driven by lower vessel charter rates and utilization rates amid the challenging market conditions. The Group achieved an overall fleet utilization rate of 53% in FY2018, a 10% decline as compared to FY2017.

Gross Profit/Loss

The Group generated a gross loss after depreciation of US\$2.56 million in FY2018 as compared to a gross profit after depreciation of US\$4.04 million in FY2017. This was due mainly to significantly lower charter rates achieved for new replacement contracts and higher operating costs incurred due to higher stack and repair costs. Expenditure were also incurred to takeover a vessel after a client defaulted on the charter contract during the financial year. Operating costs increased 8% year-on-year from US\$4.92 million in FY2017 to US\$5.30 million in FY2018.

Other Income

The Group recorded other income of US\$0.48 million in FY2018, 38% higher than the other income recorded in FY2017. FY2018 other income comprised mainly of fixed deposit interest income, interest charge to third parties for outstanding debt due to the Group, interest income from loan made to associated company and government grants received. FY2017 other income comprised fixed deposit interest income and reversal of prior year over-provided expenses.

Other Expense

With the Group adopting a prudent approach in doubtful debt, vessel and investment impairment assessment, a total impairment charge of US\$12.23 million was recorded in FY2018. The impairment charge included doubtful debt provision of US\$8.66 million, vessel impairment charge of US\$3.33 million and investment in associated company impairment charge of US\$0.24 million. The other expense in FY2018 was 63% lower than FY2017 as FY2017 included a larger impairment charge of US\$31.08 million.

Administrative Expense

Administrative expenses, which comprise largely of staff and office related expenses, decreased by US\$0.60 million to US\$3.97 million in

FY2018 from US\$4.57 million in FY2017. The reduction was mainly driven by the Group series of cost rationalisation and business streamlining initiatives.

Share of Associates' Result

The Group recorded share of losses from associated companies in Indonesia and Malaysia of US\$5.75 million in FY2018, against a share of loss of US\$6.90 million in FY2017. The losses narrowed as compared to prior year due to lower impairment expenses recognised in FY2018 as compared to FY2017. The Group's share of impairment expenses amounted to US\$2.10 million in FY2018 against prior year's impairment charge of US\$5.18 million. The Group also shared a loss on disposal of vessels of US\$2.41 million in FY2018. Excluding the one-off impairment adjustments and share of associated company's vessels disposal loss, the Group's share of losses from associated companies would have been US\$1.24 million in FY2018 and US\$1.72 million in FY2017.

Profit before Taxes

As a result of these exceptional impairment and doubtful debt expenses, the Group recorded a net loss attributable to owners of the Company of US\$24.60 million in FY2018. Excluding exceptional expenses and income tax, the Group recorded an operating loss of US\$7.43 million in FY2018.

Statement of Financial Position

The losses incurred by the Group during the financial year has resulted in the Group's Net Asset Value decreased from US\$121.22 million as at 30 June 2017 to US\$96.62 million as at 30 June 2018. Net Asset value per ordinary share decreased from 17.20 US cents per ordinary share as at 30 June 2017 to 13.71 US cents per ordinary share as at 30 June 2018.

As at 30 June 2018, the Group non-current assets which comprised mainly of the Group's vessels and its investment in associated company decreased US\$20.77 million or 17% as compared to the end of last financial year. The decrease was mainly due to the recognition of impairment charges of the Group's investment in associated company as well as the Group's owned and co-owned vessels after an in-depth evaluation of the carrying value of the vessels.

Trade and other receivables decreased by US\$8.24 million to US\$9.80 million as compared to US\$18.04 million as at 30 June 2017. The decrease was largely due to doubtful debt provision of US\$8.66 million made on amount due from Falcon Energy Group Limited and its related parties. The Group also faced increasing payment delays from clients.

The Group's total current and non-current loan and borrowings include term loan and credit line.

The Group's liquidity remained healthy with a current ratio of 1.38, and gearing remains low with a long-term borrowings of US\$3.51 million and a short-term borrowing of US\$5.65 million.

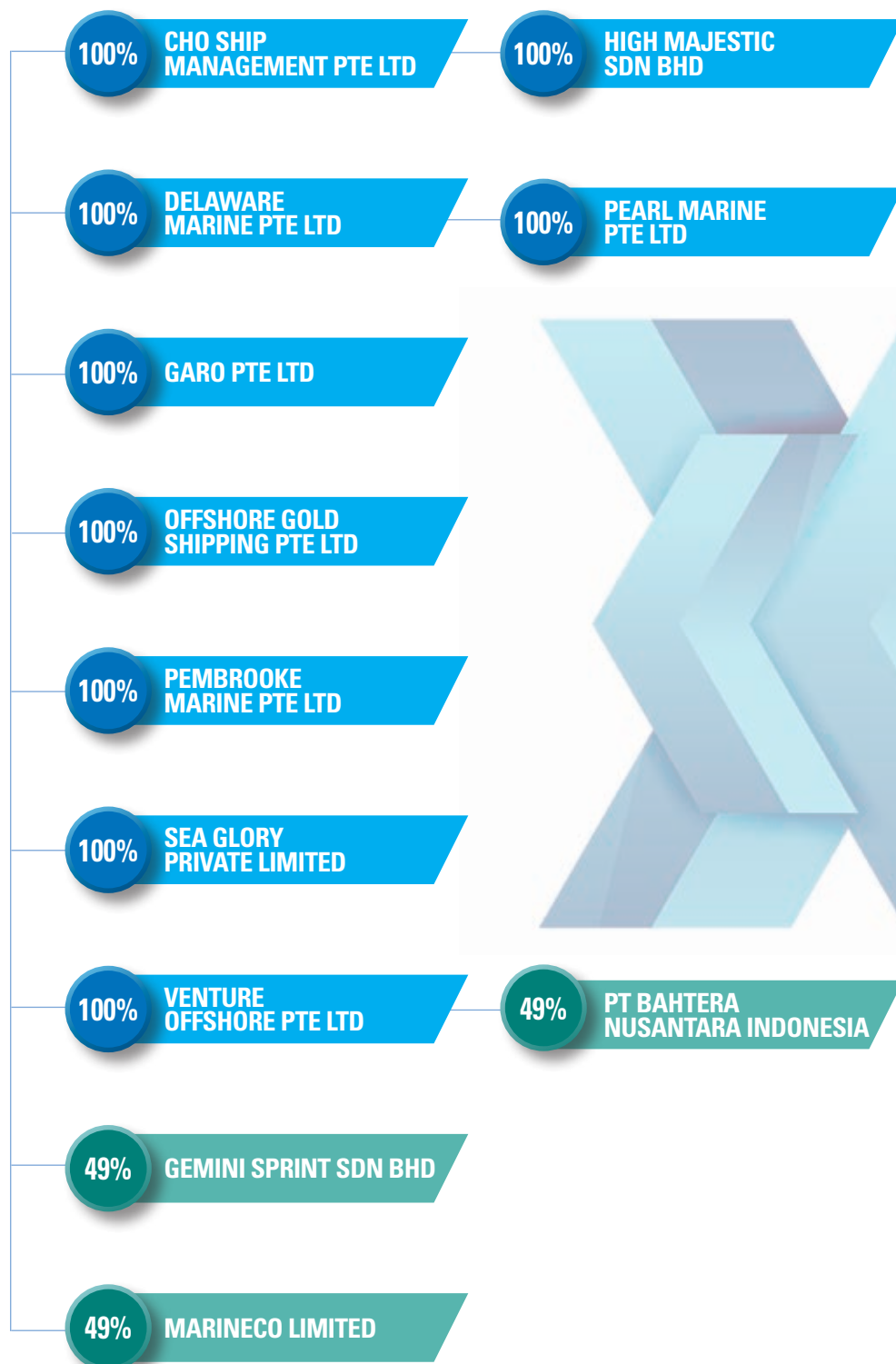
Consolidated Statement of Cash Flows

The Group generated a slight positive operating cash flow of US\$0.11 million during the financial year.

The net cash outflow of US\$0.54 million from investing activities were due to fixed asset additions which was partially offset by US\$0.56 million repayment from associated company.

REVIEW OF RESULTS

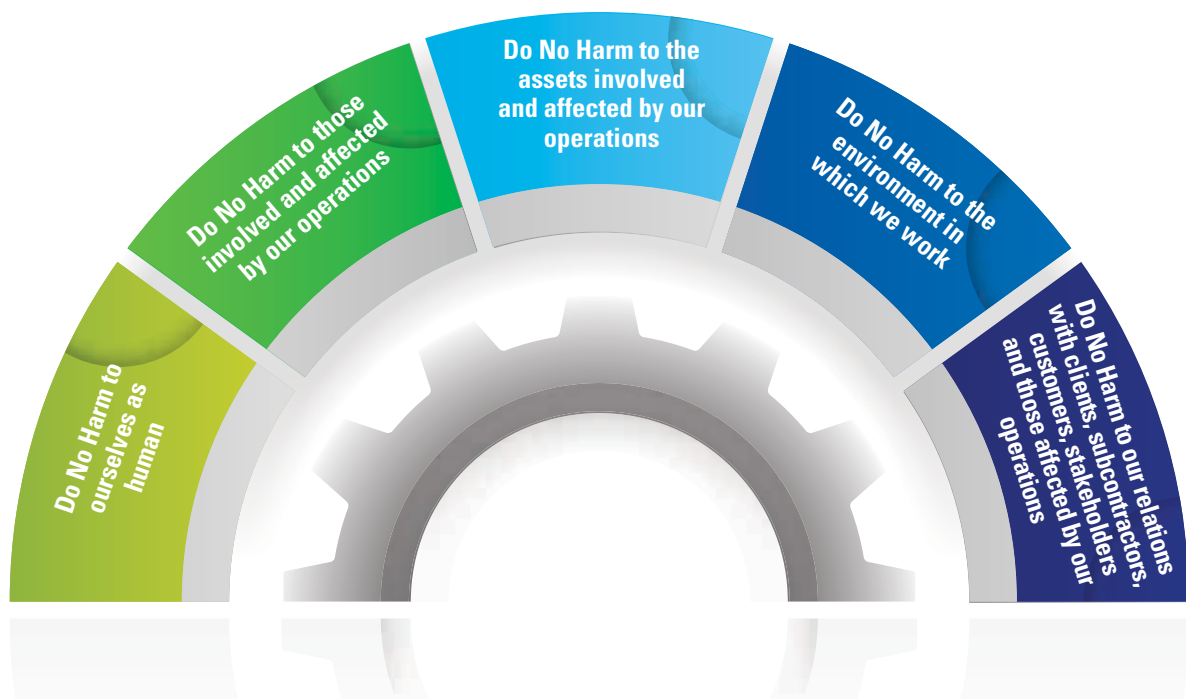
CORPORATE STRUCTURE



SUSTAINABILITY REPORT

SUSTAINABILITY – THE CHO WAY

Sustainability considerations have always been a part of our organisational DNA. The Group recognises that risk management is just as much about opportunities as it is about threats. We have been rooted in our core values of Passion, Respect, Integrity & Honesty, Monetary Discipline and Excellence (PRIME) and driven by our “Do No Harm” corporate philosophy. These have guided us in how we do business, treat our people, respect the environment and deliver our solutions.



With this philosophy and mind-set, CH Offshore welcomed the SGX requirements on sustainability reporting and commenced its sustainability reporting journey last year. With the publication of our second sustainability report, we are proud to have increased our efforts and streamlined our strategy through hard work and commitment to the goal of a responsible business. We continue to strive for greater integration of sustainability in every aspect of work that we do.

Our sustainability practices are not just confined to our operations, but also extended down to our supply chain. We recognise that the Group's operations are highly dependent on a reliable supply chain and we have implemented robust policies governing supplier selection. We have a vast supply chain ranging from vessels to equipment and general supplies.

Sustainability Governance

The Board of Directors is responsible for the governance of risk across the Group. The Enterprise Risk Management Committee which comprises of all departmental heads, CFO, COO and CEO, performs biannual reviews of the register to identify new risks and re-rank the severity and the applicability of the existent risks. For risk management on operational sites, risks are measured on the basis of the probability of a hazard leading to a consequence and the severity of the consequence. Preventive controls and mitigation controls are used to manage the respective components of risk as per the appropriate hierarchy of controls.



SUSTAINABILITY REPORT

We have established a Sustainability Committee since the last financial year to look into the Group sustainable practices and coordinating the sustainable efforts across the Group. The committee keeps the Board abreast of key developments and issues with the support of operational managers in the respective areas of business. As part of the committee, last year we identified key personnel to drive the sustainability agenda in the following areas:

Economic: Chief Executive Officer & Executive Director

Environmental: Chief Executive Officer and Quality, Health, Safety, Security and Environment (QHSSSE) Manager

Social: Chief Operating Officer and Chief Financial Officer

With our Board and Senior Management demonstrating such commitment to our sustainability efforts, we are confident that we will be able to improve the way we do business and address the concerns of our stakeholders.

Stakeholder Engagement

We prioritise our stakeholders for engagement based on the significance of their influence on our business and our dependency on them. We engage with our key stakeholders on a regular basis to ensure two-way communication and this is summarised in the table below:

Stakeholder	Method and Frequency of Engagement	Topics of Concern	Our Response
Employees	• Ongoing staff engagement portal • Regular “We Care” email to vessel crew • Town halls • Weekly or monthly staff meeting • Training • Intranet updates • Regular “Safety Moment” email to vessel crew	• Vision, strategy & directions • Innovation • Productivity • Collaboration • Staff welfare & benefit • Training & development • Health, safety & environment	• We remain committed to attracting top talent and investing in the development of our people • We adopt merit-based recruitment practices & emphasise diversity & inclusiveness • We have given our Employers’ Pledge of Fair Employment Practices to TAFEP • Innovation committee has been formed at the beginning of the year. The committee looks at improving our Company productivity through process streamlining and automation
Shareholders & Financiers	• Annual Report • Annual General Meeting • SGX Announcement • Regular engagement with shareholders • SIAS	• Business strategy and direction • Financial performance • Corporate Governance • Dividend pay-out	• Shareholders play an important role in the financing, governance and control aspects of our business • We set to provide shareholders, prospective investors & our financiers with information in our quarterly SGX Announcement & Annual Report • We seek to address other concerns during AGM



SUSTAINABILITY REPORT

Stakeholder	Method and Frequency of Engagement	Topics of Concern	Our Response
Clients & Business Partners	• Annual Customers' Satisfaction Surveys • Feedback channels such as email, phone calls & teleconferences • Face-to-face meetings	• Customers' satisfaction • Contract management • Operational performance, quality & responsiveness • QHSSE Excellence	• Customer satisfaction is crucial to the success of our businesses • We strive to provide our customers with safe, superior quality, reliable & cost effective marine services • We strive for continuous improvements to better our service delivery
Suppliers & Contractors	• Perform assessment & continuous monitoring of key contractors • Regular meetings, teleconference & email • HSE Questionnaire for key contractors	• Product & service quality, price reliability & suitability to minimise downtime • Timely supply of products and services • Suppliers' credit terms • CHO's compliance with its Procurement Policy • QHSSE Excellence	• We strive to establish strong, effective & reliable relationships with our suppliers • We establish robust policy governing supplier selection, and suppliers are selected for their known capability and financial stability • We do not or appear to favour any suppliers • All regular suppliers are reviewed for their fit and ability on a yearly basis by way of an Annual Contractor Audit. The audit ensures that our appointed contractors are in full compliance to our HSE requirements
Government & Regulators	• Written & verbal communication • Industry networking functions	• Compliance with rules & regulations • Sharing of industry best practices	• Governments shape the operating environments. Political factors, policies & regulation can affect how businesses are run and also create opportunities for companies • We track topics of concern to government & regulators to ensure that we are equipped to meet government requirements wherever we operate
Local Communities	• Meetings • Community outreach initiatives	• Volunteer programmes • Community investment • Clean environment	• We engage with community leaders and non-profit organisations to reach out and render support to those in need



SUSTAINABILITY REPORT

Materiality Assessment

Last year, we identified and prioritised our material topics in accordance with the GRI Standards. This entailed a peer benchmarking exercise followed by internal stakeholder engagement workshop in order to shortlist the key areas where we believe we have the greatest economic, social and environmental impacts, and which are most relevant to our stakeholders. In the future, we may also consider engaging external stakeholders such as regulators, communities and investors in identifying their concerns and assessing our material topics.

Material Topics	GRI Standards Disclosure	Impact Boundary
Environmental		
• Energy and emissions	• Energy • Emissions	Vessel operations & Corporate office
• Waste management and disposal	• Effluents & waste	Vessel operations & Corporate office
• Compliance	• Environmental compliance	Vessel operations
Social		
• Diversity and equal opportunity	• Diversity and equal opportunity	Vessel crew & Corporate office employees
• Talent attraction and retention	• Employment	Vessel crew & Corporate office employees
• Training and education	• Training and education	Vessel crew & Corporate office employees
• Occupational health and safety	• Occupational health and safety	Vessel crew & Corporate office
Governance/Economic		
• Ethics and anti-corruption	• Anti-corruption	Vessel operations & Corporate office

ENVIRONMENT

This year has seen further progress towards the environmental agenda. In Singapore, the Government has accelerated action with the announcement of the carbon tax price and also named 2018 as the 'Year of Climate Action'.

As a player in the shipping industry, we recognise our environmental impacts and continue to make efforts in minimising our footprint and supporting national and global environmental priorities.

We currently operate under the Environmental Management System (EMS) that is in line with the requirements of ISO 14001. By doing this, we exercise a precautionary approach in our day-to-day operations.

Energy and Emissions

Why this is material

There are two main sources of energy that we consume. Our ships all run on fuel oil, while our office premises primarily use electricity. Reducing our total energy consumption helps us to not only reduce our carbon footprint and impact on the environment, but to also drive significant cost savings and impact our economic performance.



SUSTAINABILITY REPORT

Management Approach

Energy Efficiency Management

We operate according to the Ship Energy Efficiency Management Plan (SEEMP) for enhancing the fuel efficiency of our vessels. Some of the initiatives that we have taken to improve our fuel consumption include:

1. Proper voyage planning
2. Weather routing
3. 'Just in time' approach
4. Optimised speed, shaft power, trim, ballast and propeller and propeller inflow considerations
5. Optimum use of rudder and heading control systems (autopilots)
6. Hull maintenance
7. Propulsion system maintenance

Energy Efficiency Design and Features

The International Maritime Organisation (IMO) has introduced the Energy Efficiency Design Index (EEDI) for new ships which aims at promoting the use of more energy efficient equipment and engines. The EEDI requires a minimum energy efficiency level per capacity mile (e.g. tonne mile) for different ship type and size segments. We are in the process of having all our new ships to be part of the EEDI.

Similarly, the IMO issues Engine International Air Pollution Prevention (EIAPP) Certificate to vessels that demonstrate strict control of diesel engine NOx emissions by meeting certain survey, certification and compliance requirements. This EIAPP Certificate applies to marine diesel engines of over 130 kW power output. We are working toward ensuring all our applicable vessels are compliant from the engine down to the spare parts.

Research indicates that silicon paint on propellers is an excellent solution to minimise damage and fouling of propellers. We plan to implement silicon paint during the next dry docking period, which will improve thruster and propulsion efficiency and in turn reduce fuel consumption and emissions.

Furthermore, our ships are increasingly "smarter", adopting greater automation technology that enables the collection of data for parameters such as temperature, pressure, flow of cooling water, fuel oil, lube oil, etc. This information is in turn useful for our crew and engineers, helping us improve and innovate toward more energy and resource efficient ships.

Cleaner Fuels

The International Maritime Organisation (IMO) has designated Emission Controlled Areas (ECAs) in which vessels can only operate in when using low-sulphur fuels. Our vessels use marine gas oil (MGO). Marine gas oil is produced with varying degrees of sulphur content, though the maximum permissible sulphur content of marine gas oil lies below that of heavy fuel oil. The ISO 8217 DMA quality label has a maximum permissible value of 1.5%. At CHO, we use MGO with Sulphur content of equal or less than 0.5%.

Awareness Building

We believe that training our employees on environmental issues can further help accelerate the green agenda. To facilitate this, our employees participated in the "Green Shipping Seminar" organised by Rolls-Royce. The seminar focussed on various areas including sustainable marine solutions in Singapore; emissions and environmental laws and regulations, energy management, hybrid solutions and remote operations amongst others.

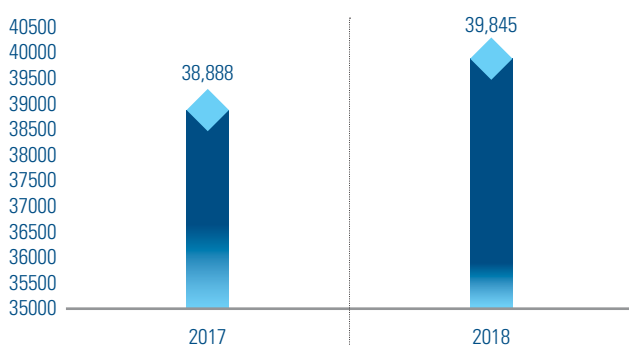
SUSTAINABILITY REPORT

Our Performance and Targets

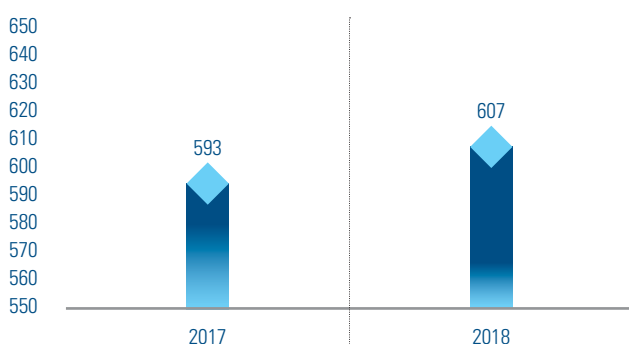
Energy Consumption (GJ)	2017	2018	Difference
MGO Consumption	516,775	529,558*	+12,783
Electricity Consumption (office only)	205	201	-4
Total	516,980	529,759	+12,779

* The increase in MGO Consumption in 2018 was due to a larger no. of vessels being stacked.

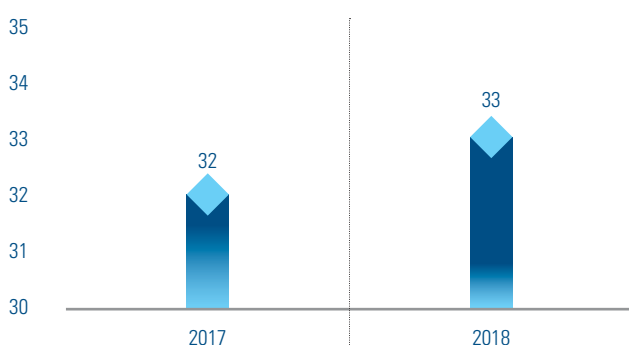
CO2 Production (tonnes)



NOx Production (tonnes)



SOx Production (tonnes)



Waste Management and Disposal

Why this is material

We are conscious that waste is generated from our operations and any mishandling in disposal may result in environmental damage. We also see waste reduction as a potential source of cost savings to our business.

Management Approach

Oil Pollution Prevention

We operate according to the MARPOL convention on pollution prevention. Currently, we use oily water separators (OWS) to ensure that the water discharged into the sea has hydrocarbon percentage of less than 15 ppm, or we transfer oil and oily water to another vessel (oil tanker) at sea or when our ships are berthed at yard and transferred to land oil tanker. We keep an Oil Record Book to record all discharge.

However, there are some areas where bilge water discharge through oily water separators is prohibited. In order to combat this issue, we are looking to implement for the new fleet, Bilge Primary Tank Technology that will help us extract bilge water from excess oil, and send it to a tank where it can be evaporated by the heat from the main engine. In this way, bilge water can be evaporated into the air rather than disposed.

CHO's main objective is to operate ships in a safe manner while taking into consideration the impact on the environment. We are aware that accidental oil spills at sea may cause significant harm to the marine environment. Consequently, awareness is continuously raised among the crew, and all necessary actions are taken to prevent environmental incidents. The crew is trained in safe navigation and operation of vessels. Additionally, all operational procedures and contingency plans that deal with emergency situations are under scrutiny and are continuously being improved. All CHO owned and managed vessels hold a



SUSTAINABILITY REPORT

Shipboard Marine Pollution Emergency Plan (SMPEP)/Shipboard Oil Pollution Emergency Plan (SOPEP) as applicable. This plan provides guidance to the Master and Officers on board the ship with respect to the steps that should be taken in the event of a pollution incident, or its likelihood.

Ballast Water Management

The Ballast Water Convention requires each ship to follow a pre-approved Ballast Water Management Plan specific to that ship to treat and manage ballast water and sediment. This involves ballast water exchange taking place more than 200 nautical miles from nearest shore and water depth of more than 200 metres. In the event operation is closer to shore, the distance to nearest shore should be more than 50 nautical miles and water depth more than 200 metres. Each ship must carry a ballast water record book and international certificate to be shown at ports across the world. All new ships after September 2018 must be D2 compliant.

CHO is already compliant with the basic level (D1) of the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM), and we continue to aim for the next level of standard (D2) over the next five years.

As we work to determine the ballast water treatment technology we would like to have aboard our ships, we evaluate our options based on the following criteria:

- Capacity of treatment plant
- Number of plants assuming one plant per ballast pump
- Treatment type
- Provider of machinery

Garbage Management Plan

On board, we actively monitor our waste disposal metrics. Every vessel has a vessel specific Garbage Management Plan (GMP) which enforces responsible waste disposal for all our ships. This means that no waste that is generated on board our ships will be disposed of in the sea, but will be collected and kept for proper disposal on land.

Garbage Type		Garbage Disposal at Sea (Outside Special Areas)	Garbage Disposal at Sea (Inside Special Areas)	Receptacle Colour
Plastics Includes synthetic ropes and fishing nets and plastic garbage bags		Disposal Prohibited	Disposal Prohibited	Red
Food waste	Comminute or ground	More than 3 miles enroute and as far as practicable	More than 12 miles enroute and as far as practicable	Blue
	Not comminute or ground	More than 12 miles enroute and as far as practicable	Discharge Prohibited	
Paper, rags, glass, metal, bottles, crockery & similar refuse	Comminute or ground	Disposal Prohibited	Disposal Prohibited	Black
	Not comminute or ground	Disposal Prohibited	Disposal Prohibited	
Floating dunnage, lining and packing materials		Disposal Prohibited	Disposal Prohibited	Yellow

SUSTAINABILITY REPORT



E-waste

On March 2018, the amendments to MARPOL Annex V regarding the addition of E-waste as a new garbage category as well as a new Garbage Record Book format came into force. E-waste encapsulates electrical and electronic equipment including all components, sub-assemblies and consumables. These can be hazardous to the environment when discarded.

Following the integration of these amendments, all of our ships updated their Garbage Management Plans to include the proper disposal of E-waste. New Garbage Record Books were also introduced to replace the older versions onboard our vessels so that E-waste disposals are appropriately recorded.

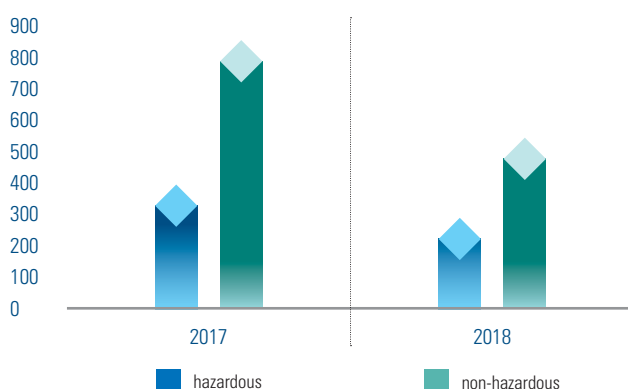
Sewage Treatment

The disposal of sewage waste on board is always a primary concern for our crew. For best hygiene practices and overall well-being of our crew, all our vessels are equipped with an on board sewage treatment plant. These treatment plants operate on the principle of having an aeration chamber, where waste is mixed with aerobic bacteria. The bacteria are fed a constant supply of oxygen to stay alive so that a smooth and uninterrupted process of solid sewage treatment can be achieved. When the sewage tank becomes full, the treated sewage will be discharged ashore to an approved sewage tanker. To yield optimum hygiene standards, our crew are well-trained in the maintenance of these plants, and we regularly remind them of the importance of its proper handling.

Eco-Office

CHO believes and practices the 'reduce, reuse and recycle' philosophy with regards to waste management. To help reduce our energy and material consumption in our corporate office, this year we have commenced our journey towards obtaining the Singapore Environment Council's "Eco-Office" certification. This journey has deepened our understanding of how our activities impact the environment and has encouraged our employees to strive towards further reducing our paper, electricity consumption and waste output. For example, we have switched to e-invoicing and adopted e-leave to use less paper and create less waste. Through these efforts, we not only achieve greater energy efficiency, but also cost savings. We encourage our employees to take sustainable practices beyond the office, into their homes.

Waste Disposal (cubic metres)



Our Performance and Targets

Environmental Compliance

Why this is material

Our industry is governed by a number of regulators and industry guidelines related to the environment which include those from the:

- The International Maritime Organisation ("IMO")
- Flag State
- Classification Society
- Coastal State

SUSTAINABILITY REPORT

- International Marine Contractors Association ("IMCA")
- Common Marine Inspection Document ("CMID")
- Oil Companies International Marine Forum ("OCIMF")
- Offshore Vessel Management and Self-Assessment ("OVMSA")
- Offshore Vessel Inspection Database ("OVID")

Any breach of these standards can not only lead to financial risk and reputational damage but also impact our license to operate.

Management Approach

Given the nature of our business of shipping oil and gas, CHO takes extra care to ensure that we are in compliance with all environmental regulations through the activities and initiatives mentioned earlier.

To ensure compliance, CHO conducts yearly ISM Code DOC audit for the office. The audit covers aspects of the ISM Code vis-à-vis the Company Health, Safety, Security & Environment Management System (HSSEMS) applicable to CHO office for Singapore, Malaysia and Brunei DOC.

The primary reference documents will be CHOSM HSSEMS, ISM Code, ISPS Code, MLC 2006 and the relevant Flag State requirements.

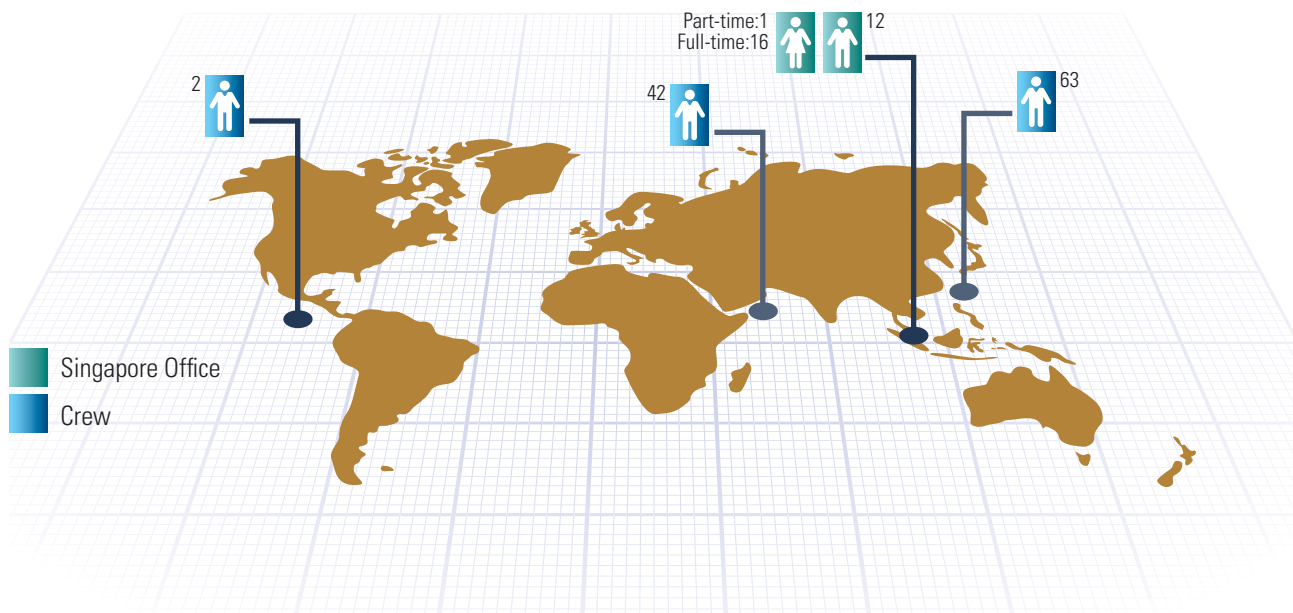
CHO has its own manual on Bunkering Operations Environmental Compliance based on MARPOL Annex I compliance, and is applicable to all vessels while bunkering, transferring, loading or discharging fuel oil or other oil based materials. Our crew are trained in these procedures to ensure operations are carried out without any incidents that may pollute the environment and cause harm to the safety of the vessel and its personnel.

Performance and Targets

We are proud to say that we have not identified or been made aware of any non-compliance with environmental laws and/or regulations or had any other breach of voluntary codes. We aim to continue maintaining this compliance in future.

OUR PEOPLE

As a service provider, employees are one of our most vital assets. We embrace diversity and inclusion, aim to attract and retain the best people to work with us, develop their talents and abilities, and most importantly, watch out for their safety and well-being.





SUSTAINABILITY REPORT

Diversity and Equal Opportunity

Why this is material

CHO embraces diversity and equal opportunities in various aspects of our business including our hiring policy and remuneration. We believe that diversity brings a combination of experiences, ideas and out-of-box thinking that help us solve business problems with a broader perspective.

Management Approach

Fair Employment

We reward employees fairly based on their ability, performance, contribution and experience. The ratio of the average remuneration paid to women and men in the same employee category is within the 40/60 bracket. All our employees are given employment contracts with clear terms and conditions and equal employment opportunities are clearly cited in the employee handbook. We abide by labour laws in the country of operation and adapt the Tripartite Guidelines on Fair Employment Practices to manage this risk. As a member of the Singapore National Employers Federation, we have also signed the Employers' Pledge of Fair Employment Practices to show our commitment to providing a safe and inclusive workplace for our staff.

We also have clear and stringent policies regarding workplace harassment. These are detailed and published on our engagement portal and accessible by all members of staff. To ensure the understanding and reinforcement of our policies, selected staff received the following external training this past year:

- Fair Performance Management
- Fair Grievance Handling Workshop
- Fair Recruitment and Selection Workshop

In our hiring policy, CHO looks primarily at a candidate's ability to perform on the job and his/her character fit to our company culture. We do not discriminate against any particular group of people, and we ensure that the right number of staff are hired according to the needs of the business. In fact, as both policy and culture, we embrace and encourage diversity.

All our staff in the corporate office are hired on a full or part-time basis, while crew members are offered short-term contracts to meet oil majors' and charterers' requirement.

Gender Diversity

Of the 155 employees that CHO has, 120 of them are male crew members who work on the ships, while the remaining 12 men and 17 women work in the corporate office. Although we are very supportive of female crew members, given the nature of the work, we tend to have a much greater number of male crew members. On the other hand, our office staff are a nearly even mix of men and women.

Cultural Diversity

In CHO, we also celebrate cultural diversity. We believe that part of our strength in being able to create solutions that address the needs of our customers, regardless of geography, lies in our pool of talent that comes from all over the world – our staff represent 13 different nationalities. To celebrate this, we had our Mid-Autumn celebration in October 2017, Annual Chinese Lunar New Year group lunch in January 2018 as well as Hari Raya Puasa celebration on board our vessels in June 2018. We are proud to say that all our staff participated in the festive celebrations, regardless of race or religion.

SUSTAINABILITY REPORT

Age Diversity

In line with the Ministry of Manpower's initiative to promote age-friendly workplaces, CHO implemented an Age Management Programme in FY2017/18. This programme allows us to keep our valued employees who turn 62 on the same employment contract, or to redesign their role and provide the necessary training for re-employment on a modified contract. This allows us to better address the needs and abilities of our senior staff, while keeping their valuable experience and expertise within the company. In line with the programme, we provide free health screening for all our employees together with other health talks.

We have implemented a health screening specifically for our senior workers along with three separate health coaching sessions that encourage better, healthier lifestyle practices and behaviours.

We have also sent selected staff to attend training sessions to support our Age Management Programme. They include:

- Basic of Age Management
- Fundamental of Job Redesign
- Fair Employment Practice
- Training and Retraining
- Re-employment for Mature Workers



Performance:

Our female staff are paid nearly equal pay to their male counterparts.

Employee Category	Female Remuneration Ratio
Senior management	81%
Middle management	68%
Executive	74%
Non-executive	104%



1 new female hire



1 male employee resignation

	New Employee Hire		Employee Turnover	
	M	F	M	F
Older than 50 years old	0	1	0	0
30-50 years old	0	0	0	0
Less than 30 years old	0	0	1	0
Total	0	1	1	0

	New Employee Hire (%)		Employee Turnover Rate (%)	
	M	F	M	F
Older than 50 years old	0	100	0	0
30-50 years old	0	0	0	0
Less than 30 years old	0	0	3	0

Of our employees¹, we have only had a turnover of one employee, and have hired one new member of staff. This puts our turnover rate at 3%.

Training and Development

Why this is material

To remain competitive in the market, CHO recognises the need to continually upskill our staff. Staff were encouraged to attend both internal and external training. Moreover, continuous development of our staff encourages staff retention.

¹ These figures do not include our crew as they are engaged on a project by project basis

SUSTAINABILITY REPORT

Management Approach

We continue to provide in-house and external training opportunities for our staff and continue to look for more avenues of growth. Our staff attended several training and seminars in FY2017/18. They include:

- How to Influence People
- Turbo Charging your Slides for Presentation Success
- Crewing Management Course
- \$ and Cents in Mind Series: Enhancing Your Business Value
- Accounting for Mergers and Acquisitions

Performance

Average Hours of Training per year per Employee



Talent Attraction and Retention

Why this is material

As the industry faces challenging times, it is important that we recruit and retain the best talent. High turnover rates impact both our bottom line and the overall morale of the company. We also believe that our experienced hires bring wisdom and knowledge to the company that gives us a competitive edge.

We understand that the demands of the modern fast-paced work environment take their toll on the physical, mental and emotional wellbeing of our workforce, and in turn, on their workplace performance. Building our employees' job satisfaction and wellbeing is therefore also a critical factor in ensuring we deliver the best services to our customers as well as to retain and support our valued staff.

Management Approach

We approach ensuring the wellbeing of our employees through two sides: increasing workplace flexibility to improve inclusion, and through training and education to increase resilience.

Flexible Work

In line with the company's commitment to create a flexible and caring work environment that supports our staff's work and life responsibilities, CHO has adopted Flexible Work Arrangement (FWA) in October 2017. The company believes that this is key to retain talents, including back-to-work individuals and enhance productivity to achieve our business goal of providing top quality service to our customers.

The several Flexible Work Arrangements offered to staff include:

- Flexi-load (part-time or job-sharing)
- Flexi-time (staggered hours and compressed work week)
- Flexi-place (telecommuting)

We currently have 15 members of staff taking up these flexible working arrangements.

SUSTAINABILITY REPORT

Workshops and Physical Activities

As part of our efforts to build the resilience of our workforce, and thus improve their wellbeing, we attended a talk on Improving Your Adversity Quotient in partnership with Families for life. In the session, we share with participants the concept of Adversity Quotient (AQ), a tool to measure a person's attitude and capability to deal with these stress sources. Staff learned what factors affect an individual's resilience and AQ score, strategies to improve individual AQ and where they can seek help when they encounter stressful situations.



We also rally to Health Promotion Board's (HPB) initiative on Healthy Workplace Ecosystem where free workout sessions were provided to workers and tenants at their workplaces to achieve healthier lifestyles. In CHO, we encourage our staff to participate in those physical activities by sharing the different exercise offerings from HPB via our Staff Engagement Portal.

Other workshops to address the emotional wellbeing of our workforce include:

- Apply Emotional Competence to Manage Self and Others in a Business Context
- Creating a Fair and Progressive Organisational Culture Workshop

Medical and Dental Benefits

CHO provides a comprehensive medical and dental plan as part of our employee compensation and benefit scheme.

Staff Bonding Activities

We believe in the importance of celebrating our diverse staff and maintaining a tight-knit community. Several cultural celebrations had taken place in CHO this year.



Chinese New Year Celebration



SUSTAINABILITY REPORT



Hari Raya Celebration on board Vessels



Mid-Autumn Festival

Corporate Volunteerism – Giving back to our Communities

Our staff express a desire to participate collectively in community-minded activities, which we began last year with great success. Despite most of our employees being out at sea for most of the year, we are committed to giving back to the communities that have allowed us to grow and thrive.

Last year, we conducted our very first community service project with SPD. This year, CHO staff volunteered at Willing Hearts and with the Singapore Cancer Society – TalkMed's Relay for Life 2018. These activities bring us together and strengthen our team bonds.

Willing Hearts

CHO staff volunteered at Willing Hearts, a secular charity that operates a soup kitchen and distributes 5,000 daily meals to over 40 locations island-wide, 365 days of the year. Beneficiaries include the elderly, the disabled, low income families, children from single parent families or otherwise poverty stricken families, and migrant workers in Singapore. 11 of our staff participated in the preparation of ingredients and washing and cleaning of the premises.

SUSTAINABILITY REPORT



Relay for Life 2018

The Relay for Life 2018 is an initiative carried out jointly by Singapore Cancer Society and TalkMed to raise funds and awareness about cancer, and empower and celebrate survivors. 9 members of CHO's staff undertook the packing of goodie bags at the National Stadium in preparation for the Relay. We were delighted to participate in this meaningful event in Singapore.



SUSTAINABILITY REPORT

Occupational Health & Safety

Why this is material

Given the nature of our operations, health and safety is a major challenge and priority that we face. CHO is committed towards providing a secure environment for operations to all its offshore and onshore employees, customers, and partners, and aims to ensure that appropriate control measures are in place to mitigate the security risks posed to people and assets. More than 70% of our employees are ship crew members, thus safety on board the vessels is of utmost importance to us.

Management Approach

We are committed to ensuring full compliance with the 1974 International Convention for the Safety of Life at Sea (SOLAS 1974), which is an international maritime treaty which requires Signatory Flag States to ensure that their ships comply with minimum safety standards in construction, equipment and operation.

STOP Work Authority (SWA)

We provide regular training on health and safety and these cover both our onshore and offshore personnel. Recently, we have introduced the STOP Work Authority (SWA) effective intervention campaign, which encourages our crew members to stop one another if they see a fellow crew member not following safety protocols.



Safety in our Supply Chain

The safety of all of our workers, including those we hire via contractors, is important to us. As such, before hiring any contract workers, we require them to undergo medical fitness examinations and only those workers that are medically fit for duty are allowed to join the Ships.

Safety Moment

We have implemented 'Safety Moment' communications to disseminate information around our safety policies and share best safety practices through our Staff Engagement Portal, which is accessible by both shore and offshore personnel, 24/7. Employees are encouraged to share real examples of unsafe situations or practices they observe on our premises to our Health and Safety team. These real-life examples which include photo series demonstrating some unsafe actions and their corrected versions, are shared with all employees to increase their awareness and understanding of potential hazards and better work practices to avoid such risk from reoccurring. By sharing these across the company, we hope to remind staff to be alert and prioritise their safety as well as the safety of their colleagues. We should all go home safely from work, everyday!

SUSTAINABILITY REPORT



C.A.R.E. Card Initiative

One of the most successful initiatives we have implemented to improve the health and safety of our staff is the C.A.R.E. Card Initiative, which stands for “Comprehend, Act, Reinforce and Eliminate”. Through this behaviour based safety initiatives, our employees are challenged to be vigilant at all times and to immediately report any prospective areas of health and safety risks as well as good practices that they observe. Each employee must submit at least one observation via a C.A.R.E. card each month, and the best three monthly submissions receive a \$50 monetary reward. These practices are then shared with the rest of the staff to share and collaborate on safety practises and knowledge. In FY17/18, we received a total of 2192 C.A.R.E. cards from our fleet of vessels.

Performance

	FY2017	FY2018
Man-Hours	601,361	563,869
First-Aid Cases	1	0
Recordable Injuries	0	1
Lost Time Injuries (LTI)	0	0
Fatalities	0	0
TRIFR	4.6	1.8
LTIFR	0	0
Last LTI	09 January 2009	
LTI Free Days	3,458 (till 30 th June 2018)	
LTI Free Man-Hours	6,138,322 (till 30 th June 2018)	

GOVERNANCE

Ethics and Anti-corruption

Why this is material

Our reputation is dependent on daily decisions made across the organisation. In the face of challenging times, it is imperative for us to maintain our high standards of corporate governance in order to survive in the market today.



SUSTAINABILITY REPORT

Management Approach

The Group adheres to a code of conduct which deals with:

- ✓ Confidentiality
- ✓ Work Conduct and Discipline
- ✓ Corporate Gifts
- ✓ Insider Trading
- ✓ Conflict of Interest
- ✓ Corruption

The Group code of conduct includes guidelines to directors and employees in the Group, which sets out prohibitions against dealings in the Company's securities (i) while in possession of material unpublished price-sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and, (iii) during the one month preceding, and up to the time of announcement of, the Company's results for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all directors and employees of the Group to inform them of the duration of the period.

The Group also has documented policies and work procedures which incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Our core values are the cornerstone upon which CHO's culture is built, and which guide how we do business. Integrity and Honesty are our most fundamental values, which we expect each and every one of our employees to demonstrate through fair and ethical conduct.

We ensure that the Group's zero tolerance policy towards fraud, corruption and unethical actions is strictly adhered to. We have a formally implemented whistleblowing policy which serves to encourage and provide a channel for employees to report in good faith and in confidence, without fear of reprisals, concerns about possible wrongdoing or breach of applicable laws, regulations, policies or other matters. The objective for such an arrangement is to ensure independent investigation of such matters and for appropriate follow-up action to be taken.

In FY 2018, we are not aware of any incidents of corruption, confirmed or suspected.

Conventions and Regulations

IMO Convention
MARPOL
MLC
SOLAS
STCW Convention

External Certifications

ISPS AND ISM – Certified by FLAG
Oil Spill – SMPEP approved by CLASS

Memberships

1. Singapore Business Federation (SBF)
2. Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP)
3. Singapore National Employers Federation (SNEF)

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Disclosure Number	Disclosure Title	Reference
General Disclosures		
102-1	Name of the organization	Company profile
102-2	Activities, brands, products, and services	Company profile
102-3	Location of headquarters	Company profile
102-4	Location of operations	Company profile
102-5	Ownership and legal form	Company profile
102-6	Markets served	Company profile
102-7	Scale of the organization	Our People
102-8	Information on employees and other workers	Our People
102-9	Supply chain	Company profile
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary principle or approach	Environment
102-12	External initiatives	Page 26
102-13	Membership of associations	Page 26
102-14	Statement from senior decision maker	Chairman's message
102-16	Values, principles, standards, and norms of behaviour	Company profile
102-18	Governance structure	Sustainability – the CHO way (Approach and governance)
102-40	List of stakeholder groups	Sustainability – the CHO way (Stakeholder engagement)
102-41	Collective bargaining agreements	CHO does not have collective bargaining agreements
102-42	Identifying and selecting stakeholders	Sustainability – the CHO way (Stakeholder engagement)
102-43	Approach to stakeholder engagement	Sustainability – the CHO way (Stakeholder engagement)
102-44	Key topics and concerns raised	Sustainability – the CHO way (Stakeholder engagement)
102-45	Entities included in the consolidated financial statements	Annual Report section
102-46	Defining report content and topic boundaries	Sustainability – the CHO way (Stakeholder engagement)
102-47	List of material topics	Sustainability – the CHO way (Materiality assessment)
102-48	Restatements of information	N/A
102-49	Changes in reporting	N/A
102-50	Reporting period	Financial year ended 30 June 2018
102-51	Date of most recent report	30 June 2018
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	investors@choffshore.com.sg
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in reference to the Global Reporting Initiative ("GRI") Standards.



SUSTAINABILITY REPORT

Disclosure Number	Disclosure Title	Reference
102-55	GRI content index	GRI content index
102-56	External assurance	No assurance obtained
Specific Standard Disclosures		
Material Topic: Anti-Corruption		
103-1/2/3	Management approach	Governance
205-3	Confirmed incidents of corruption and actions taken	Governance
Material Topic: Energy Consumption		
103-1/2/3	Management approach	Our Environment
302-1	Energy consumption within the organization	Our Environment
Material Topic: Emissions		
103-1/2/3	Management approach	Our Environment
305-1	Direct (Scope 1) GHG emissions	Our Environment
305-2	Energy indirect (Scope 2) GHG emissions	Our Environment
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Our Environment
Material Topic: Waste Disposal		
103-1/2/3	Management approach	Our Environment
306-1	Water discharge by quality and destination	Our Environment
306-2	Waste by type and disposal method	Our Environment
Material Topic: Environmental Compliance		
103-1/2/3	Management approach	Our Environment
307-1	Non-compliance with environmental laws and regulations	Our Environment
Material Topic: Employment		
103-1/2/3	Management approach	Our People
401-1	New employee hires and employee turnover	Our People
Material Topic: Occupational Health and Safety		
103-1/2/3	Management approach	Our People
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Our People
Material Topic: Training and Development		
103-1/2/3	Management approach	Our People
404-1	Average hours of training per year per employee	Our People
Material Topic: Diversity and Equal Opportunity		
103-1/2/3	Management approach	Our People
405-2	Ratio of the basic salary and remuneration of women to men for each employee category	Our People

OUR FLEET



PERIDOT

Dimension (L x B x D)
68 m x 16.4 m x 7.2 m

Main Propulsion
2 x Wartsila,
total 12,069 BHP

Bollard Pull
150 MT

Dynamic Positioning System
Class 2



PTSC HA LONG (EX-AQUAMARINE)

Dimension (L x B x D)
68 m x 16.4 m x 7.2 m

Main Propulsion
2 x Wartsila,
total 12,069 BHP

Bollard Pull
150 MT

Dynamic Positioning System
Class 2



CORAL*

Dimension (L x B x D)
68 m x 16.4 m x 7.2 m

Main Propulsion
2 x Wartsila,
total 12,069 BHP

Bollard Pull
150 MT

Dynamic Positioning System
Class 2



FEG MERLIN

Dimension (L x B x D)
55 m x 13.8 m x 5.5 m

Main Propulsion
2 x Nigaata,
total 3,548 HP
Utility Vessel
Offshore Supply
Vessel



LANGERY (EX-PEARL)

Dimension (L x B x D)
68 m x 16.4 m x 7.2 m

Main Propulsion
2 x Wartsila,
total 12,069 BHP

Bollard Pull
150 MT

Dynamic Positioning System
Class 2



TURQUOISE

Dimension (L x B x D)
68 m x 16.4 m x 7.2 m

Main Propulsion
2 x Wartsila,
total 12,069 BHP

Bollard Pull
150 MT

Dynamic Positioning System
Class 2



AMETHYST

Dimension (L x B x D)
68 m x 16.4 m x 7.2 m

Main Propulsion
2 x Wartsila,
total 12,069 BHP

Bollard Pull
150 MT

Dynamic Positioning System
Class 2



TOURMALINE

Dimension (L x B x D)
68 m x 16.4 m x 7.2 m

Main Propulsion
2 x Wartsila,
total 12,069 BHP

Bollard Pull
150 MT

Dynamic Positioning System
Class 2

*co-owned

Note: The above specifications are for general information only, and are not to be used for any other purpose



OUR FLEET

20
05

AMBER*

Dimension (L x B x D)
56.3 m x 13.5 m x 6.0 m

Main Propulsion
2 x Bergen,
total 4,827 BHP

Bollard Pull
60 MT

20
05

BERYL

Dimension (L x B x D)
56.3 m x 13.5 m x 6.0 m

Main Propulsion
2 x Bergen,
total 4,827 BHP

Bollard Pull
60 MT

20
05

GARNET

Dimension (L x B x D)
60 m x 16.0 m x 5.5 m

Main Propulsion
2 x Wartsila,
total 5,431 BHP

Bollard Pull
60 MT

20
05

TOPAZ

Dimension (L x B x D)
60 m x 16.0 m x 5.5 m

Main Propulsion
2 x Wartsila,
total 5,431 BHP

Bollard Pull
60 MT

20
04

JASPER

Dimension (L x B x D)
60 m x 16.0 m x 5.5 m

Main Propulsion
2 x Mak,
total 5,085 BHP

Bollard Pull
60 MT

20
04

ZIRCON

Dimension (L x B x D)
60 m x 16.0 m x 5.5 m

Main Propulsion
2 x Mak,
total 5,085 BHP

Bollard Pull
60 MT

20
02

TEMASEK ATTAKA*

Dimension (L x B x D)
58 m x 15.0 m x 5.5 m

Main Propulsion
2 x Wartsila,
total 5,431 BHP

Bollard Pull
60 MT

20
02

TEMASEK SEPINGGAN*

Dimension (L x B x D)
58 m x 15.0 m x 5.5 m

Main Propulsion
2 x Wartsila,
total 5,431 BHP

Bollard Pull
60 MT

Dynamic Positioning System
Class 1

*co-owned

Note: The above specifications are for general information only, and are not to be used for any other purpose

BOARD OF DIRECTORS



MR THIA PENG HEOK, GEORGE
*Independent,
Non-Executive Chairman*

Mr Thia Peng Heok, George is an Independent, Non-Executive Chairman of CHO. He was appointed as Non-Executive, Independent Director on 30 March 2015 and subsequently appointed as Lead Independent Director on 3 July 2015. Mr Thia was last re-elected as Director at the Company's Annual General Meeting held on 17 October 2016. He was designated to Chairman of the Board on 8 August 2018. He is also the Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee.

Mr Thia is a Chartered Accountant (Singapore) and practised as an accountant with Cooper Brothers & Co. (now known as PricewaterhouseCoopers). He has more than 20 years' experience in merchant banking and financial services including being Managing/Executive Director at Morgan Grenfell, Merrill Lynch, Sun Hung Kai Securities, Kay Hian Securities and Lum Chang Securities. He is involved as board members of non-profit organisations including the National Cancer Centre and Singapore Institute of Management.



MR JAMES WILLIAM NOE
Executive Director & CEO

Mr James William Noe is Executive Director & CEO of CHO. He was initially appointed as Non-Executive Director on 27 April 2015 and subsequently appointed as CEO and hence re-designated to Executive Director on 7 July 2015. Mr Noe was last re-elected as Director at the Company's Annual General Meeting held on 27 September 2017.

Mr. Noe was the Executive Vice President of Hercules Offshore, Inc, the largest operator of jack-up rigs in the Gulf of Mexico and one of the largest offshore drilling companies globally. He was responsible for general executive matters, business development, governmental relations, legal, risk and compliance management. He formerly served as Senior Vice President, General Counsel and Chief Compliance Officer when he joined Hercules Offshore, Inc in 2005. Mr Noe was also the President and CEO of Delta Towing LLC, a subsidiary of Hercules Offshore, Inc.

In 2011, Mr. Noe served on the board of Discovery Offshore S.A., a jackup drilling company based in Luxembourg. He also served as an Executive Director of the Shallow Water Energy Security Coalition, a leading advocacy group for independent exploration and production companies and drilling contractor.

Mr Noe holds a Bachelor of Arts with honours from the University of Alabama and a Juris Doctorate from Louisiana State University.



MR TAN PONG TYEA
Executive Director

Mr Tan Pong Tyea is an Executive Director of CH Offshore Ltd ("CHO"). He was initially appointed as Non-Executive Chairman on 1 June 2010 and subsequently re-designated to Executive Chairman on 22 October 2015. Mr Tan was last re-elected as Director at the Company's Annual General Meeting held on 17 October 2016. He relinquished his position as Executive Chairman on 8 August 2018 and remains as an Executive Director. He is currently a member of the Nominating Committee.

Mr Tan is also the Executive Chairman and Chief Executive Officer of Falcon Energy Group Limited ("FEG"), one of the controlling shareholder of CHO. FEG ceased to be the holding company of CHO on 26 July 2018. FEG is a SGX Mainboard-listed leading player in the regional Offshore Marine and Oil and Gas sectors. It provides a full spectrum of support services for the Offshore Marine and Oil and Gas cycle, from initial exploration and drilling to production and post-production stage, with a specialist focus on the production phase of oilfield activities.

He has more than 27 years of experience servicing the oil companies and major contractors throughout the region.

Mr Tan obtained his Masters in Management Studies from Durham University, United Kingdom.

BOARD OF DIRECTORS



DR BENETY CHANG
Non-Executive Director

Dr Benety Chang is a Non-Executive Director of CHO. He was appointed to this position on 27 August 2018.

Dr Chang is the CEO and Executive Director of Baker Technology Limited ("Baker"), which is the indirect controlling shareholder of CHO through its wholly owned subsidiary, BT Investment Pte. Ltd..

Baker is a SGX Mainboard-Listed Company and provides specialised marine offshore equipment and services, focusing mainly on the offshore oil and gas industry.

Dr Chang has extensive experience in the offshore oil and gas industry and was the major founding shareholder and CEO of PPL Shipyard Pte Ltd until his resignation in July 2012.

Dr Chang holds a MBBS degree from the University of Singapore.



MS JEANETTE CHANG
Non-Executive Director

Ms Jeanette Chang is a Non-Executive Director of CHO. She was appointed to this position on 27 August 2018.

Ms Chang is an Executive Director of Baker, which is the indirect controlling shareholder of CHO through its wholly owned subsidiary, BT Investment Pte. Ltd.. Ms Chang has an engineering and finance background having previously worked with Mott MacDonald Group in London on UK and Singapore engineering projects. Ms Chang was a Director in the Equity Capital Markets team at Barclays Bank PLC where she worked for nine years. She has significant experience in corporate finance especially in relation to fund raising in the capital markets.

Ms Chang holds a Master in Engineering First Class (Civil Engineering) degree from Imperial College London and a Master of Business Administration with Distinction from London Business School.



MR HEATH MCINTYRE
Non-Executive Director

Mr Heath McIntyre is a Non-Executive Director of CHO. He was appointed to this position on 27 August 2018.

Mr McIntyre is the Managing Director of BT Investment Pte. Ltd ("BT Investment") and is responsible for overall management and operations of BT Investment. BT Investment is a wholly owned subsidiary of Baker and is also the controlling shareholder of CHO.

Mr McIntyre was Executive Director at Southern Capital Group, an independent private equity firm focused on middle-market buyout investments in South East Asia. Prior to Southern Capital, he was at Affinity Equity Partners (formerly UBS Capital Asia Private Equity) then a large-cap private equity firm principally involved in buyout investments in the broader Asia Pacific region.

Mr McIntyre holds a Bachelor of Commerce degree from University of Toronto and a MBA from University of Chicago, Graduate School of Business.

BOARD OF DIRECTORS



MR TAN KIANG KHERNG
Non-Executive Director

Mr Tan Kiang Kherng is a Non-Executive Director of CHO. He was appointed to this position on 27 August 2018.

Mr Tan is the CFO of Baker, which is the indirect controlling shareholder of CHO through its wholly owned subsidiary, BT Investment Pte. Ltd.. Mr Tan was a senior audit manager with Ernst and Young, Singapore.

Mr Tan holds a Bachelor of Accountancy (Honours) degree from Nanyang Technological University, Singapore and is a member of the Institute of Singapore Chartered Accountants.



MS TAN SOOH WHYE
Non-Executive Director

Ms Tan Sooh Whye is a Non-Executive Director of CHO. She was appointed to this position on 3 July 2015. Ms Tan was last re-elected as Director at the Company's Annual General Meeting held on 23 September 2015. She is a member of the Audit Committee and Remuneration Committee.

Ms Tan acts as Alternate Director to Mr Tan Pong Tyea, the Chairman & CEO of FEG, one of the controlling shareholder of CHO. She is also a Director of Asetanian Marine Pte Ltd and Ruben Capital Venture Ltd. She is responsible for the treasury, administrative and human resource functions of FEG and has been with FEG Group for over 20 years.

Ms Tan graduated with a Bachelor of Arts in Economics and also holds a Diploma in Business Administration from Wilfrid Laurier University in Waterloo, Canada.



MR TAN KIAN HUAY
*Independent,
Non-Executive Director*

Mr Tan Kian Huay is a Non-Executive, Independent Director of CHO. He was appointed to this position on 30 March 2015. Mr Tan was last re-elected as Director of the Company's Annual General Meeting held on 27 September 2017. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

He has extensive experience in project management and business development, particularly in the construction industry. With over 40 years of experience in the building and construction industry, including serving as the Managing Director of Obayashi Singapore Pte Ltd from 1989 to 2004. He was also a Director of NTUC Fairprice Foundation Ltd, NTUC Fairprice Co-operative Ltd, Choice Homes Investments Pte Ltd and Jurong Health Services Pte Ltd.

Mr Tan now serves on the boards of Mercatus Cooperative, a social enterprise under the NTUC Enterprise.

Mr Tan holds a Professional Diploma in Building and a Bachelor of Arts from Beijing Normal University. He is currently a fellow and was a former 2nd Vice President of the Society of Project Managers and also a former President of the Singapore Institute of Building.

KEY MANAGEMENT



MR TAN JIT SIN DEREK
Chief Operating Officer



MS WONG SOO PIN EVELYN
Chief Financial Officer



MR LOH MENG SUM SAM
Director – Business Development



MR LIM TZE KERN KENNY
Director – Business Development



OUR EMPLOYEES



FINANCIAL CALENDAR



30 June 2018	Financial Year End
3 November 2017	Announcement of First Quarter Financial Results
2 February 2018	Announcement of Half-Year Financial Results
4 May 2018	Announcement of Third Quarter Financial Results
17 August 2018	Announcement of Full-Year Financial Results
5 September 2018	Dispatch of Annual Report to Shareholders
21 September 2018	Annual General Meeting

REPORT ON CORPORATE GOVERNANCE

CH Offshore Ltd (“**CHO**” or “**the Company**”) and its subsidiaries (collectively, the “**Group**”) recognise the importance of, and is committed to, maintaining high standards of corporate governance to ensure greater transparency and maximize long-term shareholder value.

As the Company’s shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company seeks to comply with the listing rules of the SGX-ST as prescribed in the Listing Manual of the SGX-ST (“**Listing Rules**”) and is guided in its corporate governance practices by the revised Code of Corporate Governance issued in 2012 (“**Code**”).

The Board of Directors (“**Board**”) is pleased to outline the main corporate governance framework and practices of the Company in this report, with specific reference made to each of the principles set out in the Code. This report describes the Company’s corporate governance practices that were in place throughout the financial year ended 30 June 2018. Other than deviations which are explained in this report, the Company has generally adhered to the principles and guidelines set out in the Code.

(A) BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1:

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

The Board oversees the business affairs of the Group. It provides leadership and guidance to Management, sets strategic objectives, ensures that the necessary financial and human resources are in place, and reviews Management performance. The Board also ensures the adequacy of the Group’s control and risk framework and standards and ensures that obligations to its shareholders and other key stakeholders are understood and met.

The Board primary role is to protect and enhance long-term shareholders’ value. It is responsible for the Group’s overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestments and funding proposals, quarterly and full year financial performance reviews, risk management and corporate governance practices. Each Director exercises his independent judgement to act in good faith and the best interest of the Company to enhance the long-term value of the Group to its shareholders. The Board also considers sustainability issues, e.g. environmental, governance and social factors in the formulation of Group’s strategies.

The Company has established financial authorisation and approval limits for borrowings, investments, acquisitions, disposals, capital and operating expenditures. Apart from its fiduciary duties and statutory responsibilities, the Board evaluates and approves important matters such as material acquisitions and disposal of assets, financial plans, capital expenditures, and major funding and investments proposals. It also reviews and approves the financial statements and Annual Reports and authorises announcements of financial results to be issued.

The Board is supported by the Board Committees established to assist the Board in discharging its responsibilities of overseeing the Group’s affairs and enhancing corporate governance. These Committees are the Audit Committee (“**AC**”), the Remuneration Committee (“**RC**”) and the Nominating Committee (“**NC**”). The Board delegates specific responsibilities to these Committees which operate within specified terms of reference setting out the scope of its duties and responsibilities and procedures governing the manner in which it is to operate and how decisions are to be taken. The Board accepts that while these Board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

REPORT ON CORPORATE GOVERNANCE

The Board meets at least four times in a year and holds special meetings at such other times as may be necessary to address any ad hoc significant matters. Matters before the Board are diligently deliberated by the Board to ensure that the interests of the Company are protected. Meetings via telephone or videoconference are permitted under the Company's Constitution. In between Board meetings, important matters are discussed in person or via telephone and are tabled for Board decision via circulating resolutions in writing. Supporting memorandum or papers are circulated to the Directors where relevant.

The number of Board and Board Committee meetings held during the financial year ended 30 June 2018 and the attendance of each Director where relevant are as follows:

Attendance at Board Meetings during the financial year ended 30 June 2018⁽¹⁾

Directors	No. of Meetings Held	No. of Meetings Attended
Mr Tan Pong Tyea	4	3
Mr James William Noe	4	3
Mr Zhang Haibo ⁽²⁾	4	0
Ms Tan Sooh Whye	4	4
Mr Thia Peng Heok, George	4	4
Mr Tan Kian Huay	4	4
Dr Benety Chang ⁽³⁾	—	—
Ms Jeanette Chang ⁽³⁾	—	—
Mr Heath McIntyre ⁽³⁾	—	—
Mr Tan Kiang Kherng ⁽³⁾	—	—

Attendance at Board Committee Meetings during the financial year ended 30 June 2018⁽¹⁾

Directors	AC Meetings		RC Meetings		NC Meetings	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr Tan Pong Tyea	—	—	—	—	1	1
Ms Tan Sooh Whye	4	4	1	1	—	—
Mr Thia Peng Heok, George	4	4	1	1	1	1
Mr Tan Kian Huay	4	4	1	1	1	1

Notes:

(1) Refers to meetings held/attended while each Director was in office.

(2) All the board meetings were attended by SZ Offshore Investment Pte. Ltd's representative(s) as a result of Mr Zhang Haibo's conflicting schedule. Mr Zhang Haibo is a nominee director appointed by SZ Offshore Investment Pte. Ltd.. Mr Zhang Haibo resigned as director on 24 August 2018.

(3) Dr Benety Chang, Ms Jeanette Chang, Mr Heath McIntyre & Mr Tan Kiang Kherng were appointed on 27 August 2018.

REPORT ON CORPORATE GOVERNANCE

The Company recognises the importance of appropriate training for its Directors. Newly-appointed Directors will be given briefings and orientation on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. In this regard, the Company does not provide a formal letter to Directors outlining their duties and obligations. As part of training for the Board, Directors are briefed either during Board and Board Committee meetings or at specially convened sessions on changes to regulations and accounting standards, as well as industry related matters. Where appropriate, Directors are sent for conferences and seminars in relevant fields. Articles and reports relevant to the Group's business are also circulated to the Directors for information.

Board Composition and Guidance

Principle 2:

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises 9 Directors, 5 of whom are Non-Executive Directors and 2 of whom are Independent Directors. The Directors of the Company as at the date of this report are as follows:

Mr Thia Peng Heok, George	Independent, Non-Executive Chairman
Mr James William Noe	Executive Director & CEO
Mr Tan Pong Tyea	Executive Director
Dr Benety Chang*	Non-Executive Director
Ms Jeanette Chang*	Non-Executive Director
Mr Heath McIntyre*	Non-Executive Director
Mr Tan Kiang Kherng*	Non-Executive Director
Ms Tan Sooh Whye	Non-Executive Director
Mr Tan Kian Huay	Independent, Non-Executive Director

* Appointed on 27 August 2018

Prior to 27 August 2018, the Board composition consist of two Independent Directors, which is in compliance with the Guideline 2.1 of the Code where at least one-third of the Board has to be independent. With the additional Non-Executive Directors whom were appointed on 27 August 2018, the Board is aware that further restructuring to the composition of the board will be required in order to meet the requirement of Guideline 2.1 of the Code.

A Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interests of the Company, is considered to be independent.

The NC reviews the independence of each Director on an annual basis, and as and when circumstances require, based on the Code's definition of what constitutes an Independent Director. The NC has determined that all the 2 Independent Directors are independent, including independent from the 10% shareholders of the Company.

The independence element on the Board is strengthened by the appointment of Mr Thia Peng Heok, George as the Non-Executive & Independent Chairman of the Company.

None of the Independent Directors have served on the Board beyond 9 years from the date of first appointment.

REPORT ON CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

Principle 3:

There should be a clear division of responsibilities between the leadership of the Board and the Executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

Different individuals assume the Non-Executive & Independent Chairman and the Chief Executive Officer ("CEO") functions in CHO. There is a clear separation of the roles and responsibilities between the Chairman and the CEO. The Non-Executive & Independent Chairman's responsibilities include chairing the Board meetings and guiding the Board on its discussion on significant issues. The CEO is responsible for the day-to-day management of the business and the overall performance of the Group. The Non-Executive & Independent Chairman and the CEO are not related.

Board Membership

Principle 4:

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC is chaired by Mr Thia Peng Heok, George with Mr Tan Kian Huay and Mr Tan Pong Tyea as members. The majority of the NC members, including the Chairman are Independent Directors.

The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties.

The NC's primary functions are to evaluate and to review nominations for appointment and re-appointment to the Board and the various committees, to assess the effectiveness of the Board, to nominate any Directors for re-election at the AGM, having regards to the Director's contribution and performance (such as attendance, preparedness, participation and candor), to determine whether or not the Director is independent, to review Board succession plan for Directors and to review the training and professional development programs for the Board.

The NC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision making. Thereafter, in consultation with the Board, the NC assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.

In the event that the appointment of a new Director is required, the NC will seek to identify the competence required for the Board to fulfil its responsibilities and may engage recruitment consultants or other independent experts to undertake research on, or assess potential candidates for new positions on the Board. The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as Director.

The NC is satisfied that the Board and the Board committees comprised Directors who as a group provide an appropriate balance and diversity of skills, experience, gender, knowledge of the Group, core competencies such as accounting or finance, business or management experience, human resource, risk management, mergers and acquisitions, legal, industry knowledge and strategic planning experience, required for the Board and the Board Committees to be effective. The NC and the Board are of the opinion that given the scope and nature of the Group's operations, the current size of the Board is appropriate in facilitating effective decision making.

The NC also determines annually whether a Director with multiple Board representations and other principle commitments is able to and has adequately discharge his duties as a Director of the Company.

REPORT ON CORPORATE GOVERNANCE

The NC is of the view that, setting a maximum number of listed company Board representations a Director should have is not meaningful, as the contribution of each Director would depend on their individual circumstances, including whether they have a full time vocation or other responsibilities. The Board shares this view.

Notwithstanding the number of listed company Board representations and other principal commitments which the Directors held, the NC was of the view that they have been able to devote sufficient time and attention to the affairs of the Company and they are able to fulfill their duties as Directors of the Company. There is no alternate Director on the Board.

The NC has reviewed the independence of the Directors as mentioned under Guideline 2.3 of the Code. The NC has affirmed that Mr Thia Peng Heok, George and Mr Tan Kian Huay are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

At each AGM of the Company, not less than one third of the Directors for the time being (being those who have been longest in office since their last re-election) are required to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM. Also, all newly appointed Directors during the year will hold office only until the next AGM and will be eligible for re-election.

The NC has recommended to the Board the nomination of Dr Benety Chang, Ms Jeanette Chang, Mr Heath McIntyre, Mr Tan Kiang Kherng, Ms Tan Sooh Whye and Mr Thia Peng Heok, George for re-election at the forthcoming AGM of the Company.

Ms Tan Sooh Whye has expressed to the Board that she will not be seeking re-election as a Director at the forthcoming AGM. Upon Ms Tan Sooh Whye relinquishing her directorship in the Company, she will also cease to be a member of the AC and RC. The Board noted Ms Tan Sooh Whye's desire and accepted the NC's recommendation on the re-election of Dr Benety Chang, Ms Jeanette Chang, Mr Heath McIntyre, Mr Tan Kiang Kherng and Mr Thia Peng Heok, George.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

Board Performance

Principle 5:

There should be a formal assessment of the effectiveness of the Board as a whole and its Board committees and the contribution of each Director to the effectiveness of the Board.

The Board believes that Board performance is ultimately reflected in the long-term performance of the Group. The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole, effectiveness of its Board Committees and the contribution by each individual Director to the effectiveness of the Board on an annual basis. The performance evaluation process covers a range of issues including size and composition of the Board and Board Committees, information management, decision-making, processes, risk and crisis management, communication with Senior Management and Stakeholder Management. The evaluation and feedback are then consolidated and presented to the Board for discussion on strengths and weaknesses to improve the effectiveness of the Board and its Committees.

For the year under review, a formal assessment of the effectiveness of the Board as a whole was undertaken by the NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

REPORT ON CORPORATE GOVERNANCE

Access to Information

Principle 6:

Board members should be provided with complete, adequate and timely information.

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's Executive Management. All Directors have unrestricted access to the Company's records and information to enable them to constantly keep track of the Group's financial position. Detailed Board papers are prepared for each meeting of the Board and are normally circulated before each meeting. The Board papers include sufficient information from the management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings.

If a Director were unable to attend a Board or Board Committee meeting, he would still receive all the papers and materials for discussion at that meeting. He would review them and advise the Chairman or Board Committee Chairman of his views and comments (if any) on the matters to be discussed so that they may be conveyed to other members at the meeting.

All Directors have separate and independent access to all levels of Senior Executives in the Group and the Company Secretary, and are encouraged to speak to other employees to seek additional information if they so require.

Company Secretary attends all Board meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The appointment and the removal of the Company Secretary rest with the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7:

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC is chaired by Mr Tan Kian Huay with Mr Thia Peng Heok, George and Ms Tan Sooh Whye as members, all of whom are Non-Executive Directors and the majority of whom, including the Chairman, are Independent Directors.

The RC has adopted written terms of reference defining its membership, administration and duties.

The primary functions of the RC are to review and recommend to the Board a framework of remuneration for the Directors, CEO and Key Management Personnel, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind, to perform annual review of the remuneration of employees related to the Directors and Substantial Shareholders (if any) and to implement and administer the CH Offshore Employee Option Scheme.

In discharging its functions, the RC may, at the Company's expense, obtain such independent legal and other professional advice as it deems necessary.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him/her.

The recommendations of the RC have been submitted for endorsement by the entire Board of Directors.

REPORT ON CORPORATE GOVERNANCE

Level and Mix of Remuneration

Principle 8:

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) Key Management Personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The RC adopted a Director's fee framework in which the Non-Executive and Independent Directors will receive Directors' fees in accordance with their contributions, taking into account factor such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. Directors' fee are recommended by the Board for the approval of the shareholders at the Company's AGM.

The Executive Directors do not receive Directors' fees. The remuneration for the Executive Directors and Key Management Personnel comprises a basic salary, a benefit component and a variable performance related bonus, which is designed to align the interests of the Executive Directors and Key Management Personnel with those of shareholders and promote the long-term success of the Group.

The RC reviews the remuneration of Directors and Key Management Personnel on an annual basis to ensure that it commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Company. Their performance is reviewed periodically by the RC and the Board.

The Company has noted that the Code has recommended the incorporation of appropriate "claw-back mechanisms" to allow the Company to reclaim the variable incentive-based component of remuneration from Directors and Key Management Personnel. There are, at present, no provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

CHO Employee Share Option Scheme

The scheme was implemented on 27 May 2016 as an incentive plan for employees of the Group based on individual performance. Details of the Scheme are disclosed under the Directors' Statement set out in page 58 of this Annual Report.

Disclosure on Remuneration

Principle 9:

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and Key Management Personnel, and performance.

The Directors' remuneration disclosed below is shown in bands of S\$250,000.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION PAID OR ACCRUED TO DIRECTORS FOR FINANCIAL YEAR ENDED 30 JUNE 2018

Directors of Company	Fixed Component (%) ⁽¹⁾	Variable Component (%) ⁽²⁾	Benefits (%) ⁽³⁾	Directors' Fees (%)	Total Compensation (%)
<u>\$S\$750,000 – \$S\$1,000,000</u>					
Mr James William Noe	80%	—	20%	—	100%
<u>Below \$S\$250,000</u>					
Mr Tan Pong Tyea	100%	—	—	—	100%
Mr Zhang Haibo ⁽⁴⁾	—	—	—	100%	100%
Mr Thia Peng Heok, George	—	—	—	100%	100%
Mr Tan Kian Huay	—	—	—	100%	100%
Ms Tan Sooh Whye	—	—	—	100%	100%
Dr Benety Chang ⁽⁵⁾	—	—	—	—	—
Ms Jeanette Chang ⁽⁵⁾	—	—	—	—	—
Mr Heath McIntyre ⁽⁵⁾	—	—	—	—	—
Mr Tan Kiang Kherng ⁽⁵⁾	—	—	—	—	—

Notes:

(1) Fixed component refers to base salary earned, including AWS and employer CPF.

(2) Variable component refers to variable bonus.

(3) Benefits refer to car expense reimbursements and Expatriate benefits

(4) Resigned on 24 August 2018.

(5) Appointed on 27 August 2018.

The remuneration of each individual Director and Key Management Personnel (who are not also Directors of the Company) is not disclosed in dollar terms as remuneration is a commercially sensitive matter, given that the Company operates in a highly competitive environment where potential poaching of employees by competitors is fairly common.

REMUNERATION PAID OR ACCRUED TO THE TOP FOUR KEY MANAGEMENT PERSONNEL FOR FINANCIAL YEAR ENDED 30 JUNE 2018

Key Management Personnel of Company	Fixed Component (%) ⁽¹⁾	Variable Component (%) ⁽²⁾	Benefits (%) ⁽³⁾	Total Compensation (%)
<u>\$S\$250,000 to \$S\$499,999</u>				
Ms Wong Soo Pin, Evelyn	100%	—	—	100%
Mr Tan Jit Sin, Derek	100%	—	—	100%
<u>Below \$S\$250,000</u>				
Mr Lim Tze Kern, Kenny	100%	—	—	100%
Mr Loh Meng Sum, Sam	100%	—	—	100%

Notes:

(1) Fixed component refers to base salary earned, including AWS, allowance and employer CPF.

(2) Variable component refers to variable bonus.

(3) Benefits refer to paid annual leave.

REPORT ON CORPORATE GOVERNANCE

As at the date of this Corporate Governance Report, there were 4 Key Management Personnel in the Company.

There were no termination, retirement and post-employment benefits granted to any Director, the CEO and Key Management Personnel for the financial year ended 30 June 2018.

The Group does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S\$50,000 for the year ended 30 June 2018.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10:

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

As stated above, the Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and quarterly results announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

In preparing the financial statements, the Directors have:

- (i) Selected suitable accounting policies and applied them consistently;
- (ii) Made judgments and estimates that are reasonable and prudent;
- (iii) Ensured that all applicable accounting standards have been followed; and
- (iv) Prepared financial statements on the basis that the Directors have reasonable expectations, having made enquires, that the Group and Company have adequate resources to continue operations for the foreseeable future.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Risk Management and Internal Controls

Principle 11:

The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the group's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board has overall responsibility for the governance of the Group's risk management and internal controls. The Board and Management of the Company are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board has set up a Risk Management Committee to assist the Board in overseeing risk management for the Group.

REPORT ON CORPORATE GOVERNANCE

The Board has implemented an Enterprise Risk Management Framework for the identification, assessment, monitoring and reporting of significant risks. The Company maintains a risk register which identifies the material risks facing the Group and the internal controls in place to manage or mitigate those risks. The Risk Management Committee reviews and updates the risk register regularly and updates the Board.

The work of the internal auditors and the report of the external auditors, have enabled the identification of key risks which are reported to the AC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by management to address the underlying risks. The internal audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. Management follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC.

The Board has received written assurance from the CEO and the CFO that:

- (a) The financial records of the Group have been properly maintained and the financial statements for the year ended 30 June 2018 give a true and fair view of the Group's operations and finances; and
- (b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the risk management and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and the Board Committees as well as the written assurance received from the CEO and the CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate and effective as at 30 June 2018 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

The Board notes that the system of risk management and internal controls established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of risk management and internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee

Principle 12:

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC is chaired by Mr Thia Peng Heok, George with Mr Tan Kian Huay and Ms Tan Sooh Whye as members, all of whom are Non-Executive Directors and the majority of whom, including the Chairman, are Independent Directors.

Mr Thia Peng Heok, George is a Certified Public Accountant and practised as an accountant with more than 20 years' experience in merchant banking and financial services. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

REPORT ON CORPORATE GOVERNANCE

The primary functions of the AC are:

- (a) Review with the external auditors the audit plan including the nature and scope of the audit before its commencement, their Annual Reports and their Management letters and Management's response;
- (b) Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. This includes review of quarterly, half-year and annual financial statements before submission to the Board for its approval;
- (c) Review the assistance given by Management to the external auditors;
- (d) Review the independence and objectivity of the external auditors;
- (e) Review the nature and extent of non-audit services performed by the external auditors;
- (f) Examine the scope of internal audit procedures and the results of the internal audit;
- (g) Review the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls, and reporting on any pertinent aspects of risks thereto, and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal and/or external auditors;
- (h) Meet with the external and internal auditors without the presence of Management at least annually;
- (i) Review the effectiveness of the Company's internal audit function and ensure that it is adequately resourced and has appropriate standing within the Company;
- (j) Investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by Management and the full discretion to invite any Director or Executive Officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- (k) Review interested persons' transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- (l) Make recommendations to the Board on the appointment/re-appointment/removal of the external auditor, and approve the audit fees and terms of engagement of the external auditors; and
- (m) Review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

Apart from the duties listed above the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation, which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC has been given full access to and has obtained the co-operation of the Management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC met four times during the year under review. The AC meets annually with the external and internal auditors separately, without the presence of the Management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors. During the year under review, the aggregate amount of fees paid to the external auditors, Deloitte & Touche LLP ("DT"), amounted to S\$68,600, with the fees paid for its provision of audit and non-audit services amounting to S\$61,000 and S\$7,600 respectively.

REPORT ON CORPORATE GOVERNANCE

The AC has evaluated a nomination from its Controlling Shareholder, BT Investment Pte. Ltd. for the appointment of Ernst & Young LLP ("EY") as the Company's new auditors in order to streamline the Group's audit efficiencies and financial management process. EY has expressed its willingness to accept the appointment.

The AC had met with EY to review and consider various factors, including the adequacy of the resources of EY, their experience and audit engagements, the number and experience of the supervisory and professional staff who will be assigned to the audit of the Group's consolidated financial statements and EY's proposed audit arrangements for the Company. The AC is of the opinion that EY would be able to meet the audit requirements of the Company and the Group. The Board had accepted the AC's recommendation and would table the appointment of EY as the Company's external auditors in place of the retiring auditors, DT, for shareholders' approval at the forthcoming AGM. In appointing EY as the Company's external auditor, the Company has complied with Rule 712 of the SGX-ST's Listing Manual.

EY is an audit firm registered with the Singapore Accounting and Corporate Regulatory Authority. Both the AC and Board have reviewed the appointment of different auditors for its subsidiaries and significant associated companies and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company has complied with Listing Rule 716.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their meetings with the AC.

None of the members nor the Chairman of the AC are former partners or Directors of the Group's auditing firm.

Each member of the AC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he/she is interested.

Whistleblowing Policy

The Company has implemented a whistleblowing policy, which serves to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible wrongdoing or breach of applicable laws, regulations, policies or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Internal Audit

Principle 13:

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits

The internal audit function is outsourced to MS Risk Management Pte Ltd, an associate of international public accounting firm, Messrs Moore Stephens LLP. The internal auditors will report to the Chairman of the AC on any material weaknesses and risks identified in the course of the internal audit, which will also be communicated to Management. Management will accordingly update the AC on the status of the remedial action plans.

The internal auditors meet the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC has reviewed the adequacy of the internal audit function and is satisfied that the Company's internal audit function is staffed by qualified and experienced personnel.

The AC ensures that the Management provides good support to the internal auditors and provides adequate access to documents, records, properties and personnel when requested in order for the internal auditors to carry out its function accordingly. The internal auditors also has unrestricted access to the AC on internal audit matters.

REPORT ON CORPORATE GOVERNANCE

(D) SHAREHOLDERS RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Principle 14:

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company is committed to treat all shareholders fairly and equitably to facilitate the exercise of their ownership rights by providing them with adequate, timely and sufficient information pertaining to the changes of Group's business which could have a material impact on the Company's share price.

Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Principle 15:

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company communicates information to shareholders and the investing community through announcements that are released to the SGX-ST via SGXNET. Such announcements include the quarterly and full-year results, material transactions, and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST.

All shareholders of the Company are sent a copy of the Annual Report and notice of the AGM. The notice of AGM, which sets out all items of business to be transacted at the AGM, is also advertised in the newspapers.

In addition to the above, the shareholders can access the Company's corporate website (<http://www.choffshore.com.sg/>) at their convenience to receive updates. The Company's corporate website also provides information about the Company, its services and its Directors. In the investor relation section of the corporate website, the Company maintains announcements and financial results released on SGXNet as well as Annual Reports of the Company.

The Company does not practice selective disclosure. In line with continuing disclosure obligations of the Company pursuant to the Listing Rules and the Companies Act (Chapter 50) of Singapore ("Act"), the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group through SGXNet. Shareholders can submit their feedback and raise any question to the Company's investor relations, contact as provided in the Company's corporate website.

The Group believes in encouraging shareholders' participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select). The Company's Constitution allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. To facilitate participation by the shareholders, the Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote at general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporation holdings licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of CPF investors. Allowing multiple proxies for such members will facilitate indirect investors attending and voting at shareholder meetings and encourages more active shareholder participation. Voting in absentia by mail, facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent.

The Board ensures that there are separate resolutions at general meetings of the Company. The external auditors are also present to address shareholders' queries on the conduct of audit and the preparation and content of the auditors' report.

REPORT ON CORPORATE GOVERNANCE

The Chairman of each of the AC, RC and NC, or members of the respective Committees standing in for them, are present at each AGM, and other general meetings held by the Company, if any, to address shareholders' queries. Senior Management is also present at general meetings to respond, if necessary, to operational questions from shareholders that may be raised.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16:

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company's main forum for dialogue and interaction with shareholders takes place at its AGM, where the members of the Board, Senior Management and the external auditors are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company.

To have greater transparency in the voting process, the Company has adopted the voting of all its resolutions by poll at its general meetings. The detailed voting results of each of the resolutions tabled will be announced immediately at the meeting. The total numbers of votes cast for or against the resolutions will be also announced after the meeting via SGXNet.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to shareholders upon their request.

(E) DEALING IN SECURITIES

The Company has clear guidelines for dealings in securities by Directors and employees. CHO's Directors and employees are prohibited from dealing in CHO's shares for the period of two weeks prior to the announcement of quarterly results and a period of one month prior to the announcement of year-end results. In addition, Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. Employees who attend management committee meetings have to observe the "closed window" periods.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of the CEO, Directors or Controlling Shareholders during the financial year ended 30 June 2018.

(G) INTERESTED PERSON TRANSACTIONS

The Company has put in place an internal procedure to track interested person transactions ("IPTs") of the Company. The Finance Department is in charge of maintaining a register of the Company's IPTs in accordance with the reporting requirements stipulated in Chapter 9 of the SGX-ST Listing Manual. All IPTs are disclosed in the Company's Annual Report.

The aggregate value of interested person transactions entered into under review is as follows:

Interested Person Transactions	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S\$100,000)
	US\$'000
Falcon Energy Group of Companies ⁽¹⁾	682

Note:

(1) Mr Tan Pong Tyea is the Executive Director and controlling shareholder of the Company. He has a direct interest of 47.68% and deemed interest of 10.08% in the issued shares in Falcon Energy Group Limited.

REPORT ON CORPORATE GOVERNANCE

CONCLUSION

The Company recognises the importance of good corporate governance practices for maintaining and promoting investor confidence. The Company will continue to review and improve its corporate governance practices on an ongoing basis.

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) The Company has complied with all the principles and guidelines of the Code, save for the following: (i) <u>Number of Board Representation</u> The NC and the Board have not made a determination of the maximum number of Board representation a Director may hold. (ii) <u>Disclosure of the remuneration of Directors and Key Management Personnel</u> The remuneration of the top 4 key executives in the Group who are not Directors of the Company is shown in bands of S\$250,000. Due to the sensitivity and confidentiality of remuneration matters, the Board is of the view that it is in the best interests of the Company not to disclose the remuneration of each individual Director and Key Management Personnel in dollar terms. (b) The alternative practices adopted by the Company are as follows: (i) <u>Number of Board Representation</u> The NC and the Board are of the view that setting a maximum number of listed company Board representations a Director should have is not meaningful, as the contribution of each Director would depend on their individual circumstances, including whether they have a full time vocation or other responsibilities. Notwithstanding the number of listed company Board representations and other principal commitments which the Directors held, the NC was of the view that they were able to devote sufficient time and attention to the affairs of the Company. (ii) <u>Disclosure of the remuneration of Directors and Key Management Personnel</u> The RC reviews and recommends the remuneration packages for the Directors and Key Management Personnel. It is to ensure that the remuneration structure is competitive and sufficient to attract, retain and motivate Directors and Key Management Personnel to run the Company successfully in order to maximize shareholders' value. The members of the RC do not participate in any decisions concerning their own remuneration.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Board Responsibility		
GUIDELINE 1.5	What are the types of material transactions which require approval from the Board?	Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
GUIDELINE 2.6	(a) What is the Board's policy with regard to diversity in identifying Director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge. (b) The Board consists of 9 members (7 male and 2 female), two of whom are Independent Directors. Members of the Board are professionals from diverse backgrounds with varied experience from accounting or finance, business or management experience, human resource, risk management, mergers and acquisitions, legal, industry knowledge and strategic planning experience. (c) The NC examines the Board size with a view towards determining the impact of its effectiveness. The composition of the Board is also reviewed on an annual basis to ensure the Board has appropriate mix of expertise and experience.
GUIDELINE 4.6	Please describe the Board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.	Please refer to the Principle 4 of the Corporate Governance Report for details on the nomination process.
GUIDELINE 1.6	(a) Are new Directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	(a) Appropriate external training in areas such as financial, legal and industry-specific knowledge is arranged for new Directors, where necessary. (b) The Directors have been made aware of and are familiar with their duties and obligations. They will also be briefed from time to time on regulatory changes.
GUIDELINE 4.4	(a) What is the maximum number of listed company Board representations that the Company has prescribed for its Directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons?	(a) The NC and the Board share the view that it would not be appropriate to set a maximum number of Directorships that a Director may hold. (b) The reason that a maximum number has not been determined is because the contribution of each Director would depend on his/her individual circumstances, including whether he/she has other principal commitments, full time positions and other additional responsibilities.



REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
	(c) What are the specific considerations in deciding on the capacity of Directors?	(c) The factors taken into consideration in deciding on the capacity of Directors include Directors' attendance, participation, contribution at meetings, preparedness for meeting, etc.
Board Evaluation		
GUIDELINE 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.
Independence of Directors		
GUIDELINE 2.1	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Prior to 27 August 2018, the Company maintains a satisfactory independent element on the Board by having 2 Independent Directors out of a total of 6 Board members. The Board is aware of the requirement and is in the process of restructuring the Board in order to meet the requirement stipulated under the Code.
GUIDELINE 2.3	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
GUIDELINE 2.4	Has any Independent Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
GUIDELINE 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has disclosed a breakdown of each Director's and the CEO's remuneration (in percentage terms) into Directors' fee, fixed and variable components as well as benefits, but did not disclose the exact dollar terms of their remuneration as such details are sensitive in nature.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
GUIDELINE 9.3	(a) Has the Company disclosed each Key Management Personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five Key Management Personnel (who are not Directors or the CEO).	(a) The Company has disclosed a breakdown Key Management Personnel's remuneration (in percentage terms) into fixed and variable components as well as other benefits, but did not disclose in dollar terms as the remuneration of the Key Management Personnel is a commercially sensitive matter, given that the Company operates in a highly competitive environment where potential poaching of employees by competitors is fairly common. (b) The Company is not in favor of disclosing the aggregate remuneration paid to the top 4 Key Management Personnel (who are not Directors or the CEO) due to the sensitive nature of such information. It is not in the best interest of the Company as the industry which the Company operates in is highly competitive environment in respect of the recruitment of experienced executives.
GUIDELINE 9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	The Company does not have any employee who is an immediate family member of a Director.
GUIDELINE 9.6	(a) Please describe how the remuneration received by Executive Directors and Key Management Personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.



REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
GUIDELINE 6.1	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.
GUIDELINE 13.1	Does the Company have an internal audit function? If not, please explain why.	Please refer to Principle 13 of the Corporate Governance Report.
GUIDELINE 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) Please refer to Principle 11 of the Corporate Governance Report. (b) Please refer to Principle 11 of the Corporate Governance Report.
GUIDELINE 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) During the year under review, the aggregate of fees paid to the external auditors was S\$68,600, comprising S\$61,000 for audit services and S\$7,600 for non-audit services. (b) The AC has undertaken a review of all the non-audit services provided by external auditors during the year is satisfied that such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Communication with Shareholders		
GUIDELINE 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the Annual Report?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report. (b) The Group has specifically entrusted an investor relations team comprising the Executive Directors, CEO and the CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. (c) Please refer to Principles 15 and 16 of the Corporate Governance Report.
GUIDELINE 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Neither interim tax exempt one-tier dividend nor final tax exempt one-tier dividend were declared for the financial year ended 30 June 2018. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the group and the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity of the company for the financial year ended June 30, 2018.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity of the company as set out on pages 65 to 109 are drawn up so as to give a true and fair view of the financial position of the group and of the company as at June 30, 2018, and the financial performance, changes in equity and cash flows of the group and the financial performance and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the company in office at the date of this statement are:

Mr Thia Peng Heok George	
Mr James William Noe	
Mr Tan Pong Tyea	
Mr Tan Kian Huay	
Ms Tan Sooh Whye	
Dr Benety Chang	(Appointed on August 27, 2018)
Ms Jeanette Chang	(Appointed on August 27, 2018)
Mr Heath McIntyre	(Appointed on August 27, 2018)
Mr Tan Kiang Kherng	(Appointed on August 27, 2018)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate, except as disclosed in paragraph 3 of the Directors' statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and company in which interest are held	Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year
The company		
(Ordinary shares)		
Mr Tan Pong Tyea	457,560,131	457,560,131
Mr Zhang Haibo	153,846,150	153,846,150

By virtue of Section 7 of the Singapore Companies Act, Mr Tan Pong Tyea and Mr Zhang Haibo are deemed to have an interest in all the related corporations of the company.

The director's interests in the shares of the company at July 21, 2018 were the same as at June 30, 2018.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

(a) Options to take up unissued shares

The Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares in the company was approved by the shareholders of the company at an Extraordinary General Meeting held on May 27, 2016.

The scheme is administered by the Remuneration Committee ("Committee") whose members are:

Mr Tan Kian Huay	(Chairman and Independent, Non-Executive Director)
Mr Thia Peng Heok, George	(Independent, Non-Executive Chairman)
Ms Tan Sooh Whye	(Non-Executive Director)

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

(b) Options exercised

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

5 AUDIT COMMITTEE

The Audit Committee comprises three Non-Executive Directors. The members of the committee are:

Thia Peng Heok, George	(Chairman and Independent, Non-Executive Chairman)
Tan Kian Huay	(Independent, Non-Executive Director)
Tan Soon Whye	(Non-Executive Director)

The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the group:

- (a) The audit plans and results of the internal auditors' examination and evaluation of the group's systems of internal accounting control;
- (b) The group's financial and operating results and accounting policies;
- (c) The financial statements of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditor's report on those financial statements;
- (d) The quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;
- (e) The co-operation and assistance given by the management to the group's external auditors; and
- (f) The appointment of the external auditors of the group.

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (CONT'D)

The Audit Committee has full access to and the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

Following the acquisition of 371,646,150 Shares, representing approximately 52.72% of the total number of issued Shares by BT Investment Pte. Ltd. ("BTI") on July 26, 2018, the company has become a subsidiary of BTI. BTI is a wholly-owned subsidiary of Baker Technology Limited, a public company listed on the Mainboard of the SGX-ST. In view of the foregoing, the company has received notice of nomination pursuant to Section 205(11) of the Companies' Act from BTI to nominate Messrs Ernst & Young LLP ("EY") as external auditors of the company at the forthcoming AGM of the company.

The Audit Committee, in reviewing the suitability of EY, took into consideration, inter alia, the criteria and approaches for the appointment and evaluation of the external auditors contained in the Audit Committee Guide issued by the Singapore Institute of Directors, as well as factors such as the adequacy of the resources and experiences of the auditing firm to be selected and the audit engagement partner to be assigned to the audit, the audit firm's other engagements, the size and complexity of the group and the number and experience of supervisory and professional staff to be assigned. Following the review, the Audit Committee are of the opinion that EY is well suited to meet the existing needs and audit requirements of the Group, is likely to enhance the value of the audit, and that the requirements of Rule 712 of the Listing Manual have been complied with.

The Audit Committee has recommended to the directors the nomination of Messrs Ernst & Young LLP as external auditors of the group at the forthcoming AGM of the company.

6 AUDITOR

In view of the above, Messrs Deloitte & Touche LLP will retire and will not seek re-appointment as the auditors at the forthcoming AGM of the company.

ON BEHALF OF THE DIRECTORS



Mr Thia Peng Hock, George



Mr Tan Pong Tyea

27 August 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CH OFFSHORE LTD AND ITS SUBSIDIARIES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of CH Offshore Ltd (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at June 30, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and the statement of profit or loss and other comprehensive income and the statement of changes in equity of the company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 109.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position, the statement of profit or loss and other comprehensive income and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at June 30, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the financial performance and changes in equity of the company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CH OFFSHORE LTD AND ITS SUBSIDIARIES

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
Appropriateness of carrying amounts of vessels <i>(Refer to Notes 3 and 12 to the consolidated financial statements)</i> The group has substantial capital investments in vessels, which represents 74% (2017: 66 %) of its total assets. The group has recognised impairment losses of US\$3,333,000 (2017: US\$31,076,000) for certain vessels in current financial year, due to challenging market conditions. As the challenging market conditions continue, the charter & utilisation rates remain depressed in the current year which led to additional impairment losses recognised. Management determined the recoverable amount of the group's vessels by computing the value-in-use of the respective cash generating unit ("CGU"). CGU is defined by management through the division of the group's fleet of vessels by engine specification, customer base of the vessels by geographical location and the interchangeable nature of the vessels' ability to serve the group's customers. The determination and classification of the group's vessels in the respective CGU involves significant judgement and estimates. The key assumptions used in the value-in-use ("VIU") include projected charter rate, average utilisation rate, and pre-tax discount rate of 9.50% (2017: 9.00%). The accounting policies for vessels are set out in Note 2 to the consolidated financial statements.	Our audit procedures included challenging the reasonableness of the key assumptions used in deriving the recoverable amounts of the vessels, included, among others: • We obtained an understanding of management's controls over the impairment assessment process, including indicators of impairment and the computation of the VIU to assess the recoverable amounts. • We challenged the key assumptions used in the VIU which include the projected charter rates and utilisation rates. • We challenged the other assumptions used in the VIU which include charter expenses, inflation rate, residual values and dry-docking expenditure by comparing to available industry and historical data applicable to the group. • We engaged our internal specialist to review the reasonableness of the discount rate used by the group. • We reviewed the adequacy of disclosures on the key sources of estimation used in determining the recoverable amount of vessels in the consolidated financial statements. Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CH OFFSHORE LTD AND ITS SUBSIDIARIES

Key audit matters	How the matter was addressed in the audit
Recoverability of trade and other receivables <i>(Refer to Notes 3 and 8 to the consolidated financial statements)</i> The group has trade and other receivables of US\$9,800,000 (2017: US\$18,040,000), which represents 55% (2017: 79%) of its current assets. Due to the inherent risk surrounding the oil and gas industry, the credit quality of the group's customers may have deteriorated which may require management to exercise significant judgement in determining the recoverable amount of the group's trade and other receivables. Significant financial difficulties of the debtor and default or delay in payments may be considered objective evidence that a receivable is impaired. Management has evaluated the recoverability and ageing analysis of its trade and other receivables and has recognised impairment losses of US\$8,657,000 (2017: US\$2,382,000). These assessments require the exercise of significant judgement by management. The aging profile and details of the trade and other receivables have been disclosed in Note 8 to the consolidated financial statements.	Our audit procedures included challenging the reasonableness of the significant judgement used by management in assessing the recoverability of the trade and other receivables, which are as follows: • We reviewed the design and implementation of controls over the group's collection process. • We reviewed the debtors ageing analysis and subsequent receipts trend of major customers and debtors. • We challenged management's assessment of the recoverability of long outstanding and overdue trade and other receivables. • We also vouched to receipts received after the financial year end and/or obtained documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable. • We have reviewed the related disclosures and classifications in the group's consolidated financial statements in accordance with FRSs including credit risk concentration profile, critical accounting judgements and key sources of estimation uncertainty.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CH OFFSHORE LTD AND ITS SUBSIDIARIES

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CH OFFSHORE LTD AND ITS SUBSIDIARIES

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Chua How Kiat.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

27 August 2018

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018

	Note	Group 2018 US\$'000	2017 US\$'000	Company 2018 US\$'000	2017 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	4,249	4,668	2,667	2,841
Trade and other receivables	8	9,800	18,040	55,359	48,741
Inventories		140	108	44	7
Loan to associated company	9	3,595	—	—	—
Prepayments		122	103	42	56
Total current assets		17,906	22,919	58,112	51,645
Non-current assets					
Loan to associated company	9	3,818	—	—	—
Subsidiary companies	10	—	—	8,751	8,751
Associated companies	11	10,069	26,226	—	4,986
Fixed assets	12	88,988	97,420	43,429	59,915
Total non-current assets		102,875	123,646	52,180	73,652
Total assets		120,781	146,565	110,292	125,297
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	3,965	3,989	39,974	41,247
Other payables – deferred interest	13	—	—	696	—
Customer deposit	13	3,000	—	3,000	—
Other payables – deferred gain	14	321	403	—	—
Borrowings	15	5,651	5,447	5,651	5,447
Income tax payable		3	—	—	—
Total current liabilities		12,940	9,839	49,321	46,694
Non-current liabilities					
Other payables – deferred interest	13	—	—	2,660	—
Customer deposit	13	—	3,000	—	3,000
Other payables – deferred gain	14	3,752	5,043	—	—
Borrowings	15	3,513	3,631	3,513	3,631
Deferred tax liabilities	16	3,952	3,833	2,769	2,583
Total non-current liabilities		11,217	15,507	8,942	9,214
Capital and reserves					
Issued capital	17	55,379	55,379	55,379	55,379
Treasury shares	18	(46)	(46)	(46)	(46)
Accumulated profits (losses)		41,291	65,886	(3,304)	14,056
Total/Net equity		96,624	121,219	52,029	69,389
Total liabilities and equity		120,781	146,565	110,292	125,297

See accompanying notes to the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED JUNE 30, 2018

	Note	Group		Company	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Revenue	19	9,906	16,405	3,743	9,520
Cost of sales	20	(5,302)	(4,924)	(2,208)	(1,963)
Gross profit before direct depreciation		4,604	11,481	1,535	7,557
Others – direct depreciation		(7,165)	(7,441)	(3,642)	(3,984)
Gross (loss) profit		(2,561)	4,040	(2,107)	3,573
Other income	21	476	344	825	207
Other expenses	23(b)	(12,237)	(33,470)	(13,668)	(11,209)
Administrative expenses		(3,968)	(4,569)	(1,788)	(2,008)
Finance cost		(436)	(277)	(436)	(277)
Loss before income tax and results of associated companies		(18,726)	(33,932)	(17,174)	(9,714)
Share of results of associated companies	11	(5,747)	(6,904)	–	–
Loss before income tax		(24,473)	(40,836)	(17,174)	(9,714)
Income tax	22	(122)	756	(186)	(83)
Loss for the year representing total comprehensive income for the year	23(a)	<u>(24,595)</u>	<u>(40,080)</u>	<u>(17,360)</u>	<u>(9,797)</u>
Loss per share:					
Basic and fully diluted (US cents)	24	<u>(3.49)</u>	<u>(5.69)</u>		

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2018

	Issued capital US\$'000	Treasury shares US\$'000	Accumulated profits US\$'000	Total US\$'000
<u>Group</u>				
Balance at July 1, 2016	55,379	—	105,966	161,345
Loss for the year, representing total comprehensive income for the year	—	—	(40,080)	(40,080)
Repurchase of shares (Note 18)	—	(46)	—	(46)
Balance at June 30, 2017	55,379	(46)	65,886	121,219
Loss for the year, representing total comprehensive income for the year	—	—	(24,595)	(24,595)
Balance at June 30, 2018	<u>55,379</u>	<u>(46)</u>	<u>41,291</u>	<u>96,624</u>

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2018

	Issued capital US\$'000	Treasury shares US\$'000	Accumulated profits (losses) US\$'000	Net US\$'000
<u>Company</u>				
Balance at July 1, 2016	55,379	—	23,853	79,232
Loss for the year, representing total comprehensive income for the year	—	—	(9,797)	(9,797)
Repurchase of shares (Note 18)	—	(46)	—	(46)
Balance at June 30, 2017	55,379	(46)	14,056	69,389
Loss for the year, representing total comprehensive income for the year	—	—	(17,360)	(17,360)
Balance at June 30, 2018	<u>55,379</u>	<u>(46)</u>	<u>(3,304)</u>	<u>52,029</u>

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	Note	2018 US\$'000	2017 US\$'000
Operating activities			
Loss before income tax and results of associated companies		(18,726)	(33,932)
Adjustments for:			
Depreciation of fixed assets		7,194	7,467
Gain on disposal of fixed assets		—	(5)
Impairment loss on investment in associated companies		239	—
Interest income (Note 21)		(341)	(136)
Interest expense		436	277
Impairment of fixed asset (Note 12)		3,333	31,076
Net foreign exchange loss (gain) – unrealised		40	(76)
Allowance for doubtful debts (Note 23(b))		8,657	2,382
Operating cash flows before movements in working capital		832	7,053
Trade and other receivables	A, C	(335)	(11,083)
Prepayments		(19)	73
Inventories		(32)	(108)
Trade and other payables	B	(2)	(1,724)
Cash generated from (used in) operations		444	(5,789)
Interest paid	B	(431)	(318)
Interest received	A	96	20
Net cash from (used in) operating activities		109	(6,087)
Investing activities			
Purchases of fixed assets	C	(1,095)	(667)
Repayment by an associated company		556	—
Proceeds from disposal of fixed assets		—	14
Net cash used in investing activities		(539)	(653)
Financing activities			
Purchase of treasury shares		—	(46)
Repayment of bank loan		—	(1,853)
Proceeds from bank loan		—	3,579
Net cash from financing activities		—	1,680
Net decrease in cash and cash equivalents		(430)	(5,060)
Cash and cash equivalents at beginning of year		4,668	9,711
Effects of exchange rate changes on the balance of cash held in foreign currencies		11	17
Cash and cash equivalents at end of the year		4,249	4,668

Notes to the consolidated statement of cash flows:

Note A:

During the year, total interest income earned from third parties and associated company amounted to US\$341,000 (2017: US\$136,000). An amount of US\$381,000 (2017: US\$136,000) remains unpaid at the end of the reporting period and is presented in "Trade and other receivables".

Note B:

During the year, total interest charged by the bank amounted to US\$436,000 (2017: US\$277,000). An amount of US\$103,000 (2017: US\$98,000) of interest due to the bank remains unpaid at the end of the reporting period and is presented in "Trade and other payables".

Note C:

During the year, the aggregate cost incurred by the group from the purchase of fixed assets amounted to US\$2,095,000 (2017: US\$667,000) of which cash payments made for fixed assets amounted to US\$1,095,000 (2017: US\$667,000). The balance was settled by way of set off against amounts receivable from the associated company.

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

1 GENERAL

The company (Registration No. 197600666D) is listed on the Singapore Exchange Securities Trading Limited and is incorporated in the Republic of Singapore with its principal place of business and registered office at 10 Anson Road #33-15 International Plaza Singapore 079903. The financial statements are expressed in United States Dollars.

The principal activities of the company are that of investment holding and the owning and chartering of vessels.

The principal activities of the subsidiaries and associated companies are set out in Notes 10 and 11 to the financial statements respectively.

The consolidated financial statements of the group and statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity of the company for the year ended June 30, 2018 were authorised for issue by the Board of Directors on 27 August 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On July 1, 2017, the group and the company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and the company's accounting policies and has no material effect on the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Adoption of New Financial Reporting Framework In 2018

In December 2017, the Accounting Standards Council ("ASC") has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)"), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange ("SGX"), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The group and the company will be adopting the new framework for the first time for financial year ending June 30, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the group and the company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (June 30, 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending June 30, 2019, an additional opening statement of financial position as at date of transition (July 1, 2017) will be presented, together with related notes, where applicable. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (July 1, 2017) and as at end of last financial period under FRS (June 30, 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended June 30, 2018). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no material changes to the group's and the company's current accounting policies under FRS or material adjustments on the initial transition to the new framework at the date of transition.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (June 30, 2019), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at June 30, 2019, they may impact the disclosures of estimated effects described below.

NEW SFRS(I) THAT MAY HAVE AN IMPACT – The following SFRS(I) pronouncements are expected to have an impact to the group and the company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after January 1, 2018

- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 Leases

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on management's preliminary assessment, the adoption of SFRS(I) 9 is not expected to have any significant impact on the amounts reported in respect of the group's and company's financial assets and financial liabilities, except for the potential early recognition of credit losses based on the expected loss model in relation to the group's and company's financial assets measured at amortised cost. Management did not early adopt SFRS(I) 9 for financial year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipates that the adoption of SFRS(I) 15 in the future may result in more disclosures, however management does not anticipate that the application of SFRS(I) 15 will have any material impact on the timing and amounts of revenue recognised in the group's and company's financial statements. Management did not early adopt SFRS(I) 15 for financial year ended June 30, 2018.

SFRS(I) 16 *Leases*

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customers.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

Management anticipates that the application of SFRS(I) 16 in the future may have a material impact on the amounts reported and disclosures made in the group's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of SFRS(I) 16 until the group performs a detail review.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In the company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instruments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Loan and receivables

Trade receivables, loans and other receivables have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value, plus transaction cost and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

For financial assets that are carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue cost.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction cost, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company and the group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

INVENTORIES – Inventories, comprising bunker stocks on board of vessels for consumption purposes, are stated at lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

ASSOCIATED COMPANIES – An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associated companies are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associated company is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associated companies. When the group's share of losses of an associated company equals or exceeds the group's interest in that associated company (which includes any long-term interests that, in substance, form part of the group's net investment in the associate company), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associated company.

An investment in an associated company is accounted for using the equity method from the date on which the investee becomes an associated company. On acquisition of the investment in an associated company, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associated company. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The group discontinues the use of the equity method from the date when the investment ceases to be an associated company, or when the investment is classified as held for sale. When the group retains an interest in the former associated company and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associated company at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associated company is included in the determination of the gain and loss on disposal of the associated company. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company on the same basis as would be required if that associated company had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associated company would be reclassified to profit or loss on the disposal of the related assets and liabilities, the group reclassifies the gain or loss from the equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The group continues to use equity method when an investment in an associated company becomes an investment in joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in an associated company but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associated company of the group, profits and losses resulting from the transactions with the associated company are recognised in the group's consolidated financial statements only to the extent of interests in the associated company that are not related to the group.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The group and company did not enter into any finance leases.

The group as lessor

Charter hire income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

The group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits for the leased asset are consumed.

FIXED ASSETS – Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress consists of construction costs and related acquisition expenses incurred during the period of construction.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Vessels	–	12 years to 25 years
Drydocking expenditure	–	5 years
Furniture, fittings and equipment	–	5 years

Depreciation is not provided on construction-in-progress.

Subsequent additions to the vessel are stated at cost and depreciated on a straight-line basis over the vessel's remaining useful lives at the date on which such cost are incurred.

Drydocking expenditure refers to major inspections and overhauls which are required at regular intervals of 5 years over the useful life of the vessels to allow the continued use of the vessels. When each major inspection and overhaul is performed, its cost is recognised in the carrying amount of the vessels as a replacement if the following recognition criteria are met:

- (i) it is probable that future economic benefits associated with the asset will flow to the entity; and
- (ii) the cost of the asset to the entity can be measured reliably.

Any remaining carrying amount of the cost of the previous inspection is derecognised.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis as described in Note 3.

The gain or loss arising on disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

IMPAIRMENT OF NON-FINANCIAL ASSETS – At the end of each reporting period, the group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS – Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from charter hire is recognised on an accrual basis but is deferred when the terms of billing have not been agreed by third parties or when certain conditions necessary for realisation are yet to be fulfilled. Vessel charter income is recognised on a daily basis in accordance to the terms and conditions of the charter agreement.

Revenue from the rendering of services are commission fee recognised over the service period.

Management fee and agency fee earned from rendering of services are recognised over the service period.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS – All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

REPAIRS AND MAINTENANCE OF VESSELS – The cost of minor repairs and maintenance is recognised in profit or loss as and when it is incurred.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax are recognised as an expense or income in profit or loss.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position of the company are presented in United States Dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash on hand, bank balances and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recoverability of trade and other receivables

The assessment of recoverability of trade and other receivables is based on the ongoing evaluation of collectability and ageing analysis of the outstanding debts and on management's judgement of the ultimate realisation of these trade receivables, including creditworthiness and the past collection history of each debtor. Significant financial difficulties of the debtor and default or delay in payments may be considered objective evidence that a receivable is impaired.

At the end of the reporting period, the trade and other receivables outstanding from the group's ultimate holding company and related companies amounted to US\$8,657,000 (2017: US\$8,789,000). Management has assessed and is of view that these receivables have shown objective evidence of delay or expected default. Accordingly, an allowance for doubtful debt of US\$8,657,000 (2017: US\$nil) was made.

In addition, an amount due from a third party company which amounted to US\$1,698,000 (2017: US\$1,308,000) remains long outstanding at the end of reporting period. In 2017, the group acted in the capacity as an agent to acquire a company on behalf of the third party company. At the end of the reporting period, management has assessed and is confident that this receivable from the third party company can be recovered. Accordingly, no allowance for doubtful debt was made.

The carrying amount of the trade and other receivables are disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of vessels

The carrying amounts of the group's vessels are reviewed at the end of the reporting period to determine whether there is any indication that those vessels have suffered an impairment loss. In determining the impairment loss to be recorded for the group's vessels, management has computed the value in use and considered the respective cash generating units ("CGU") of the group in deriving the recoverable amount of the group's vessels.

CGU is defined by management through the division of the group's fleet of vessels by engine specification (i.e. Brake Horse Power ("BHP")).

In current year, management computed the value in use by estimating the future cash flows expected to be generated by the vessels based on the pre-tax discount rate of 9.50% per annum (2017: 9.00% per annum) which reflects the current market assessment of the time value of money and the risks specific to the group.

Based on the above internal and external sources of information, management has carried out a review of the recoverable amount of the group's vessels and recognised an impairment loss of US\$3,333,000 (2017: US\$31,076,000) as the carrying amount of the group's vessels is in excess of the recoverable amount.

The carrying amounts of the group's and company's vessels at the end of the reporting period are disclosed in Note 12 of the financial statements.

Impairment of investments in subsidiary companies and associated companies

Determining whether the investments in subsidiary companies and associated companies are impaired requires an estimation of the recoverable amount of these investments. During the year, management has evaluated the recoverability of the investments in the subsidiary companies and associated companies and has made an allowance for impairment loss of US\$239,000 (2017: US\$nil) on investments made in two associated companies.

The carrying amounts of the investments in subsidiary companies and associated companies are disclosed in Notes 10 and 11 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Useful lives and residual value of fixed assets

As described in Note 2, the group reviews the estimated useful lives and residual value of fixed assets at the end of each annual reporting period so as to write off the cost of fixed assets over their estimated useful lives, using the straight-line method. In determining the residual values and useful lives of vessels, management considers used vessels market prices, expected usage, maintenance and repair cost, technical or commercial obsolescence and legal and similar limits to their use.

During the year, management conducted a review of the residual value of the group's vessels which resulted in a change in the residual value of the group's vessels. The residual value, which management had previously determined based on actual historical sales data, is now estimated based on recent market transactions of vessel scrap value. The effects of these changes on residual value is included in 'direct depreciation expense' and the residual values of the group's vessels are as follows.

	2018 US\$'000	2017 US\$'000
12,240 BHP	650	6,000
Between 3,601 and 5,500 BHP	400	3,000
3,600 BHP or lower	280	1,300

The carrying amount of fixed assets are disclosed in Note 12.

Deferred taxation

No Singapore income tax is payable on the taxable profits if the group's income is derived from shipping operations from Singapore registered vessels under Section 13A of the Singapore Income Tax Act, Cap. 134. During the financial year ended June 30, 2012, a vessel held by one of the subsidiaries changed its flag from Singapore to a foreign flag. During the financial year ended June 30, 2014, 3 other vessels held by the company, also changed their flags from Singapore to foreign flags. Consequently, income derived from shipping operations from such vessels is no longer exempted from tax under Section 13A. Accordingly, the group will be subject to both current and deferred taxes.

In deriving at the deferred tax exposure as at June 30, 2018, management has considered the future periods in which these vessels will remain foreign flagged and continue to derive charter income that is not exempted under Section 13A through the usage of these vessels. Accordingly, a provision for deferred tax liabilities of US\$3,952,000 (2017: US\$3,833,000) was recognised by the group at the end of the reporting period.

The carrying amount of the deferred tax liabilities and tax expense are disclosed in Notes 16 and 22 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Financial assets				
Loan and receivables (including cash and cash equivalents)	21,462	22,708	58,026	51,582
Financial liabilities				
Trade and other payables and borrowings, at amortised cost	12,974	11,550	48,983	48,808

(b) Financial instrument subject to offsetting, enforceable master netting arrangements and similar arrangements

Group

As at June 30, 2018

Type of	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position
Financial assets			
Trade receivables (US\$'000)	13,310	(5,445)	7,865
Financial liabilities			
Trade payables (US\$'000)	9,105	(5,445)	3,660

As at June 30, 2017

Type of	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position
Financial assets			
Trade receivables (US\$'000)	13,497	(5,445)	8,052
Financial liabilities			
Trade payables (US\$'000)	9,425	(5,445)	3,980

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

In reconciling the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position' to the line item amounts presented in the statement of financial position, the above amounts represent only those which are subject to offsetting, enforceable master netting arrangements and similar agreements. The residual amounts relate to those that are not in scope of the offsetting disclosures.

The company does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements for the years ended June 30, 2018 and 2017.

(c) Financial risk management policies and objectives

The group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group. Management has in place processes and procedures to monitor the group's risk exposures whilst balancing the costs associated with such monitoring and management against the costs of risk occurrence. Such processes and procedures are reviewed periodically for changes in market conditions and the group's operations.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures these risks. Market risk exposures are measured using sensitivity analysis indicated below:

(i) Foreign exchange risk management

The group is exposed to foreign currency risk on purchases that are denominated in a currency other than United States Dollars. The currencies giving rise to this risk are primarily Singapore Dollar, Australian Dollar, Euro and Malaysia Ringgit.

Carrying amounts of significant foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Singapore Dollar	9,945	9,349	1,458	1,591	9,402	9,222	1,219	1,138
Australian Dollar	—	—	26	26	—	—	26	26
Euro	281	—	—	—	84	—	—	—
Malaysia Ringgit	43	16	156	116	—	—	—	—

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies exchange rate against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

If the foreign currencies strengthen by 10% against the functional currency of each group entity, loss before income tax will (increase) decrease by:

	Group impact		Company impact	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Singapore Dollar	(849)	(776)	(818)	(808)

If the foreign currencies weaken by 10% against the functional currency of each group entity, loss before income tax will increase (decrease) by an equal amount above.

No sensitivity analysis has been presented for Australian Dollar, Euro and Malaysia Ringgit as management does not expect any material effect on the group's or company's profit or loss with the fluctuation in those foreign currencies against the functional currency of each group entity.

(ii) Interest rate risk management

The group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities.

The interest rates of the interest bearing financial assets and financial liabilities, representing bank balances, fixed deposits and loan to associated company and ultimate holding company bearing fixed interest rates and bank loan bearing variable interest rates are disclosed in Notes 7, 8, 9 and 15 of the financial statements respectively.

The group and company do not have any significant exposure to interest rate risk.

No sensitivity analysis is prepared as the group and company do not expect any material effect on the group or company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a pro-active approach in the extension of credit terms to trade customers, monitors its exposure to credit risk on an ongoing basis and only transacts with creditworthy institutions.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the group's total credit exposure.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

The group's credit exposure is concentrated mainly in the Africa, Mexico, South East Asia, Russia and Middle East and is centralised on oil majors. It adopts a pro-active approach in its credit evaluation process, credit policies and credit control as well as collection procedures to manage the risk arising from the concentration of its credit exposure.

There is significant concentration of credit risk arising from two customers (2017: one customer) which represents 65% (2017: 43%) of total gross trade receivables of the group as at the end of the reporting period.

Management regularly reviews collectability and aging of the outstanding receivables and allowances for doubtful debts will be made if there are doubts over collectability.

(iv) Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

The group closely monitors its working capital requirements and funds available. Management ensures sufficient liquidity through efficient cash management and centrally manages the liquidity of the group and maintains adequate lines of credit with banks.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the group's liquidity risk management as the group's liquidity risk is managed on a net asset and liability basis. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

Group	Weighted average effective interest rate %	On demand or less than 1 year US\$'000	More than 1 year to 5 years US\$'000	Adjustments US\$'000	Total US\$'000
2018					
Non-interest bearing	—	14,049	—	—	14,049
Fixed interest rate	4.26	3,817	3,942	(346)	7,413
		<u>17,866</u>	<u>3,942</u>	<u>(346)</u>	<u>21,462</u>

In 2017, all the financial assets of the group are either repayable on demand or due within one year from end of the reporting period. Management is of the opinion that liquidity risk is minimal due to the short term nature of the group's financial assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

In 2018 and 2017, all the financial assets of the company are either repayable on demand or due within one year from the end of the reporting period. Management is of the opinion that liquidity risk is minimal due to the short term nature of the company's financial assets.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

Group	Weighted average effective interest rate %	On demand or less than 1 year US\$'000	More than 1 year to 5 years US\$'000	Adjustments US\$'000	Total US\$'000
2018					
Non-interest bearing	—	3,810	—	—	3,810
Fixed interest rate	5.50	361	3,885	(580)	3,666
Floating interest rate	4.10	5,611	—	(113)	5,498
		<u>9,782</u>	<u>3,885</u>	<u>(693)</u>	<u>12,974</u>
2017					
Non-interest bearing	—	2,472	—	—	2,472
Fixed interest rate	5.50	200	4,212	(781)	3,631
Floating interest rate	4.50	5,570	—	(123)	5,447
		<u>8,242</u>	<u>4,212</u>	<u>(904)</u>	<u>11,550</u>

Company	Weighted average effective interest rate %	On demand or less than 1 year US\$'000	More than 1 year to 5 years US\$'000	Adjustments US\$'000	Total US\$'000
2018					
Non-interest bearing	—	39,819	—	—	39,819
Fixed interest rate	5.50	361	3,885	(580)	3,666
Floating interest rate	4.10	5,611	—	(113)	5,498
		<u>45,791</u>	<u>3,885</u>	<u>(693)</u>	<u>48,983</u>
2017					
Non-interest bearing	—	39,730	—	—	39,730
Fixed interest rate	5.50	200	4,212	(781)	3,631
Floating interest rate	4.50	5,570	—	(123)	5,447
		<u>45,500</u>	<u>4,212</u>	<u>(904)</u>	<u>48,808</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

(d) **Capital management policies and objectives**

The group manages its capital to ensure that entities in the group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The capital structure of the group consists of equity attributable to owners of the company, comprising issued capital and accumulated profits.

The group's overall strategy remains unchanged from prior year.

5 TRANSACTIONS WITH SUBSIDIARIES

Some of the group's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand.

Some transactions with subsidiaries, other than those disclosed elsewhere in the notes to the statements of profit or loss and other comprehensive income are as follows:

	Company	
	2018 US\$'000	2017 US\$'000
Interest income from a subsidiary company	(599)	—
Agency fees paid to a subsidiary company	335	426
Sale of fixed asset to a subsidiary company	9,000	—

6 OTHER RELATED PARTIES TRANSACTIONS

The group's immediate and ultimate holding companies are Energian Pte. Ltd. and Falcon Energy Group Limited respectively and are both incorporated in Singapore. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the group and company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

6 OTHER RELATED PARTIES TRANSACTIONS (CONT'D)

Some related parties transactions, other than those disclosed elsewhere in the notes to the statements of profit or loss and other comprehensive income are as follows:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Management and agency fee earned from associated companies	(394)	(648)	—	—
Management and agency fee earned from related companies	(15)	(60)	—	—
Interest income from an associated company	(179)	—	—	—
Rental paid to related companies	515	252	123	55
Charter hire income earned from a related company	—	(730)	—	—
Gain on disposal of motor vehicle arising from the sale to previous director	—	(5)	—	(5)
Interest income from ultimate holding company	—	(116)	—	(116)
Purchase of fixed assets from an associated company	1,000	—	—	—

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2018 US\$'000	2017 US\$'000
Short-term benefits	1,651	1,925
Post-employment benefits	—	—
	1,651	1,925

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Cash on hand	9	15	—	—
Cash at bank	3,214	4,627	1,641	2,815
Fixed deposits	1,026	26	1,026	26
	4,249	4,668	2,667	2,841

The fixed deposits bear interest at rates ranging from 1.73% to 2.08% (2017: 0.50% to 2.03%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<u>Trade:</u>				
Outside parties	11,420	9,495	7,069	5,864
Allowance for doubtful debts				
– Outside parties (Note 23(b))	(3,651)	(3,651)	(2,382)	(2,382)
	7,769	5,844	4,687	3,482
Related companies (Note 6)	1,672	1,831	–	56
Allowance for doubtful debts				
– Related companies (Note 23(b))	(1,672)	–	–	–
Associated companies (Notes 6 and 11)	96	377	–	–
Subsidiary companies (Notes 5 and 10)	–	–	134	410
	7,865	8,052	4,821	3,948
<u>Non-trade:</u>				
Outside parties ^(a)	1,803	1,312	1,715	1,311
Subsidiary companies (Notes 5 and 10)	–	–	48,823	39,011
Associated companies (Notes 6 and 11)	132	1,718	–	–
Related companies (Note 6)	2,505	2,497	36	10
Allowance for doubtful debts				
– Related companies (Note 23(b))	(2,505)	–	(36)	–
Ultimate holding company (Note 6)	4,480	4,461	4,480	4,461
Allowance for doubtful debts				
– Ultimate holding company (Note 23(b))	(4,480)	–	(4,480)	–
	1,935	9,988	50,538	44,793
Total trade and other receivables	9,800	18,040	55,359	48,741

During the year, the credit terms granted to customers ranged from 30 to 90 days (2017: 30 to 90 days) upon receipt of invoice. No interest is charged on the overdue trade receivables.

^(a) In 2017, the group acted in the capacity of an agent to acquire a company on behalf of a third party company. An amount of US\$1,698,000 (2017: US\$1,308,000) remains due from this third party company to the group which represents a deposit paid by the group to secure the acquisition on behalf of that third party company. This amount bears effective interest at 5.50% (2017: 5.50%). Based on the relevant agreements signed between the group and the third party company, the acquisition was completed on July 5, 2017.

These non-trade receivables due from outside parties are repayable on demand and the group has not recognised an allowance as management is of the view that these receivables are recoverable.

The trade and other receivables due from subsidiaries, associated companies, related companies and ultimate holding company are unsecured, interest-free and repayable on demand except for an amount of US\$4,100,000 (2017: US\$4,090,000) which bears effective interest at 4.30% (2017: 4.30%) per annum due from the ultimate holding company.

During the year, the group and company have made an allowance for doubtful debts for the trade and other receivables due from its ultimate holding company and related companies amounting to US\$4,480,000 (2017: US\$ nil) and US\$4,177,000 (2017: US\$ nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

8 TRADE AND OTHER RECEIVABLES (CONT'D)

The table below is an analysis of trade receivables, from outside parties, as at end of the reporting period:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Not past due and not impaired	1,103	2,263	—	678
Past due but not impaired ⁽ⁱ⁾	6,666	3,581	4,687	2,804
	7,769	5,844	4,687	3,482
Impaired receivables ⁽ⁱⁱⁱ⁾	3,651	3,651	2,382	2,382
Less: Allowance for impairment	(3,651)	(3,651)	(2,382)	(2,382)
	—	—	—	—
Total trade receivables, net	7,769	5,844	4,687	3,482

(i) Aging of receivables that are past due but not impaired:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
< 3 months	1,572	1,696	731	922
3 to 6 months	1,362	833	391	833
More than 6 months	3,732	1,052	3,565	1,049
	6,666	3,581	4,687	2,804

(ii) These amounts are stated before any deduction for impairment losses.

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Balance at beginning of year	3,651	1,269	2,382	—
Charge to profit or loss	—	2,382	—	2,382
Balance at end of year	3,651	3,651	2,382	2,382

Included in the group's and company's trade receivable balance from outside parties are US\$6,666,000 (2017: US\$3,581,000) and US\$4,687,000 (2017: US\$2,804,000) respectively which are past due at the end of the financial year for which the group and company have not provided for any impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The group deals with customers who are mainly creditworthy oil majors or their preferred service providers. In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the financial year. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for the doubtful receivables. The trade receivables that are neither past due nor impaired relate to customers that the group has assessed to be creditworthy, based on the credit evaluation process performed by management.

At the end of the reporting period, the group and company have a gross outstanding receivables due from one of their customers which amounted to US\$5,060,000 (2017: US\$5,063,000). In prior years, this customer was granted an option to purchase one of the group and company's vessels by placing a deposit of US\$3,000,000 (Note 13). In 2017, management has made an allowance for doubtful debt of US\$2,060,000, representing the full net exposure of the outstanding trade receivables due from this customer.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

9 LOAN TO ASSOCIATED COMPANY

	Group	
	2018 US\$'000	2017 US\$'000
Loan to associated company	7,413	—
Less: Due within 12 months	(3,595)	—
Amounts due after 12 months	3,818	—

The loan to associated company is unsecured which bears effective interest rate of 4.26% (2017: nil) per annum at the end of reporting period. In 2017, this amount was part of the group's net investment in the associated company (Note 11).

10 SUBSIDIARY COMPANIES

	Company	
	2018 US\$'000	2017 US\$'000
Unquoted equity shares, at cost	8,751	8,751

Transactions between the company and its subsidiaries, which are related companies of the company, have been eliminated on consolidation and are disclosed in Note 5 of the financial statements.

Details of the company's subsidiaries at the end of the financial year are as follows:

	Countries of incorporation and operations	Proportion of ownership interest and voting power held		Principal activities
		2018	2017	
		%	%	
<u>Held by the company</u>				
CHO Ship Management Pte Ltd ^(a)	Singapore	100	100	Ship management and investment holding
Delaware Marine Pte Ltd ^(a)	Singapore	100	100	Investment holding
Sea Glory Private Limited ^(a)	Singapore	100	100	Ship owning and chartering
Garo Pte Ltd ^(a)	Singapore	100	100	Ship owning and chartering
Offshore Gold Shipping Pte Ltd ^(a)	Singapore	100	100	Ship owning and chartering

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

10 SUBSIDIARY COMPANIES (CONT'D)

	Countries of incorporation and operations	Proportion of ownership interest and voting power held		Principal activities
		2018	2017	
		%	%	
Pembroke Marine Pte Ltd ^(a)	Singapore	100	100	Ship owning and chartering
Venture Offshore Pte Ltd ^(a)	Singapore	100	100	Investment holding
<u>Held by CHO Ship Management Pte Ltd</u>				
High Majestic Sdn Bhd ^(b)	Malaysia	100	100	Ship owning and chartering
<u>Held by Delaware Marine Pte Ltd</u>				
Pearl Marine Pte Ltd ^(c)	Malaysia	100	100	Ship owning and chartering

Notes

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Audited by other CPA firm in Malaysia.

(c) Audited by Deloitte & Touche LLP, Malaysia

11 ASSOCIATED COMPANIES

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Unquoted equity shares, at cost	1,675	1,675	278	278
Amounts receivable – non-trade ⁽ⁱ⁾	3,879	12,677	3,879	4,708
Less: Allowance for impairment ⁽ⁱⁱ⁾	(239)	–	(4,157)	–
Share of results of associated companies ⁽ⁱⁱⁱ⁾	4,754	11,874	–	–
	<u>10,069</u>	<u>26,226</u>	<u>–</u>	<u>4,986</u>

(i) The amounts receivable are unsecured, interest-free and repayable at the discretion of the associated companies. The amounts receivable from the associated companies, in substance, form part of the group's net investment in the associated companies.

(ii) Movement in the allowance for impairment

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Charged to profit or loss and balance at end of the year	<u>239</u>	<u>–</u>	<u>4,157</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

11 ASSOCIATED COMPANIES (CONT'D)

(iii) Share of losses of associated companies recognised in profit or loss includes:

	Group	
	2018 US\$'000	2017 US\$'000
Share of losses of associated companies after income tax	(7,120)	(7,307)
Amortisation of deferred gain from sale of vessels to associated companies (Note 14)	390	403
Unwinding of unrealised profits from repurchase of vessels from associated company (Note 14)	983	—
	<u>(5,747)</u>	<u>(6,904)</u>

Movement of share of results of associated companies is as follows:

At the beginning of year	11,874	19,181
Current year share of losses	<u>(7,120)</u>	<u>(7,307)</u>
At the end of year	<u>4,754</u>	<u>11,874</u>

	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activities
		2018	2017	
		%	%	
<u>Held by the company</u>				
MarineCo Limited ^{(a)(b)}	Malaysia	49	49	Ship owning and chartering
Gemini Sprint Sdn. Bhd. ^(a)	Malaysia	49	49	Ship chartering
<u>Held by Venture Offshore Pte. Ltd.:</u>				
PT Bahtera Nusantara Indonesia ^(b)	Indonesia	49	49	Ship owning and chartering

(a) The audited financial statements of the associated companies held by the company are for the financial year ended March 31, 2018. Accordingly, unaudited management accounts for the financial period from April 1, 2018 to June 30, 2018 were used for determining the full year's profit for the purpose of equity accounting for MarineCo Limited and Gemini Sprint Sdn. Bhd.

(b) Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the company and the Audit Committee, having reviewed the appointment of different auditors for the group's associates, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

11 ASSOCIATED COMPANIES (CONT'D)

Summarised financial information in respect of each of the group's material associates is set out below.

	MarineCo Limited & Gemini Sprint Sdn. Bhd.		PT Bahtera Nusantara Indonesia		Group	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Current assets	815	1,845	3,094	4,291	3,909	6,136
Non-current assets	—	8,684	34,024	41,277	34,024	49,961
Current liabilities	845	873	1,440	2,189	2,285	3,062
Non-current liabilities	7,916	9,423	15,130	16,264	23,046	25,687
Revenue	257	1,797	5,379	6,241	5,636	8,038
Loss for the year, representing total comprehensive income for the year	(8,180)	(6,824)	(6,567)	(8,089)	(14,747)	(14,913)
Group's share of associated companies' loss for the year	(3,903)	(3,343)	(3,217)	(3,964)	(7,120)	(7,307)
Net assets of the associated companies	(7,946)	233	20,548	27,115	12,602	27,348
Carrying amount of the group's interest in the associated companies ⁽¹⁾	(3,640)	263	10,069	13,286	6,429	13,549

(1) The accumulated losses of an associated company in excess of the group's interest in that associated company which is not included in these financial statements using equity method of accounting amounted to US\$253,000 (2017: US\$148,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

12 FIXED ASSETS

	Vessels US\$'000	Drydocking expenditure US\$'000	Furniture, fittings and equipment US\$'000	Motor vehicles US\$'000	Construction- in-progress US\$'000	Total US\$'000
<u>Group</u>						
<u>Cost:</u>						
Balance at July 1, 2016	178,583	16,443	307	85	—	195,418
Additions	—	—	—	—	667	667
Disposals	—	—	(17)	(85)	—	(102)
Balance at June 30, 2017	178,583	16,443	290	—	667	195,983
Additions	906	94	—	—	1,095	2,095
Transfer from construction- In-progress	—	776	—	—	(776)	—
Balance at June 30, 2018	179,489	17,313	290	—	986	198,078
<u>Accumulated depreciation:</u>						
Balance at July 1, 2016	49,306	9,500	221	85	—	59,112
Depreciation	4,963	2,477	27	—	—	7,467
Disposals	—	—	(8)	(85)	—	(93)
Balance at June 30, 2017	54,269	11,977	240	—	—	66,486
Depreciation	5,673	1,492	29	—	—	7,194
Balance at June 30, 2018	59,942	13,469	269	—	—	73,680
<u>Impairment:</u>						
Balance at July 1, 2016	1,001	—	—	—	—	1,001
Additions	31,076	—	—	—	—	31,076
Balance at June 30, 2017	32,077	—	—	—	—	32,077
Additions	3,333	—	—	—	—	3,333
Balance at June 30, 2018	35,410	—	—	—	—	35,410
<u>Carrying amount:</u>						
Balance at June 30, 2018	84,137	3,844	21	—	986	88,988
Balance at June 30, 2017	92,237	4,466	50	—	667	97,420

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

12 FIXED ASSETS (CONT'D)

	Vessels US\$'000	Drydocking expenditure US\$'000	Furniture, fittings and equipment US\$'000	Motor vehicles US\$'000	Construction- in-progress US\$'000	Total US\$'000
<u>Company</u>						
Cost:						
Balance at July 1, 2016	98,901	8,495	48	85	—	107,529
Additions	—	—	—	—	667	667
Disposals	—	—	—	(85)	—	(85)
Balance at June 30, 2017	98,901	8,495	48	—	667	108,111
Additions	—	—	—	—	1,095	1,095
Transfer from construction--						
In-progress	—	776	—	—	(776)	—
Disposals	(22,611)	(2,954)	—	—	—	(25,565)
Balance at June 30, 2018	76,290	6,317	48	—	986	83,641
Accumulated depreciation:						
Balance at July 1, 2016	29,615	5,746	18	85	—	35,464
Depreciation	2,590	1,394	6	—	—	3,990
Disposals	—	—	—	(85)	—	(85)
Balance at June 30, 2017	32,205	7,140	24	—	—	39,369
Depreciation	2,915	727	11	—	—	3,653
Eliminated on disposals	(7,374)	(2,288)	—	—	—	(9,662)
Balance at June 30, 2018	27,746	5,579	35	—	—	33,360
Impairment:						
Balance at July 1, 2016	—	—	—	—	—	—
Additions	8,827	—	—	—	—	8,827
Balance at June 30, 2017	8,827	—	—	—	—	8,827
Additions	973	—	—	—	—	973
Eliminated on disposals	(2,948)	—	—	—	—	(2,948)
Balance at June 30, 2018	6,852	—	—	—	—	6,852
Carrying amount:						
Balance at June 30, 2018	41,692	738	13	—	986	43,429
Balance at June 30, 2017	57,869	1,355	24	—	667	59,915

At the end of the reporting period, the group and company carried out a review of the recoverable amount of its vessels. This review led to the recognition of an impairment loss of US\$3,333,000 (2017: US\$31,076,000) and US\$973,000 (2017: US\$8,827,000) by the group and company respectively through the computation of the value-in-use for their vessels.

During the year, the company sold one vessel to a wholly-owned subsidiary at a sale consideration of US\$9,000,000. The company recorded a loss on disposal US\$3,955,000 (Note 23 (b)) as the selling price falls below the carrying amount of the vessel at the date of sale. The sale consideration for the vessel will be repaid over 108 months at an effective interest rate of 4.97% by the subsidiary to the company. Accordingly, a deferred interest income (Note 13) was recognised by the company and will be amortised over the repayment periods to reflect the fair value of the deemed financing granted to the subsidiary company to complete the purchase.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<u>Trade:</u>				
Outside parties	3,658	2,461	1,408	1,131
Advance from customer	—	1,517	—	1,517
Subsidiary companies (Notes 5 and 10)	—	—	1,931	3,032
Related party (Note 6)	2	2	2	2
	<u>3,660</u>	<u>3,980</u>	<u>3,341</u>	<u>5,682</u>
<u>Non-trade:</u>				
Outside parties	155	—	155	—
Customer deposit	3,000	3,000	3,000	3,000
Associated companies (Notes 6 and 11)	150	—	—	—
Related companies (Note 6)	—	9	—	—
Subsidiary companies (Notes 5 and 10)	—	—	36,478	35,565
Deferred interest income	—	—	3,356	—
	<u>3,305</u>	<u>3,009</u>	<u>42,989</u>	<u>38,565</u>
Total trade and other payables	<u>6,965</u>	<u>6,989</u>	<u>46,330</u>	<u>44,247</u>
Represented by:				
<u>Current:</u>				
Trade and other payables	3,965	3,989	39,974	41,247
Other payables – deferred interest (Note 12)	—	—	696	—
Customer deposit	3,000	—	3,000	—
	<u>6,965</u>	<u>3,989</u>	<u>43,670</u>	<u>41,247</u>
<u>Non-current:</u>				
Other payables – deferred interest (Note 12)	—	—	2,660	—
Customer deposit	—	3,000	—	3,000
	<u>—</u>	<u>3,000</u>	<u>2,660</u>	<u>3,000</u>
Total trade and other payables	<u>6,965</u>	<u>6,989</u>	<u>46,330</u>	<u>44,247</u>

The credit terms granted by suppliers ranged from 30 to 90 days (2017: 30 to 90 days). The group has financial risk management policies in place to ensure that all payables are within the credit time frame.

The customer deposit of US\$3,000,000 (2017: US\$3,000,000) relates to a deposit received in prior years for a vessel of the group and company in which the customer has an option to purchase in February 2019 based on the charter agreement. Accordingly, this customer deposit is classified as “current” in the statement of financial position as at June 30, 2018.

Management is of the view that the carrying amount of the customer deposit approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

14 OTHER PAYABLES – DEFERRED GAIN

	Group	
	2018 US\$'000	2017 US\$'000
Deferred gain	5,446	5,849
Amortisation during the year (Note 11)	(390)	(403)
Unwinding of unrealised profits from repurchase of vessels from associated company (Note 11)	(983)	—
	4,073	5,446
Current portion	(321)	(403)
Non-current portion	3,752	5,043

The deferred gain relates to the group's share of the unrealised profit resulting from the sale of vessels to associated companies. The deferred gain will be amortised over the remaining useful life of the vessels against the share of results of associated companies in the statement of profit or loss and other comprehensive income.

15 BORROWINGS

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Bank loan A	5,498	5,447	5,498	5,447
Bank loan B	3,666	3,631	3,666	3,631
Total	9,164	9,078	9,164	9,078
Less: Due within 12 months	(5,651)	(5,447)	(5,651)	(5,447)
Amounts due after 12 months	3,513	3,631	3,513	3,631

Group and company

Bank loan A:

The bank loan is an unsecured revolving 6 months credit facility which bears effective interest rate of 4.10% (2017: 4.50%) per annum at the end of the reporting period.

Bank loan B:

The bank loan is unsecured with a tenure of 72 months and bears effective interest rate of 5.50% (2017: 5.50%) per annum at the end of the reporting period. This loan is provided by a bank for an initiative under SPRING Singapore, an agency under the Ministry of Trade and Industry of Singapore, for working capital assistance for companies in the offshore industry.

Based on the terms of the loan arrangements, the repayment of the principal amount of the loan will commence 24 months from the inception of the loan. Accordingly, the loan will start repayment in April 2019.

Management is of the view that the carrying amount of the loan approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

15 BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes as follows:

Group	July 1, 2017 US\$'000	Financing cash flows US\$'000	Foreign exchange movement US\$'000	June 30, 2018
Borrowings	9,078	—	86	9,164

16 DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the group and company, and the movements thereon, during the current and prior reporting periods:

	Accelerated Tax depreciation US\$'000	Unutilised capital allowances US\$'000	Total US\$'000
<u>Group</u>			
At July 1, 2016	(6,255)	1,666	(4,589)
Credit (Charge) to profit or loss for the year (Note 22)	849	(93)	756
At June 30, 2017	(5,406)	1,573	(3,833)
Credit (Charge) to profit or loss for the year (Note 22)	589	(708)	(119)
At June 30, 2018	(4,817)	865	(3,952)
<u>Company</u>			
At July 1, 2016	(3,659)	1,159	(2,500)
Credit (Charge) to profit or loss for the year (Note 22)	266	(349)	(83)
At June 30, 2017	(3,393)	810	(2,583)
Credit (Charge) to profit or loss for the year (Note 22)	166	(352)	(186)
At June 30, 2018	(3,227)	458	(2,769)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

16 DEFERRED TAX LIABILITIES (CONT'D)

Certain deferred tax assets and liabilities have been offset in accordance with the group's and company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Deferred tax assets	865	1,573	458	810
Deferred tax liabilities	(4,817)	(5,406)	(3,227)	(3,393)
	<u>(3,952)</u>	<u>(3,833)</u>	<u>(2,769)</u>	<u>(2,583)</u>

Subject to the agreement by the tax authorities, at the end of the reporting period, the group has unutilised capital allowances of US\$5,088,000 (2017: US\$9,252,000) available for offset against future profits.

In deriving at the group and company's deferred tax exposure, management has considered the flag type of each vessel and the period of which these vessels were deriving income not exempted under Section 13A in the computation of the group and company's taxable temporary difference.

17 ISSUED CAPITAL

	2018 '000	Group and Company		2017 US\$'000
		2017 '000	2018 US\$'000	
Number of ordinary shares				
Issued and paid-up capital:				
At the beginning and end of the year	<u>705,091</u>	<u>705,091</u>	<u>55,379</u>	<u>55,379</u>

Fully paid ordinary shares are denominated in Singapore Dollar which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

18 TREASURY SHARES

	2018 '000	Group and Company		2017 US\$'000
		2017 '000	2018 US\$'000	
Number of ordinary shares				
At the beginning of the year	198	—	46	—
Repurchased during the year	—	198	—	46
At the end of the year	<u>198</u>	<u>198</u>	<u>46</u>	<u>46</u>

In 2017, the group and company acquired 198,000 of its own shares through purchases on Singapore Exchange. The total amount paid to acquire the shares was US\$46,000 and was been deducted from shareholders' equity. These shares are held as "treasury shares". The group and company intends to reissue these shares to executives who are granted share options under the employee share option plan in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

19 REVENUE

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Charter hire income earned	9,373	15,600	3,743	9,520
Rendering of services	28	1	—	—
Management and agency fee	505	804	—	—
	<u>9,906</u>	<u>16,405</u>	<u>3,743</u>	<u>9,520</u>

20 COST OF SALES

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Vessel operating expenses	<u>5,302</u>	<u>4,924</u>	<u>2,208</u>	<u>1,963</u>

21 OTHER INCOME

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Foreign exchange gain	—	45	—	38
Interest income from outside parties	162	136	160	136
Interest income from an associated company (Note 6)	179	—	—	—
Interest income from a subsidiary company (Note 5)	—	—	599	—
Others	135	163	66	33
	<u>476</u>	<u>344</u>	<u>825</u>	<u>207</u>

22 INCOME TAX

(a) Taxation credit (charge) comprises:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Income tax				
– Current	(3)	—	—	—
Deferred tax (Note 16)				
– Current	309	772	242	(67)
– Underprovision in prior years	(428)	(16)	(428)	(16)
Income tax	<u>(122)</u>	<u>756</u>	<u>(186)</u>	<u>(83)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

22 INCOME TAX (CONT'D)

- (b) The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to loss before income tax as a result of the following differences:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Loss before income tax	(24,473)	(40,836)	(17,174)	(9,714)
Income tax benefit at statutory tax rate at 17%	(4,160)	(6,942)	(2,919)	(1,652)
Net income not subject to tax ⁽¹⁾	871	4,242	236	1,497
Effects of expenses not deductible in determining taxable profits	1,882	586	2,448	209
Effects of different tax rates of companies operating on different jurisdiction	(46)	—	—	—
Tax effect of share of results of associates	977	1,174	—	—
Deferred tax benefits not recognised	177	138	—	—
Adjustments recognised in the current year in relation to deferred tax of prior year	428	16	428	16
Others	(7)	30	(7)	13
Income tax	122	(756)	186	83

(1) This represents mainly vessel income exempted under Section 13A and tax exemption under Section 43(6) of Singapore Income Tax Act.

- (c) Subject to agreement with the relevant tax authorities, the group has unutilised tax loss carryforwards estimated as follows:

	Group	
	2018 US\$'000	2017 US\$'000
Amount at beginning of the year	2,497	2,517
Amount arising during the year	774	812
Adjustments to prior year	(68)	(832)
Amount at end of the year	3,203	2,497
Deferred tax benefit on above not recorded:	545	424

These future income tax benefits are available for an unlimited future period only if the group derives future assessable income of a nature and of sufficient amounts to enable the benefits to be realised and the conditions for deductibility imposed by the law, including the retention of majority shareholders, as defined, are complied with.

Deferred tax benefits of the above future income tax benefits are not recorded due to the uncertainty of future taxable profit stream.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

23 LOSS FOR THE YEAR

- (a) In addition to charges and credits disclosed elsewhere in the notes to the statements of profit or loss and other comprehensive income, this item includes the following charges:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Directors' fees	101	169	101	169
Staff cost:				
Permanent staff (including directors' remuneration)	2,678	3,232	1,222	1,255
Contract based crew	1,628	1,670	464	651
	<u>4,306</u>	<u>4,902</u>	<u>1,686</u>	<u>1,906</u>
Cost of defined contribution plans included in staff costs	157	217	45	63
Audit fees:				
Paid to auditors of the company	45	42	24	22
Non-audit fees:				
Paid to auditors of the company	<u>6</u>	<u>5</u>	<u>3</u>	<u>2</u>

- (b) Other expenses include:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Net foreign exchange loss	8	—	67	—
Allowance for doubtful trade receivables on outside parties (Note 8)	—	2,382	—	2,382
Allowance for doubtful trade and other receivables on ultimate holding company (Note 8)	4,480	—	4,480	—
Allowance for doubtful trade and other receivables on related companies (Note 8)	4,177	—	36	—
Allowance for impairment in associated companies (Note 11)	239	—	4,157	—
Loss on disposal vessel (Note 12)	—	—	3,955	—
Impairment loss on fixed assets (Note 12)	<u>3,333</u>	<u>31,076</u>	<u>973</u>	<u>8,827</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

24 LOSS PER SHARE

Loss per share is calculated by dividing the group's loss attributable to shareholders of the company for the year by the weighted average number of ordinary shares in issue during the financial years as follows:

	Group	
	2018	2017
Loss attributable to shareholders (US\$'000)	(24,595)	(40,080)
Number of ordinary shares used to compute loss per share ('000)	704,893	704,942
Basic and fully diluted:		
Loss per share (US cents)	(3.49)	(5.69)

The group's basic loss per share is the same as the fully diluted loss per share as the group did not have any potential dilutive ordinary shares outstanding as at end of the reporting period.

25 SEGMENTAL INFORMATION

The operations of the group are associated specifically with the support of offshore oil and gas industry which is the major operating segment of the group. The Chief Executive Officer ("CEO") is the group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

As the main focus is on the generation of revenue for the group, the CEO makes decision to charter the vessels based on the charter rates, timing and availability of the vessels. Hence, vessels are deployed worldwide and wherever clients required them subject to safety factors, for example, war zones or areas prone to piracy. As a result, it is not meaningful to present the revenue by countries or geographical locations.

Information about major customers

Included in revenue of US\$9,906,000 (2017: US\$16,405,000) are revenues of approximately US\$4,386,000 (2017: US\$4,924,000) which arose from the chartering of vessels to the group's largest customer.

The group has two (2017: five) major customers that contribute greater than 10% of the total revenue for charter income.

	Revenue	
	2018 US\$'000	2017 US\$'000
Customer A	4,386	4,924
Customer B	2,416	3,376
Customer C	—	2,581
Customer D	—	1,546
Customer E	—	1,406

26 GUARANTEES

	Group and Company	
	2018 US\$'000	2017 US\$'000
Guarantees (unsecured)	—	28



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

27 COMMITMENTS

Operating lease commitments:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Minimum lease payments paid under operating leases included in profit or loss	354	357	83	153

28 EVENTS AFTER THE REPORTING PERIOD

On July 26, 2018, BT Investment Pte. Ltd., a wholly-owned subsidiary of Baker Technology Limited, entered into two separate sale and purchase agreements with the Energian Pte. Ltd., a wholly-owned subsidiary of Falcon Energy Limited, and SZ Offshore Investment Pte. Ltd. to acquire 30.90% and 21.82% of the group's shares at a consideration of S\$25,047,000 and S\$20,000,000 respectively. As a result of the said acquisition, BT investment Pte. Ltd. is required to make a mandatory unconditional cash offer for all other shares. The offer will close on September 7, 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 8 AUGUST 2018

SHARE CAPITAL

Issued and Fully paid-up capital (including Treasury Shares)	:	S\$95,251,165.43
Issued and Fully paid-up capital (excluding Treasury Shares)	:	S\$95,188,106.23
Total Number of Issued & Paid Up Shares (including Treasury Shares)	:	705,090,514
Total Number of Issued & Paid Up Shares (excluding Treasury Shares)	:	704,892,514
Total Number/Percentage of Treasury Shares	:	198,000 (0.0281%)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	17	0.44	323	0.00
100 – 1,000	884	22.85	685,774	0.10
1,001 – 10,000	1,993	51.53	10,150,667	1.44
10,001 – 1,000,000	962	24.87	43,332,719	6.15
1,000,001 AND ABOVE	12	0.31	650,723,031	92.31
TOTAL	3,868	100.00	704,892,514	100.00

TWENTY LARGEST SHAREHOLDERS

As shown in the Register of Members and Depository Register

NO.	NAME	NO. OF SHARES	%
1	BT INVESTMENT PTE LTD	371,646,150	52.72
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	194,907,190	27.65
3	ENERGIAN PTE LTD	45,379,956	6.44
4	PEH KWEE YONG	15,801,866	2.24
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,646,799	0.80
6	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	5,000,000	0.71
7	DBS NOMINEES (PRIVATE) LIMITED	4,300,000	0.61
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,001,800	0.43
9	CITIBANK NOMINEES SINGAPORE PTE LTD	1,667,300	0.24
10	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,259,570	0.18
11	MAYBANK KIM ENG SECURITIES PTE LTD	1,080,500	0.15
12	RAFFLES NOMINEES (PTE.) LIMITED	1,031,900	0.15
13	KOH CHIN HIN	957,600	0.14
14	OCBC SECURITIES PRIVATE LIMITED	938,500	0.13
15	LEOW KIM SIANG OR NG MAY CHOO	730,000	0.10
16	CHIA CHEE HUA	681,800	0.10
17	PHILLIP SECURITIES PTE LTD	679,300	0.10
18	DB NOMINEES (SINGAPORE) PTE LTD	500,000	0.07
19	NG HWEE KOON	485,900	0.07
20	GAN GUAT CHING	480,000	0.07
TOTAL		656,176,131	93.10



STATISTICS OF SHAREHOLDINGS

AS AT 8 AUGUST 2018

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 8 August 2018:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
BT Investment Pte. Ltd.	371,646,150 ^(a)	52.72	—	—
Baker Technology Limited	—	—	371,646,150 ^(a)	52.72
Dr Benety Chang	—	—	371,646,150 ^(a)	52.72
Dr Doris Heng Chin Ngor	—	—	371,646,150 ^(a)	52.72
Energian Pte. Ltd.	45,379,956 ^(b)	6.44	194,380,175 ^{(b)(c)}	27.57
Falcon Energy Group Limited	—	—	239,760,131 ^(b)	34.01
Tan Pong Tyea	—	—	239,760,131 ^(b)	34.01

Notes:

- (a) Baker Technology Limited, Dr Benety Chang and Dr Doris Heng Chin Ngor are each deemed pursuant to Section 4 of the Securities and Futures Act to have an interest in the 371,646,150 Shares of the Company held by BT Investment Pte. Ltd.
- (b) Falcon Energy Group Limited and Mr Tan Pong Tyea are each deemed pursuant to Section 4 of the Securities and Futures Act to have an interest in the 239,760,131 Shares of the Company held by Energian Pte. Ltd.
- (c) 194,380,175 Shares are held in the name of CGS-CIMB Securities (Singapore) Pte. Ltd.

FREE FLOAT

Based on the information available to the Company as at 8 August 2018 and to the best knowledge of the Directors and the substantial shareholders of the Company, approximately 13.27% of the issued ordinary shares (excluding Treasury Shares) of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.



NOTICE OF ANNUAL GENERAL MEETING

CH OFFSHORE LTD

(Co. Reg. No. 197600666D)

(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of the Company will be held at Fuji Room at 137 Cecil Street, #04-01, Singapore 069537 on Friday, 21 September 2018 at 2.30 p.m. for the following purposes:

Ordinary Business:

- 1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2018 and the Auditors' Report thereon. (Resolution 1)
- 2 To approve Directors' fees of S\$180,000 for the financial year ended 30 June 2018 (FY2017: S\$143,110). (Resolution 2)
- 3 To re-elect Dr Benety Chang, being a Director who retires by rotation pursuant to Article 88 of the Constitution of the Company. (Resolution 3)
- 4 To re-elect Ms Jeanette Chang, being a Director who retires by rotation pursuant to Article 88 of the Constitution of the Company. (Resolution 4)
- 5 To re-elect Mr Heath McIntyre, being a Director who retires by rotation pursuant to Article 88 of the Constitution of the Company. (Resolution 5)
- 6 To re-elect Mr Tan Kiang Kherng, being a Director who retires by rotation pursuant to Article 88 of the Constitution of the Company. (Resolution 6)
- 7 To re-elect Mr Thia Peng Heok, George, being a Director who retires by rotation pursuant to Article 89 of the Constitution of the Company. (Resolution 7)
- 8 To note the retirement of Ms Tan Sooh Whye pursuant to Article 89 of the Constitution of the Company.
- 9 To appoint Ernst & Young LLP as the Auditors of the Company, in place of the retiring Auditors, Deloitte & Touche LLP, to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise Directors to fix their remuneration. (Resolution 8)
- 10 To transact any other business that may be transacted at an Annual General Meeting.



NOTICE OF ANNUAL GENERAL MEETING

As Special Business:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

11 “Share Issue Mandate

(Resolution 9)

That pursuant to the Company’s Constitution and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares (“Shares”) whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the share capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company’s next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.”

NOTICE OF ANNUAL GENERAL MEETING

12 “CH Offshore Employee Share Option Scheme

(Resolution 10)

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the CH Offshore Employee Share Option Scheme (“Scheme”) and pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of shares of the Company from time to time.”

13 “Renewal of Share Buyback Mandate

(Resolution 11)

That

- (a) for the purposes of the Companies Act (Chapter 50) of Singapore (“Companies Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (“Shares”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchases (“**Market Purchases**”), transacted on the Singapore Exchange Securities Trading Limited (“SGX-ST”) through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) off-market purchases (if effected otherwise than on the SGX-ST) pursuant to any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (“**Off-Market Purchase**”),

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the SGX-ST Listing Manual as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (“Share Buyback Mandate”);

- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on:
 - (i) the date on which the next Annual General Meeting of the Company (“AGM”) is held or required by law to be held;
 - (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

NOTICE OF ANNUAL GENERAL MEETING

whichever is the earliest;

(c) in this Resolution:

“Maximum Limit” means 3.26% of the total number of issued Shares (excluding any Shares which are held by the Company as treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered by the special resolution of the Company or the order of the Court, as the case may be;

“Relevant Period” means the period commencing from the date on which this Resolution is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price,

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five market days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant five market days;

“Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

NOTICE OF ANNUAL GENERAL MEETING

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Lim Mee Fun
Company Secretary
Singapore
5 September 2018

Explanatory Notes:

- Resolution 7** Mr Thia Peng Heok, George is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). He will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of Remuneration & Nominating Committees.
- Item 8** Upon retirement of Ms Tan Sooh Whye at the Annual General Meeting, she will be relinquishing her position as a member of Audit & Remuneration Committees.
- Resolution 8** Ordinary Resolution 8 relates to the appointment of Ernst & Young LLP ("EY") as the auditors of the Company, in place of the retiring auditors, Deloitte & Touche LLP ("DT"). Please refer to the Letter to Shareholders ("Letter") in relation to the Proposed Change of Auditors for further details. In accordance with the requirements of Rule 1203(5) of the Listing Manual of the SGX-ST:
- (a) the retiring auditors, DT, have confirmed in writing that they are not aware of any professional reasons why the new auditors, EY, should not accept appointment as auditors of the Company;
 - (b) the Company confirms that there were no disagreements with the retiring auditors, DT, on accounting treatments within the last 12 months of the date of this Notice of Annual General Meeting;
 - (c) the Company confirms that, save as set out in the Letter, it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of Shareholders;
 - (d) the specific reasons for the Proposed Change of Auditors are disclosed in the Letter; and
 - (e) the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of EY as the auditors of the Company.
- Resolution 9** The Ordinary Resolution 9, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
- Resolution 10** The Ordinary Resolution 10, is to authorise the Directors to offer and grant options in accordance with the provisions of the CH Offshore Employee Share Option Scheme ("Scheme") and pursuant to Section 161 of the Companies Act, Chapter 50 to allot and issue shares under the Scheme up to an amount not exceeding fifteen per cent (15%) of the total number of shares of the Company from time to time.
- Resolution 11** The Ordinary Resolution 11, if passed, will renew the Share Buyback Mandate and will authorize the Directors to purchase or otherwise acquire Shares on the terms of the Share Buyback Mandate as set out in the Letter. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition of Shares, including the amount of financing and the illustrative financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Group for the financial year ended 30 June 2018 are set out in greater detail in the Letter enclosed together with the Annual Report.



NOTICE OF ANNUAL GENERAL MEETING

Additional Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
2. Where a member (other than a Relevant Intermediary*) appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the Proxy Form, failing which, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. The Proxy Form is attached and must be deposited at the registered office of the Company at 10 Anson Road #33-15, International Plaza, Singapore 079903 not less than 48 hours before the time fixed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting.
5. A Depositor's name must appear on the Depository Register maintained by the Central Depository (Pte) Limited 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Kindly note that by attending the Annual General Meeting, the members of the Company, their proxy(ies) and/or representative(s) consent to the video-recording of the proceedings of the Annual General Meeting, for the Company's records.

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CH OFFSHORE LTD

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

FORTY-SECOND ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

- For investors who have used their CPF monies ("CPF Investors") and/or their SRS monies ("SRS Investors") to buy the Company's shares, this Annual Report FY 30 June 2018 is sent to them at the request of their CPF and/or SRS Approved Nominees (as the case may be) solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF Investors and SRS Investors may attend and cast their votes at the AGM in person. CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees (as the case may be) to appoint the Chairman of the AGM to act as their proxy, in which case, the respective CPF Investors and/or SRS Investors shall be precluded from attending the AGM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 September 2018.

*I/We _____ (Name) _____ (NRIC/Passport Number)

of _____ (Address)

being a *member/members of CH Offshore Ltd (the "Company") hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to the above, the Chairman of the Forty-Second Annual General Meeting of the Company ("AGM"), as *my/our proxy/proxies to attend and to vote for *me/us and on *my/our behalf at the AGM to be held at Fuji Room at 137 Cecil Street, #04-01, Singapore 069537 on Friday, 21 September 2018 at 2.30 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

(If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1	Adoption of Audited Financial Statements and Directors Statement		
2	Approval of Directors' Fees		
3	Re-election of Dr Benety Chang as Director		
4	Re-election of Ms Jeanette Chang as Director		
5	Re-election of Mr Heath McIntyre as Director		
6	Re-election of Mr Tan Kiang Kherng as Director		
7	Re-election of Mr Thia Peng Heok, George as Director		
8	Appointment of Ernst & Young LLP in place of Deloitte & Touche LLP as the Auditors of the Company		
	SPECIAL BUSINESS		
9	Authority to allot and issue new shares and/or convertible securities		
10	Approval of Authority to offer and grant options and to issue shares pursuant to the CH Offshore Employee Share Option Scheme		
11	Renewal of Share Buyback Mandate		

Dated this _____ day of _____ 2018

Total Number of Ordinary Shares Held	
CDP Registers	
Register of Members	

Signature(s) of *member(s) or Common Seal
of Corporate Shareholder(s)

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES ON THE REVERSE SIDE



Please affix
Postage
Stamp

The Company Secretary
CH Offshore Ltd
10 Anson Road #33-15,
International Plaza,
Singapore 079903

2nd fold here

NOTES TO PROXY FORM:

1. Please insert in the box at the bottom right hand corner of this form, the number of Shares registered in your name in the Register of Members in respect of share certificates held by you and the number of Shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"). If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
 2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member.
 3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
 4. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
 5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Annual General Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #33-15, International Plaza, Singapore 079903 not later than 48 hours before the time fixed for holding the Annual General Meeting.
 7. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may also authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
 9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.
 10. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, not properly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the Annual General Meeting as certified by the CDP to the Company.
- * A Relevant Intermediary is:
- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 September 2018.

CORPORATE DATA

BOARD OF DIRECTORS

Mr Thia Peng Heok, George (*Independent, Non-Executive Chairman*)
Mr James William Noe (*Executive Director & CEO*)
Mr Tan Pong Tyea (*Executive Director*)
Dr Benety Chang (*Non-Executive Director*)
Ms Jeanette Chang (*Non-Executive Director*)
Mr Heath McIntyre (*Non-Executive Director*)
Mr Tan Kiang Kherng (*Non-Executive Director*)
Ms Tan Sooh Whye (*Non-Executive Director*)
Mr Tan Kian Huay (*Independent, Non-Executive Director*)

AUDIT COMMITTEE

Mr Thia Peng Heok, George
(*Chairman*)
Mr Tan Kian Huay
Ms Tan Sooh Whye

REMUNERATION COMMITTEE

Mr Tan Kian Huay
(*Chairman*)
Mr Thia Peng Heok, George
Ms Tan Sooh Whye

NOMINATING COMMITTEE

Mr Thia Peng Heok, George
(*Chairman*)
Mr Tan Kian Huay
Mr Tan Pong Tyea

COMPANY SECRETARY

Ms Lim Mee Fun

REGISTERED OFFICE

10 Anson Road
#33-15 International Plaza
Singapore 079903
T: (65) 6410 9018
F: (65) 6862 2336
E: investors@choffshore.com.sg
W: www.choffshore.com.sg

AUDITORS

Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809
Partner-in-Charge: Chua How Kiat
Appointed since the financial year ended 30 June 2016

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

PRINCIPAL BANKER

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
OCBC Centre East
Singapore 049514

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CO. REG. NO. 197600666D

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