CH OFFSHORE LTD

(Co. Reg. No. 197600666D)

Unaudited 1st Half Financial Statement And Related Announcement

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

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

1(a)(i) **Statement of profit or loss and other comprehensive income for the first half ("1H1516") ended 31 December 2015**

	Group			Group		
	2nd Qtr 31/12/2015 US$'000	**2nd Qtr 31/12/2014 US$'000**	Change %	**1st Half 31/12/2015 US$'000**	**1st Half 31/12/2014 US$'000**	Change %
Revenue	**5,586**	**8,793**	(36.5)	**11,251**	**17,860**	(37.0)
Cost of sales	(1,397)	(1,253)	11.5	(2,650)	(2,724)	(2.7)
Gross profit before direct depreciation	**4,189**	**7,540**	(44.4)	**8,601**	**15,136**	(43.2)
Direct depreciation	(1,923)	(1,879)	2.3	(3,809)	(3,713)	2.6
Gross profit after direct depreciation	**2,266**	**5,661**	(60.0)	**4,792**	**11,423**	(58.0)
Other income	19	-	nm	46	15	nm
Indirect depreciation	(12)	(6)	nm	(21)	(13)	nm
Administrative expenses	(1,214)	(1,248)	(2.7)	(2,588)	(2,175)	19.0
Profit before income tax and results of associated companies	**1,059**	**4,407**	(76.0)	**2,229**	**9,250**	(75.9)
Share of results of associated companies	(12)	1,037	(101.2)	53	1,758	(97.0)
Profit before income tax	**1,047**	**5,444**	(80.8)	**2,282**	**11,008**	(79.3)
Income tax	-	-	nm	-	-	nm
Profit after income tax	**1,047**	**5,444**	(80.8)	**2,282**	**11,008**	(79.3)
Other comprehensive income:	-	-		-	-	
Total comprehensive income for the period	**1,047**	**5,444**	(80.8)	**2,282**	**11,008**	(79.3)

1(a)(ii) **Notes to the statement of profit or loss and other comprehensive income**

	Group			Group		
	US$'000		%	**US$'000**		%
	2nd Qtr 31/12/2015 US$'000	**2nd Qtr 31/12/2014 US$'000**	Change	**1st Half 31/12/2015 US$'000**	**1st Half 31/12/2014 US$'000**	Change
Miscellanous income	19	-	nm	46	15	nm

Note: "nm" means not meaningful

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

Statements of financial position as at 31 December 2015	**Group**		**Company**	
	31/12/2015	**30/6/2015**	**31/12/2015**	**30/6/2015**
	US$'000	US$'000	US$'000	US$'000
ASSETS				
Current assets				
Cash and cash equivalents	6,841	139,047	6,753	138,540
Trade receivables	6,735	4,729	2,575	3,090
Other receivables and prepayments	5,117	308	33,447	28,540
Total current assets	18,693	144,084	42,775	170,170
Non-current assets				
Subsidiary companies	-	-	8,751	8,751
Associated companies	35,750	35,901	4,986	4,986
Club membership	-	3	-	3
Fixed assets	140,304	135,249	74,124	76,109
Total non-current assets	176,054	171,153	87,861	89,849
Total assets	**194,747**	**315,237**	**130,636**	**260,019**
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	15,236	17,088	13,679	20,206
Other payables	3,000	3,000	37,422	61,741
Other payables - deferred gain	403	403	-	-
Dividend Payable	-	47,197	-	47,197
Total current liabilities	18,639	67,688	51,101	129,144
Non-current Liabilities				
Other payables - deferred gain	5,646	5,849	-	-
Total non-current liabilities	5,646	5,849	-	-
Capital and reserves				
Issued capital	55,379	55,379	55,379	55,379
Accumulated profits	115,083	186,321	24,156	75,496
Total equity	170,462	241,700	79,535	130,875
Total liabilities and equity	**194,747**	**315,237**	**130,636**	**260,019**

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

(a) Amount repayable in one year or less, or on demand	NIL
(b) Amount repayable after one year	NIL
(c) Details of any collaterals.	Not applicable.

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

Consolidated statement of cash flows

	2nd Qtr 31/12/2015	2nd Qtr 31/12/2014	1st Half 31/12/2015	1st Half 31/12/2014
	US$'000	US$'000	US$'000	US$'000
Operating activities :				
Profit before income tax and results of associated companies	1,059	4,407	2,229	9,250
Adjustments for :				
Depreciation	1,935	1,885	3,830	3,726
Interest income	(10)	(174)	(180)	(352)
Net foreign exchange (gain) loss	(249)	37	(31)	88
Operating cashflows before working capital changes	2,735	6,155	5,848	12,712
Trade receivables	(2,862)	(1,448)	(2,006)	203
Other receivables and prepayments	(4,621)	68	(4,936)	(227)
Trade payables	2,409	3,418	(1,852)	988
Cash generated from operations	(2,339)	8,193	(2,946)	13,676
Interest received	101	154	306	304
Net cash (used) from operating activities	(2,238)	8,347	(2,640)	13,980
Investing activities :				
Proceeds on disposal of fixed assets	-	-	6	-
Purchase of fixed assets	(2,835)	(1,376)	(8,890)	(2,000)
Repayment by an associated company	-	98	-	98
Proceeds on club membership	-	-	3	-
Net cash used in investing activities	(2,835)	(1,278)	(8,881)	(1,902)
Financing activities :				
Dividends paid	(73,520)	(22,451)	(120,661)	(22,451)
Net cash used in financing activities	(73,520)	(22,451)	(120,661)	(22,451)
Net decrease in cash and cash equivalents	(78,593)	(15,382)	(132,182)	(10,373)
Cash and cash equivalents at the beginning of the period	83,476	84,911	139,047	79,949
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,958	(59)	(24)	(106)
Cash and cash equivalents at half year ended 31 December	6,841	69,470	6,841	69,470

1 (d)(i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Statement of changes in equity

	Issued capital	Accumulated profits	Total
GROUP	**US$'000**	**US$'000**	**US$'000**
2nd QUARTER ENDED 31 DECEMBER 2014			
Balance at 1 October 2014	55,379	190,166	245,545
Profit for the period representing total comprehensive income for the period	-	5,444	5,444
Payment of dividends	-	(22,451)	(22,451)
Balance at 31 December 2014	55,379	173,159	228,538
2nd QUARTER ENDED 31 DECEMBER 2015			
Balance at 1 October 2015	55,379	114,036	169,415
Profit for the period representing total comprehensive income for the period	-	1,047	1,047
Balance at 31 December 2015	55,379	115,083	170,462

	Issued capital	Accumulated profits	Total
COMPANY	**US$'000**	**US$'000**	**US$'000**
2nd QUARTER ENDED 31 DECEMBER 2014			
Balance at 1 October 2014	55,379	85,925	141,304
Profit for the period representing total comprehensive income for the period	-	2,137	2,137
Payment of dividends	-	(22,451)	(22,451)
Balance at 31 December 2014	55,379	65,611	120,990
2nd QUARTER ENDED 31 DECEMBER 2015			
Balance at 1 October 2015	55,379	3,040	58,419
Profit for the period representing total comprehensive income for the period	-	21,116	21,116
Balance at 31 December 2015	55,379	24,156	79,535

	Issued capital	Accumulated profits	Total
GROUP	**US$'000**	**US$'000**	**US$'000**
1st HALF ENDED 31 DECEMBER 2014			
Balance at 1 July 2014	55,379	184,602	239,981
Profit for the period representing total comprehensive income for the period	-	11,008	11,008
Payment of dividends	-	(22,451)	(22,451)
Balance at 31 December 2014	55,379	173,159	228,538
1st HALF ENDED 31 DECEMBER 2015			
Balance at 1 July 2015	55,379	186,321	241,700
Profit for the period representing total comprehensive income for the period	-	2,282	2,282
Payment of dividends	-	(73,520)	(73,520)
Balance at 31 December 2015	55,379	115,083	170,462

	Issued capital	Accumulated profits	Total
COMPANY	**US$'000**	**US$'000**	**US$'000**
1st HALF ENDED 31 DECEMBER 2014			
Balance at 1 July 2014	55,379	82,880	138,259
Profit for the period representing total comprehensive income for the period	-	5,182	5,182
Payment of dividends	-	(22,451)	(22,451)
Balance at 31 December 2014	55,379	65,611	120,990
1st HALF ENDED 31 DECEMBER 2015			
Balance at 1 July 2015	55,379	75,496	130,875
Profit for the period representing total comprehensive income for the period	-	22,180	22,180
Payment of dividends	-	(73,520)	(73,520)
Balance at 31 December 2015	55,379	24,156	79,535

1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

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

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

1(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 December 2015 and 30 June 2015, the total number of issued shares excluding treasury shares was 705,090,514.

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

Not applicable.

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

Not applicable.

3 **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

4 **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared with the most recently audited financial statements for the year ended 30 June 2015 except as disclosed in paragraph 5 below.

5 **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

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

6 **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share for the year based on profit attributable to shareholders:		Group	
		1st Half ended 31 December	
		2015	**2014**
(i) Based on weighted average number of ordinary shares on issue	**US cents**	0.32	1.56
(ii) On a fully diluted basis	**US cents**	0.32	1.56

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

	Group	
	1st Half ended 31 December	
	2015	**2014**
Net profit attributable to members (US$'000)	2,282	11,008
Weighted average number of ordinary shares on issue	705,090,514	705,090,514

Note to item 6 (ii)

Group basic earnings per share was the same as the fully diluted earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 31 December 2015 and 31 December 2014.

7 **Net asset value (for the issuer and the group) per ordinary share based on issued share capital of the issuer at the end of the:- (a) current financial period reported on; and (b) immediately preceding financial year**

		Group		Company	
		31/12/2015	30/6/2015	31/12/2015	30/6/2015
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	**US cents**	24.18	34.28	11.28	18.56

8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

(a) 1st Half ended 31 December 2015 ("1H1516") vs 1st Half ended 31 December 2014 ("1H1415")

The Group recorded 1H1516 profit after income tax of US$2.282 million. This was 79.3% lower than 1H1415 profit after income tax of US$11.008 million.

Revenue

The market remained challenging in 1H1516 as low oil prices continue to drive down demand and charter rate. Revenue decreased 37% to US$11.251 million from US$17.860 million. 2 vessels were on short term jobs and 2 other vessels underwent compulsory major overhaul in 1H1516.

Cost of Sales

During 1H1516, operating costs were lower by 2.7%. This resulted in cost of sales to decrease from US$2.724 million to US$2.65 million. Gross profit margins before direct depreciation were 76.4% in 1H1516 and 84.7% in 1H1415. Direct depreciation for 1H1516 was slightly higher than 1H1415 by 2.6%.

Administrative Expenses

Administrative expenses increased 19% to US$2.588 million in 1H1516 mainly due to the restructuring and integration exercise that took place after the takeover of the Group by Energian Pte Ltd, a 100%-owned subsidiary of Falcon Energy Group Limited ("FEG"). This takeover resulted in the increased in headcount as well as redundancy payouts during 1H1516. As part of the integration plan, the Group moved to its new office in September 2015. The previous rental agreement would only expire end of 2016, resulting in higher rental expense in the interim period.

Share of Results of Associated Companies

Likewise, the associates' vessels were not spared by the current challenging OSV market. Utilisation were lowered with 2 vessels undergoing compulsory major overall in 1H1516 and another vessel only being able to secure intermittent spot jobs. Charter rates were also reduced. As a result, share of results of associated companies dipped 97% to US$53,000 from US$1.758 million for 1H1516.

Profit after Income Tax

Significantly lower revenue generated, weak profit contributions from its associates, combined with higher administrative expenses had resulted in a 79.3% drop in 1H1516 profit after income tax of US$2.282 million from US$11.008 million, compared to previous corresponding period.

(b) 2nd Quarter ended 31 December 2015 ("2Q1516") vs 2nd Quarter ended 31 December 2014 ("2Q1415")

The Group recorded a profit after income tax of US$1.047 million in 2Q1516. This was 80.8% lower than 2Q1415 profit after income tax of US$5.444 million.

Revenue

Lower vessels' utilization and charter rate reduction contributed to the 36.5% decline in 2Q1516 Group revenue of US$5.586 million compared to 2Q1415 Group revenue of US$8.793 million. A vessel was off-hired for mandatory overhaul and another 2 vessels only managed to secure intermittent spot jobs in 2Q1516.

Cost of Sales

Cost of sales rose 11.5% to US$1.397 million from US$1.253 million. Direct depreciation has increased marginally with the acquisition of a vessel in Oct 15. 2Q1516 gross profit after direct depreciation was reduced to 40.6% from 64.4% earned in 2Q1415 .

Share of Results of Associated Companies

Similarly, lower vessels' utilization and charter rate reduction resulted in 2Q1516 share of results of associated companies declining 101.2% from US$1.037 million in 2Q1415. One of the client had negotiated for a charter rate reduction for one of the vessels to be dated from 15 July 2015. The two vessels that went through compulsory major overhaul were only back on hire in end-October 2015 and beginning-November 2015 respectively.

FINANCIAL POSITION

As at 31 December 2015, the financial position of the Group remained positive despite a weak 1st half performance.

Cash and cash equivalents decreased by US$132.206 million to US$6.841M. This was mainly due to dividend payout of US$120.661 million in 1H1516. The Group also made a partial payment of US$6M for the purchase of a vessel from FEG's group. Cash was further reduced by the placement of security deposit with the Court amounting US$4.657 million to secure the release of one of the Group's vessel that was arrested in Africa. The vessel was arrested due to dispute with 3 charter parties regarding some commission payments. The dispute is currently under litigation and the vessel has been released from arrest. The said deposit also explained the increase in other receivables and prepayments balance. The lower cash generated from operations also contributed to the lower cash and cash equivalent balance.

Trade receivable increased US$2.006m to US$6.735 million mainly due to higher amount due from related parties, driven by increasing business activities with the related parties from 2Q1516.

Trade payable decreased by 10.8% from US$17.088 million to US$15.236 million with the completion of the vessels' mandatory major overhaul and the paydown of the expenses.

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

Not applicable.

10 **A commentary at the date of this announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

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

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

11 **Dividend**

Any dividend declared for the financial period reported on?

(a) Present Period **Yes**

Name of Dividend	Ordinary one-tier tax exempt
Dividend Type	Cash
Dividend rate (SGD cents per share)	2.5

(b) Previous Corresponding Period **No**

(c) Date payable

19 February 2016

(d) Books closure date

11 February 2016

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

n.a.

13 **Interested Person Transactions**

The Company has not obtained a general mandate from shareholders for Interested Person Transactions.

	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	(US$'000)	(US$'000)
Falcon Energy Group of Companies	7,953	0

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

The Board of Directors of the Company hereby confirm to the best of their knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first half ended 31 December 2015 to be false or misleading in any material respect.

BY ORDER OF THE BOARD
Lim Mee Fun
Company Secretary
1 February 2016