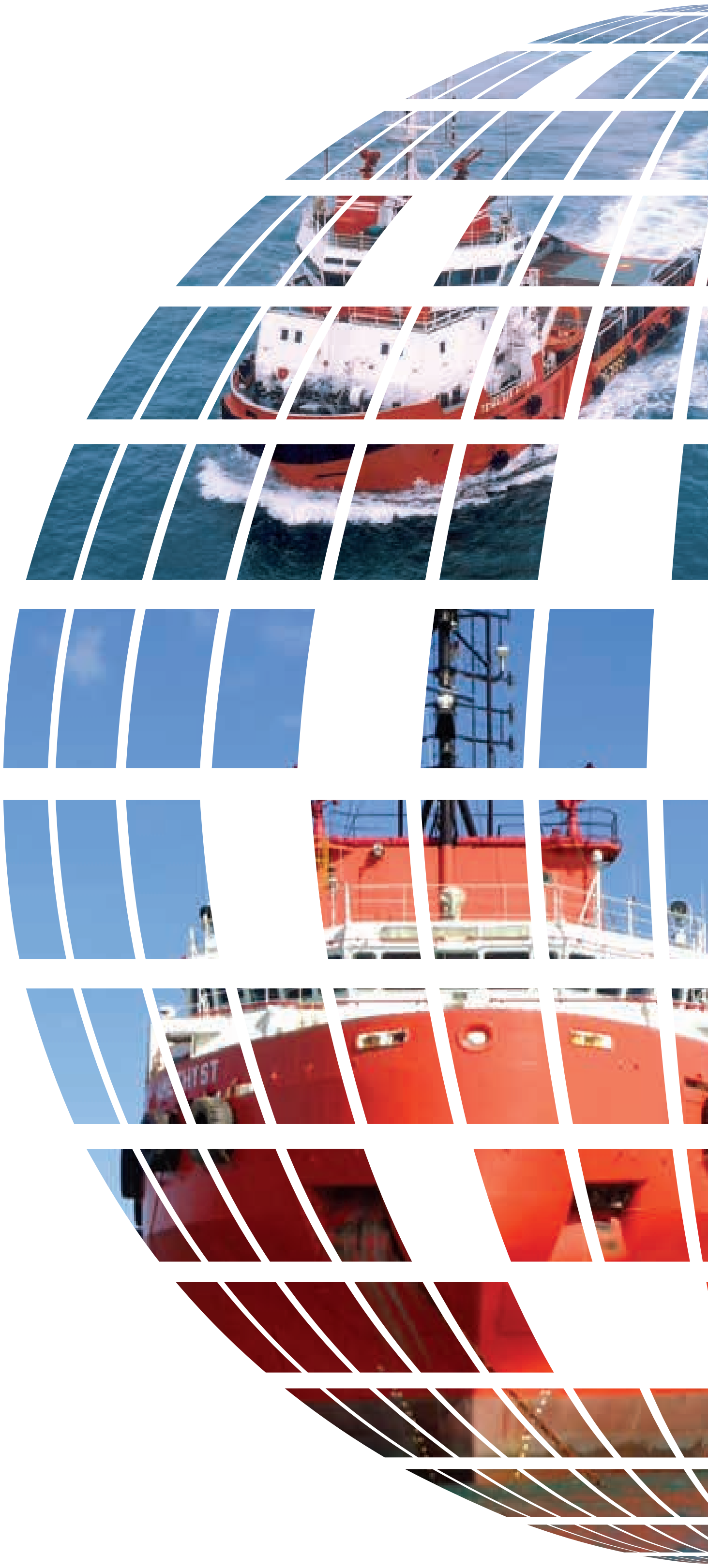
ANNUAL REPORT 2017

CONSOLIDATION FOR FUTURE GROWTH

CONTENTS



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.

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.

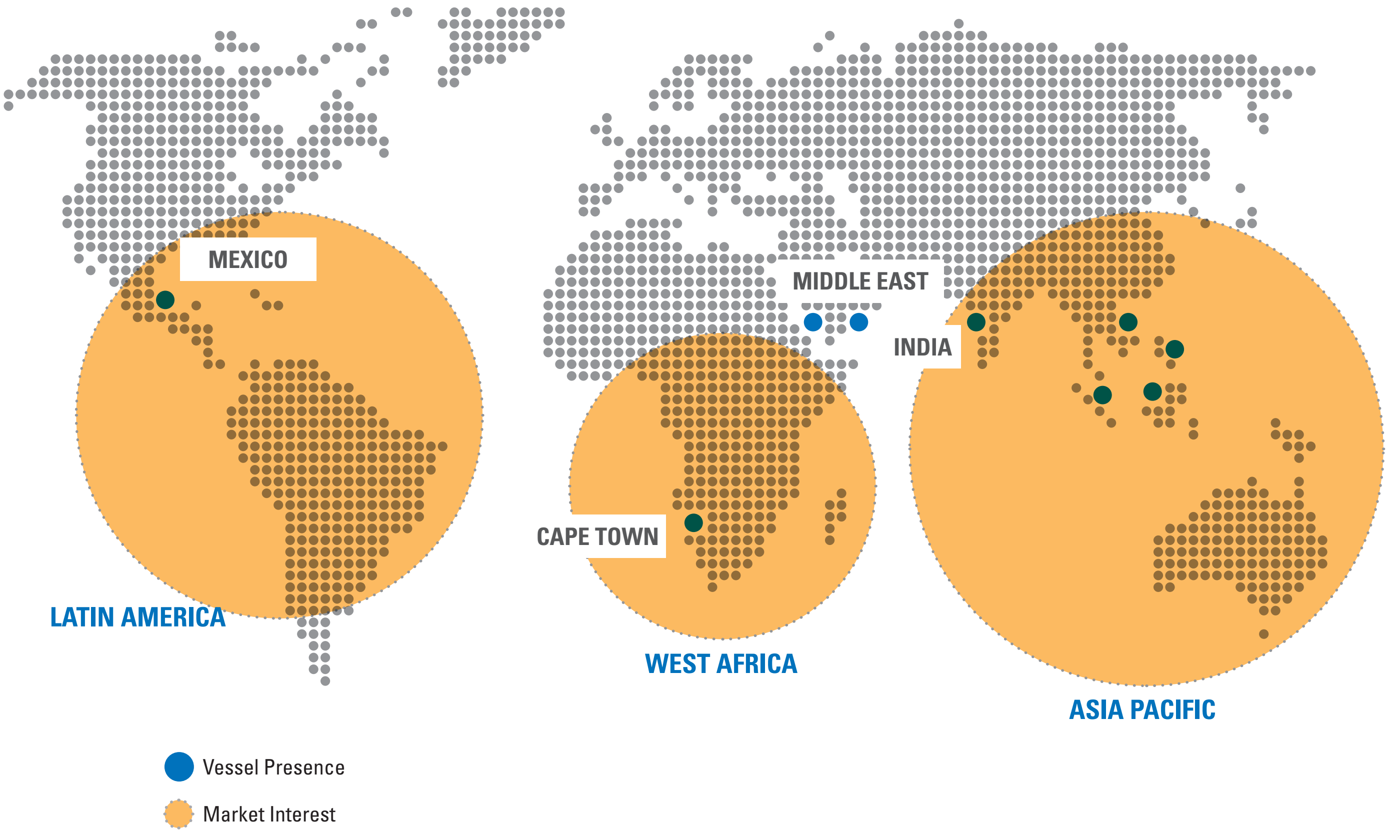
In October 2005, Scomi Marine Berhad (formerly Habib Corporation Berhad), a public listed company on the Bursa Malaysia, acquired a 29.07% stake in CHO from Chuan Hup Holdings Limited. On 28 April 2010, Scomi Marine Berhad sold its entire 29.07% stake in CHO to Energian Pte Ltd, a wholly-owned subsidiary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

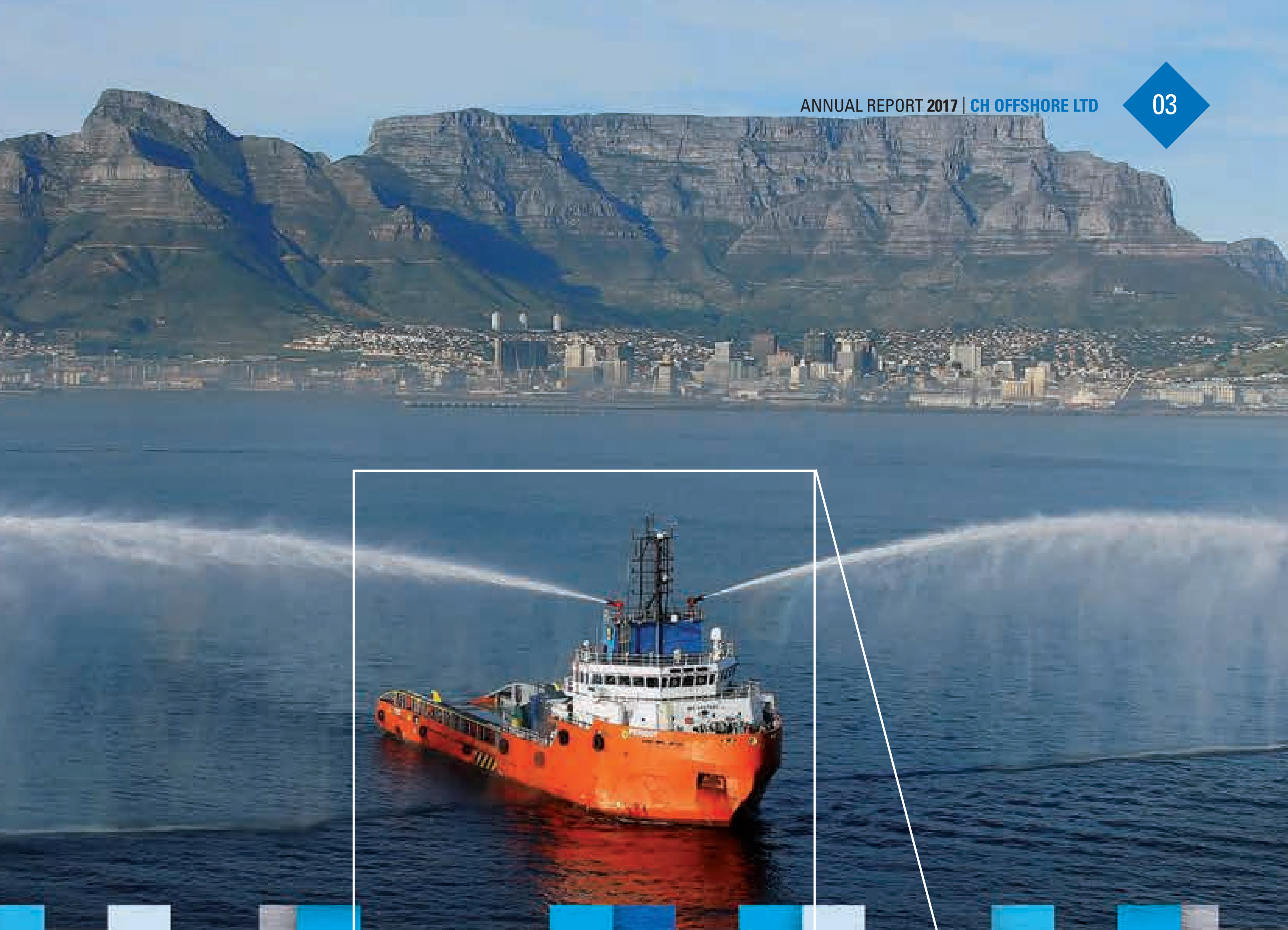
February 2015 marked another significant milestone in CHO's history when with the successful conclusion of Voluntary Unconditional Cash Offer, FEG through its wholly-owned subsidiary Energian Pte Ltd acquired 86.71% stake in CHO and it became a subsidiary of FEG.

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.

Currently, CHO operates fifteen AHTS vessels and one OSV vessel. Nine of which are wholly owned AHTS vessels with an average age of ten years old as at 30 June 2017. 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.





GOING FORWARD WITH STRATEGIC PRIORITIES

We have transformed our organization and created a sustainable cost structure that can deliver world class marine services even in challenging market. We have simplified our management structure to ensure critical decisions are made with pace without jeopardizing the appropriate oversight to ensure our operations are performed safely and effectively. To ensure our people are prepared for the ultimate recovery in the industry, we have launched programmes for training and development. Our aim is to ensure that we can deliver high quality marine services in any business environment in a sustainable way.

EXECUTIVE CHAIRMAN'S MESSAGE

"THE GROUP WILL CONTINUALLY EXPLORE WAYS TO RESPOND AND ADAPT TO THE EVER CHANGING DYNAMICS IN THE OIL AND GAS INDUSTRY BY BEING FLEXIBLE, LEAN AND PRUDENT IN OUR WORKING CAPITAL MANAGEMENT. IT IS WITH THIS STRATEGY THAT WE WILL BE ABLE TO ACHIEVE SUSTAINABLE LONG TERM GROWTH."

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 2017.

The offshore and marine sector remained under tremendous pressure in FY2017. The prolonged slump in the crude oil price has resulted in many offshore projects being delayed or cancelled as investment in offshore oil exploration and production activities were cut back. This in turn triggered a slump in offshore oilfield support services. Consequently, the offshore support vessel ("OSV") industry is inundated with overcapacity issues and facing downward pressure on vessel utilisation and charter rates as vessel owners and operators contend with fierce market competition.

Throughout the prolonged downturn in the oil & gas (O&G) industry, the Group has stayed focus on implementing our strategic priorities through a series of cost rationalisation and business streamlining initiatives 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, one in Africa, three vessels in Middle East and two in Mexico. We have managed to maintain an average utilization rate of 63% in FY2017 despite of the market challenges.

FINANCIAL REVIEW

Lower vessel charter rates and utilisation were largely the reason behind the 34% fall in the group revenue to US$16.4 million for the financial year ended 30 June 2017.

The Group responded to the harsh charter market environment by reining in on operating expenditure. Thorough review on our vessel operating costs, labour and administrative expenses were done and effective measures were taken to minimise costs in these key areas. These measures had resulted in 18% reduction in operating expenditure to US$4.9 million and 13% reduction in general and administrative expenditure to US$4.6 million as compared to the previous financial year.

Apart from cost-cutting measures, the Group also adopted a prudent approach in provisions and made impairment charges totalling US$33.5 million, of which US$31.1 million was for its directly owned fleet and US$2.4 million was for doubtful debt. In addition, the Group shared an impairment charge on jointly-owned vessels amounting to US$5.2 million. These charges resulted in the Group's net loss of US$40.1 million against the previous financial year's net profit of US$5.6 million. The Group's net asset value also decreased from US$161.3 million as at 30 June 2016 to US$121.2 million as at 30 June 2017. The Group's net asset value per ordinary share decreased from 22.88 US cents per share to 17.20 US cents per share.

During the financial year, the group took steps to increase its long-term borrowing by tapping on the Spring Singapore's Bridging Loan financial support scheme while reducing its short-term borrowing. The Group's liquidity remained healthy with a current ratio of 2.3, and gearing remains low with a long-term borrowings of US$3.6 million and a short-term borrowing to fund working capital of US$5.4 million.

OUTLOOK AND PROSPECTS

The oil and gas sector faces more uncertainty in the year ahead. As a result of the late 2016 agreement among the Organization of the Petroleum Exporting Countries ("OPEC") to cut oil production, crude oil prices increased during FY 2016 from the historical lows experienced in the last several years. However, the increase in the production of oil from shale deposits on land in the United States together with weaker than expected demand for oil is creating an uncertain horizon for the continued strength or increase in oil prices. The ease with which shale oil well can be revived for production when prices rise add to the clouded outlook for oil prices in the year ahead. Any rebound in the offshore and marine market is also handicapped by the fact that offshore oil and gas projects now must compete for capital with lower-cost onshore projects.

EXECUTIVE CHAIRMAN'S MESSAGE

Despite the uncertainty ahead, there are indications that the worst may be over. Crude oil price have likely seen their low for the current cycle. With the rebalancing of costs across the offshore oil and gas industry, new offshore oil and gas development is becoming profitable again, even at current oil prices. In short, the seeds of the ultimate recovery in the sector have been planted.

Despite the challenging environment, we have performed admirably over the last several fiscal years. We have maintained our excellent track record of generating a profit over the last few years. Our fleet utilization rate has remained in the 60s percentage range, much higher than the industry average. Additionally, we benefit from a mix between time charters and more stable, long-term bareboat charters.

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 deckspace and enjoy the horse-power required to serve the newer jackup drilling rigs. 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 Southeast Asia.

We serve an economically fast-growing region with several countries with huge populations and 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. 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 not 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 cost, 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 makes good business sense for our shareholders, our employees and our stakeholders. As a result, we are delighted to inform all stakeholders that the Group will start reporting on our sustainable practices and efforts in the annual report from this financial year onwards.

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 FY2017, 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.

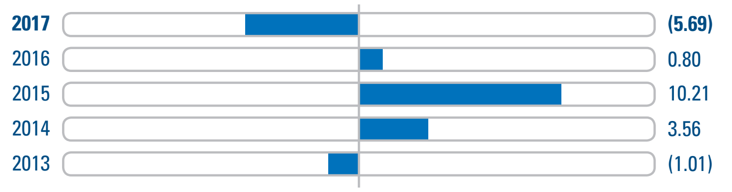
Mr Tan Pong Tyea
Executive Chairman
21 August 2017

FIVE-YEAR GROUP FINANCIAL STATISTICS

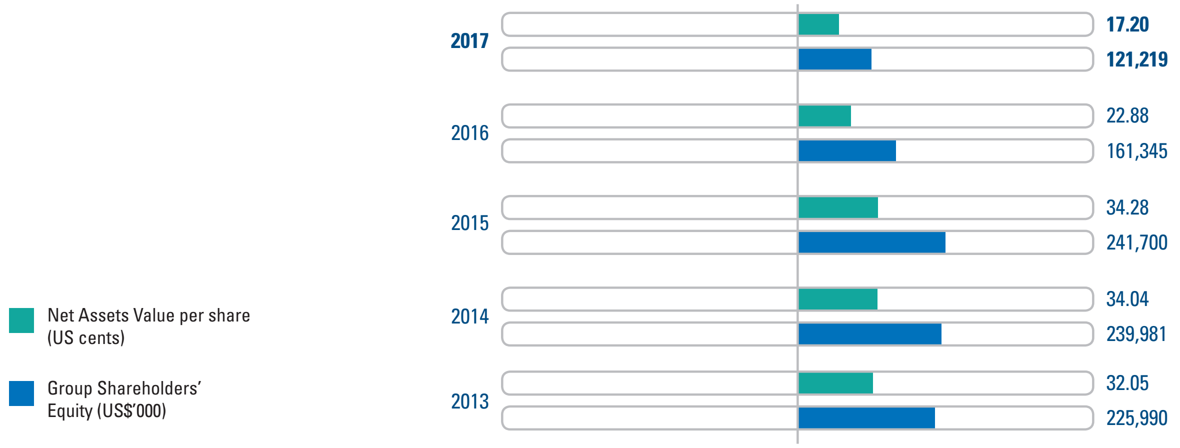
	FY2017 US$'000	FY2016 US$'000	FY2015 US$'000	FY2014 US$'000	FY2013 US$'000
STATEMENTS OF COMPREHENSIVE INCOME					
REVENUE	**16,405**	24,725	31,818	35,137	47,819
Gross profit after direct depreciation	**4,040**	10,998	19,112	23,315	32,525
Profit (Loss) before income tax	**(40,836)**	10,215	71,988	25,051	(7,080)
Profit (Loss) after income tax	**(40,080)**	5,626	71,988	25,081	(7,108)
Gross profit margin	**24.6%**	44.5%	60.1%	66.4%	68.0%
Profit (Loss) before income tax margin	**(248.9%)**	41.3%	226.2%	71.3%	(14.8%)
Profit (Loss) after income tax margin	**(244.3%)**	22.8%	226.2%	71.4%	(14.9%)
STATEMENTS OF FINANCIAL POSITION					
Current assets	**22,919**	19,110	144,084	87,673	72,740
Non-current assets	**123,646**	168,838	171,153	170,944	173,112
Total assets	**146,565**	187,948	315,237	258,617	245,852
Current liabilities	**9,839**	13,568	64,688	9,384	10,207
Non-current liabilities	**15,507**	13,035	8,849	9,252	9,655
Total liabilities	**25,346**	26,603	73,537	18,636	19,862
Net current assets	**13,080**	5,542	79,396	78,289	62,533
Shareholders' equity	**121,219**	161,345	241,700	239,981	225,990
PER SHARE DATA					
Earnings Per Share (US cents):					
Basic	**(5.69)**	0.80	10.21	3.56	(1.01)
Fully Diluted	**(5.69)**	0.80	10.21	3.56	(1.01)
Dividends Per Share (SGD cents)	**0.00**	2.5	23.5	4.50	1.50
Net Assets Value Per Share (US cents)	**17.20**	22.88	34.28	34.04	32.05

FIVE-YEAR GROUP FINANCIAL CHARTS

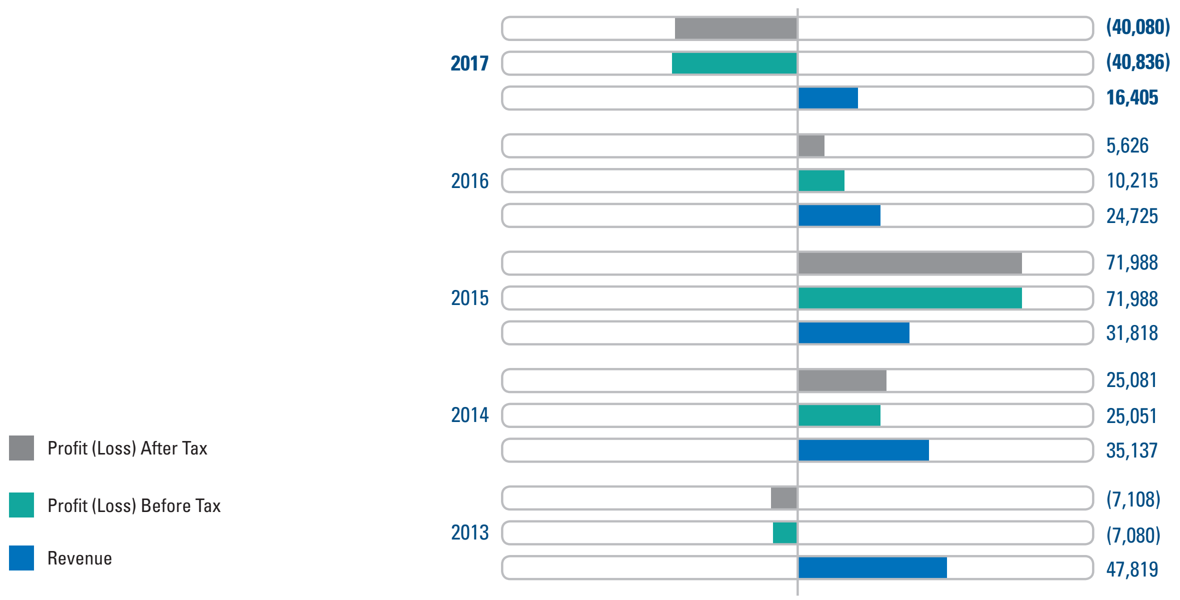
EARNINGS PER SHARE
(US CENTS)



GROUP SHAREHOLDERS' EQUITY AND NET ASSETS VALUE PER SHARE



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



REVIEW OF RESULTS

REVENUE **FY2017**
US**$16.4**MILLION

GROSS PROFIT **FY2017**
US**$4**MILLION

REVENUE **FY2016**
US**$24.7**MILLION

GROSS PROFIT **FY2016**
US**$11**MILLION

Challenging operating conditions persisted in the offshore oil and gas (O&G) sector for the financial year ended 30 June 2017 (FY2017).

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

The Group registered revenue of approximately US$16.4 million in FY2017, which represented a decrease of 34% or US$8.3 million when compared to group revenue of US$24.7 million in FY2016. The decrease was driven by lower vessel charter rates and utilisation amid the challenging market conditions. The Group achieved a utilisation rate of 73% for its own vessels in FY2017.

Gross Profit

Gross profit margin after depreciation decreased from US$11 million in FY2016 to US$4 million in FY2017, representing a 63% decline year-on-year. This was due mainly to significantly lower charter rates achieved for new replacement contracts, which was partially cushioned by the group's proactive management of operating costs. Operating costs declined 18% year-on-year to US$4.9 million.

Other Income

The Group recorded other income of US$0.3 million in FY2017, 96% lower than the other income recorded in FY2016. Other income in FY2016 comprised mainly of the reversal of prior years' foreign tax provision of US$5.2 million and the reversal of commission fee payable of US$3.7 million, which is related to the claim settlement in FY2015.

Other Expense

With the Group adopting a prudent approach in doubtful debt and vessel impairment assessment, a doubtful debt provision of US$2.4 million and vessel impairment charge of US$31.1 million charges were recorded in FY2017. This resulted in a net increase in other expense by US$30.9 million as compared to FY2016. Other expense in FY2016 comprised of an allowance for doubtful debts of US$1.3 million and a vessel impairment charge of US$1.0 million.

Administrative Expense

Administrative expenses, which comprise largely of staff and office related expenses, decreased by US$0.7 million to US$4.6 million in FY2017 from US$5.3 million in FY2016. 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$6.9 million for FY2017, against a share of losses of US$2.0 million in FY2016. The losses widened as compared to prior year due the recognition of impairment expenses on the jointly owned vessels. The Group's share of impairment expenses amounted to US$5.2 million.

Profit before Taxes

As a result of these exceptional impairment and doubtful expenses, the group recorded a net loss attributable to owners of the Company of US$40.8 million in FY2017. Excluding exceptional expenses and income tax, the group recorded an operating loss of US$2.1 million in FY2017.

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$161.3 million as at 30 June 2016 to US$121.2 million as at 30 June 2017. Net Asset Value per ordinary share decreased from 22.88 US cents per ordinary share as at 30 June 2016 to 17.20 US cents per ordinary share as at 30 June 2017.

As at 30 June 2017, the Group's non-current assets which comprised of the Group's vessels and its investment in associates decreased US$45.2 million or 27% as compared to the end of last financial year. The decreased was mainly due to recognition of impairment charges of both the Group's owned and co-owned vessels after an in-depth evaluation of the carrying value of the vessels.

Trade and other receivables increased by US$8.8 million to US$18.0 million as compared to US$9.2 million as at 30 June 2016. The increase was largely due to US$4.3 million loan granted to ultimate parent company and increase in amount due from associates and related parties by US$1.9 million. The Group also faced increasing pressure from clients to grant longer credit term.

The Group's total current and non-current loan and borrowings include term loan and credit line. Short-term loans and borrowing as at 30 June 2017 decreased US$2.0 million as compared to 30 June 2016 due to partial repayment of short-term credit line. The Group had during the year, took steps to increase its long-term borrowings by tapping on the Spring Singapore's Bridging Loan financial support scheme, which explained the increase in long-term loan by US$3.6 million.

The Group's liquidity remained healthy with a current ratio of 2.3, and gearing remains low with a long-term borrowing of US$3.6 million and a short-term borrowing to fund working capital of US$5.4 million.

Consolidated Statement of Cash Flows

The Group generated a negative operating cash flow of US$6.0 million during the financial year mainly due to US$4.3 million loan granted to ultimate holding company and increase in amount due from associates and related parties by US$1.9 million.

The net cash outflow of US$0.7 million from investing activities relates to dry docking expenditure incurred on a vessel.

The net cash inflow of US$1.7 million from financing activities was due to net increase in borrowings during the year.

CORPORATE STRUCTURE

SUSTAINABILITY REPORT

SUSTAINABILITY – THE *CHO* WAY

Approach and governance

CH Offshore is rooted in our core values of Passion, Respect, Integrity & Honesty, Monetary Discipline and Excellence (PRIME) and driven by our "do no harm" corporate philosophy.

- Do no harm to ourselves as human
- Do no harm to those involved and affected by our operations
- Do no harm to the assets involved and affected by our operations
- Do no harm to the environment in which we work
- Do no harm to our relations with clients, subcontractors, customers, stakeholders and those affected by our operations

Our vision, mission, values and philosophy underpin our commitment to sustainability. In the past we have managed our sustainability risks and opportunities through our Enterprise Risk Management (ERM) framework and various policies and procedures on quality, health and safety, environment, human resources, procurement etc.

Following the release of the SGX guidelines, our team at CHO have been working hard to build on our existing sustainability efforts and streamlining our sustainability strategy to ensure that we are responsible in every aspect of business that we do.

SUSTAINABILITY REPORT

The general strategic sustainability direction for CHO is set out by our Board of Directors, in consultation with the key stakeholders, which are mainly our employees, shareholders, suppliers and customers. We have formed an Enterprise Risk Management & Sustainability Committee which reports on matters of sustainability to the board and is supported by operational managers in the respective areas of business. As part of the committee, we have identified key personnel to drive the sustainability agenda in the following areas:

Economic: Executive Chairman and Chief Executive Officer

Environmental: Chief Executive Officer and Quality, Health, Safety, Security and Environment (QHSSE) 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.

Supply Chain Management

Within the group, CHO Ship Management Pte Ltd. is the ship manager for all of CHO's fleet of Vessels. It has a group of competent and reliable technical & operations staff to ensure all vessels under management are well-maintained and equipped to operate in a safe environment. However, we recognise that the Group's operations are highly dependent on a reliable supply chain. The Group has a robust policy governing supplier selection, and suppliers are selected for their known capability and financial stability in order to meet CHO's requirements.

CHO Ship Management Pte Ltd. is very careful in the way it manages its suppliers, and will not have or appear to have any favoured suppliers. For all purchases greater than US$1,000.00, competitive sourcing is initiated except in instances of direct purchase from manufacturers, recognised agency, sole agent and/or authorised dealers. All regular suppliers are reviewed for their fit and ability on a yearly basis.

Stakeholder Engagement

CHO Group stakeholders include shareholders, financiers, employees, customers, partners, suppliers and local community. 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 • Quarterly QHSSE newsletter • Town halls • Weekly or monthly staff meeting • Training	• Vision, strategy & directions • Innovation • Productivity • Collaboration • Staff welfare & benefit • Training & development	• We remain committed to attracting top talent and investing in the development of our people. We adopt merit-based recruitment practices and emphasise diversity and 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

SUSTAINABILITY REPORT

Stakeholder	Method and Frequency of Engagement	Topics of Concern	Our Response
Shareholders and Financiers	• Annual Report • Annual General Meeting • SGX Announcements • Regular engagement with shareholders	• Business strategy and direction economic performance • 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 and our financiers with information in our quarterly SGX announcement and annual report
Clients and Business Partners	• Annual customers' satisfaction surveys • Feedback channels such as email communications, phone calls and teleconferences • 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 and cost effective marine services • We strive to achieve continuous improvements to better serve our customers
Suppliers & Contractors	• Perform assessment and continuous monitoring of key contractors • Regular meetings, teleconference, email communications • HSE Questionnaire for key contractors	• Product and service quality and suitability • CHO's compliance with its Procurement Policy • QHSSE Excellence	• Strong, effective and reliable relationships with our suppliers are crucial to our marine operations • It is essential to ensure timely delivery of goods and services, better credit term, and lower costs
Government and Regulators	• Written and verbal communication • Industry networking functions	• Compliance with rules and regulations • Sharing of industry best practice	• Governments shape the operating environments. Political factors, policies and regulation can affect how business are run and also create opportunities for companies • We track topics of concern to government and regulators to ensure that we are equipped to meet government requirements wherever we operate

SUSTAINABILITY REPORT

Stakeholder	Method and Frequency of Engagement	Topics of Concern	Our Response
Local communities	• Meetings • Community outreach initiatives	• Volunteer programmes • Community Investment • Clean environment	• It is our corporate responsibility to contribute towards the well-being of the communities in which we operate • We currently operate under an Environmental Management System (EMS) that meets the requirements of ISO 14001 • We strive to reduce our carbon footprints and impact on the environment • We engage with community leaders and non-profit organizations to reach out and render support to those in needs

Materiality Assessment

The Board has been fully involved in the identification and prioritisation of material topics and has provided resources to manage the governance of sustainability within CHO. To this extent, the report has been prepared in accordance with the GRI Standards: Core option.

We conducted a high-level benchmarking exercise on a universe of topics to short-list the key topics where our company creates significant economic, environmental and social impacts. We took into consideration the material topics and future challenges of our industry as identified by our peers and competitors. This included relevant laws, regulations and international agreements of strategic significant to our Group.

We have taken into consideration the main topic and future challenges of our industry as identified by peers and competitors; laws, regulations and international agreements of strategic significance to our Group; engaged with our employees and key suppliers to seek their feedback on these topics and validated the results with management and board to arrive to our list of material topics and their impact boundaries. In future, we may also consider engaging our other 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 fuel consumption	• Energy	Vessel operations
• Waste disposal and management	• Effluents and waste	Vessel operations
• Legal and regulatory compliance	• Environmental compliance	Vessel operations
Social		
• Diversity and equal opportunity	• Diversity and equal opportunity	All employees including vessel crew
• Talent attraction and retention	• Employment	All employees including vessel crew
• Training and education	• Training and education	All employees including vessel crew
• Occupational health and safety	• Occupational health and safety	Vessel crew and corporate office
Governance/Economic		
• Ethics and anti-corruption	• Anti-corruption	Corporate office and vessel operations
• Emergency preparedness, risk and crisis management	• Non-GRI	Vessel operations

SUSTAINABILITY REPORT

OUR ENVIRONMENT

The Paris Agreement; announcement of carbon tax and hike in water prices in Singapore and; increasing regulations around ballast water management have been some of the key steps taken in the recent past to mitigate global environmental risks. We are committed to supporting these national and global initiatives by playing our role towards creating a cleaner and sustainable planet.

Within the group, CHO Ship Management Pte Ltd. is the ship manager for all of CHO's fleet of Vessels. It has a group of competent and reliable technical & operations staff to ensure all vessels under management are well-maintained and equipped to operate in a safe environment. 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 Fuel Consumption

There are 2 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 also drive significant cost savings and impact our economic performance.

For fuel efficiency, we operate according to the Ship Energy Efficiency Management Plan (SEEMP). 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

Going forward, we are planning on conducting an analyses of fuel consumption and come out with recommendations for fuel conservation on standby mode, towing mode, sailing mode and cargo transfer mode.

Waste Disposal and Management

International Oil Pollution Prevention (IOPP)

With the International Maritime Organisation's (IMO) Ballast Water Management (BWM) Convention to enter force this year, it becomes even more important for us to manage this area of our operations. Currently, we use oily water separators (OWS) to ensure that the water discharged into the sea has hydrocarbon percentage of less than 15 ppm and are already in compliance with the basic level (D1) of the upcoming BWM requirement. We plan to achieve the next level of standard (D2) over the next five years.

Waste Management

CHO believes and practices the '**reduce, reuse and recycle**' philosophy with regards to waste management. On board, we have been actively monitoring 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.

SUSTAINABILITY REPORT

Other Resources

Our consumption of water and paper have both not been identified as material topics this year as our consumption of such resources is not high. That said, we are still committed to ensuring that we manage our resource consumption well. For instance, we had met our 5% target reduction in paper consumption for FY2017, and have also started to track our water consumption this financial year. Over the next year, we will explore even more ways to improve resource efficiency.

Environmental Compliance

Given the nature of our business of shipping oil and gas, CHO takes extra care to ensure that there are no spills or incidents which may result in us getting on the wrong side of the law, such as the Prevention of Pollution of the Sea Act. 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.

Summary of Environmental Performance and Targets

Material Topics		Performance	Targets
Energy Consumption			
302-1	Energy consumption within the organization[1]		• Analyse fuel consumption and propose recommendations for fuel conservation by FY2018
	Total fuel consumption (vessels only)[2]	450,519 GJ	
	Total electricity consumption (vessels only)[3]	5,032 GJ	
	Total electricity consumption (office only)[4]	205 GJ	
	Total energy consumption[5]	455,756 GJ	
Waste Disposal and Management			
306-2	Amount of waste disposed by type[6]		• To maintain zero port state detention with regards to waste disposal and management
	Hazardous (plastic and dirty oil)	$309.6m^3$	
	Non-hazardous (food, cloth, paper, wood and scrap metal)	$795.2m^3$	
306-1	Water discharge by quality and destination	We are in compliance with D1 level of the BWM Convention	• Achieve D2 level of compliance with the BWM convention over the next 5 years • Ensure compliance of every vessel to IMO Ballast Water Management Convention by FY2018
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	No incidents	• Continue to maintain a no incidents record in FY2018

[1] All energy consumption within the organisation are from non-renewable sources
[2] Standard conversion factor of 1m3 = 32.2GJ extracted from https://www.extension.iastate.edu/agdm/wholefarm/pdf/c6-87.pdf
[3] Standard conversion factor of 1,000kwh = 3.6 GJ
[4] Standard conversion factor of 1,000kwh = 3.6 GJ
[5] Standard conversion factor of 1,000kwh = 3.6 GJ
[6] Waste disposal method is determined by the respective port authorities and not by the organisation

SUSTAINABILITY REPORT

OUR PEOPLE

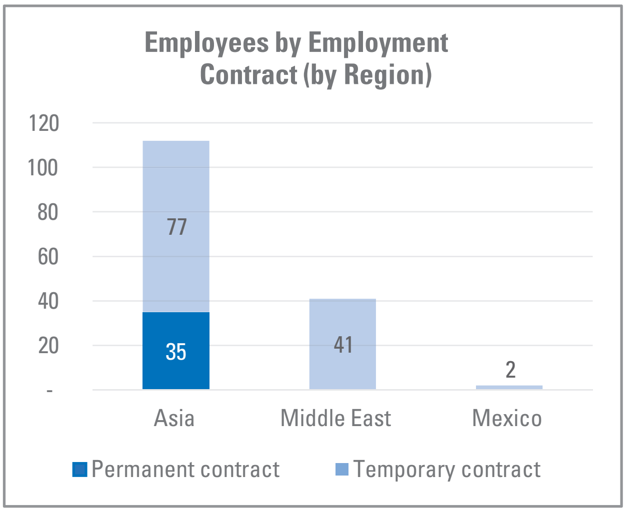
As a service provider, employees are one of our most vital assets. We embrace diversity and inclusion, want to attract and retain the best people to work with us, develop their talents and abilities, and most importantly, watch out for their safety and well-being.

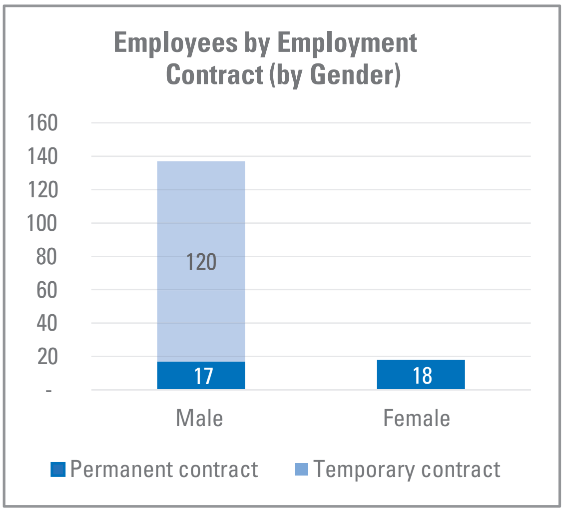
Diversity and Equal Opportunity

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

Non-Discriminatory Hiring Policy

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. Of the 155 employees that CHO has, 120 of them are male crew members who work on the ships, while the remaining 17 men and 18 women work in the corporate office. Although we embrace diversity as can be seen from the almost equal mix of males and females in the office, the nature of the job makes it rare for females to apply to join us as crew members. That said, we do have a good representation of staff from different parts of the world including 13 nationalities. All our staff in the corporate office are hired on a full-time basis, although crew members are offered short-term contracts to meet oil majors' and charterers' requirement.

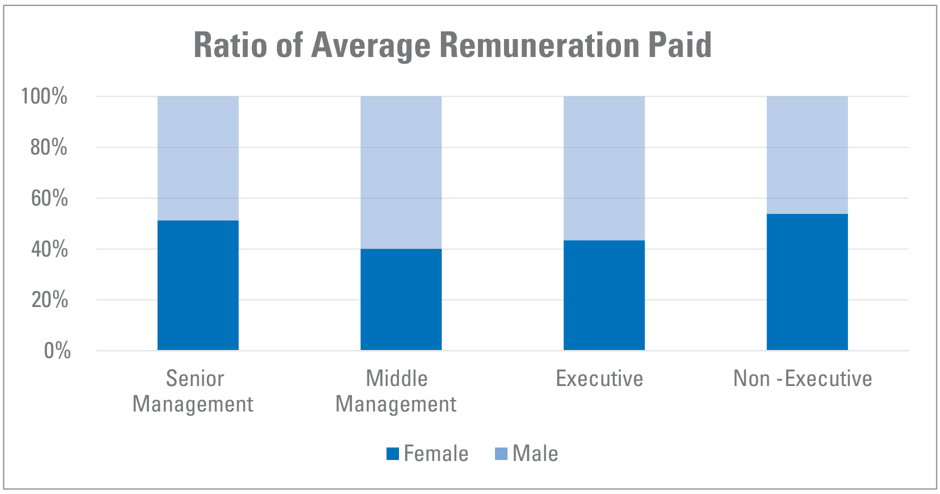




Gender Equality

We reward employees fairly based on their ability, performance, contribution and experience. This can be seen in the fact that 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 employees' 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.

SUSTAINABILITY REPORT



SUSTAINABILITY REPORT

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. To celebrate this, we had a Christmas party in December 2016 as well as a Chinese Lunar New Year group lunch in January 2017. We are proud to say that all our staff participated in the festive celebrations, regardless of race or religion.

Talent Attraction and Retention

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.

The Singapore government implemented the re-employment legislation in 2012 to enable more people to work beyond the current statutory retirement age of 62, up to 65 in the first instance and subsequently, up to 67 years old. Before the legislation, CHO already had an informal re-employment policy of extending employment of employees who have the reached the mandatory retirement age but are still able and willing to continue contributing to the Company.

Age Management Program

In line with the Ministry of Manpower's initiative to promote age-friendly workplaces, CHO will implement an age management program in FY2018. This program will allow us to continue to either (i) employ employees who are turning 62 years old on the same employment contract or (ii) redesign their role and provide the necessary training for us to re-employ them on a modified employment contract that is more suited to their abilities. To complement this program, we have already begun to provide free health screening for all our employees in December 2016. We will continue to organise these health screenings, together with other health talks, at least on an annual basis.

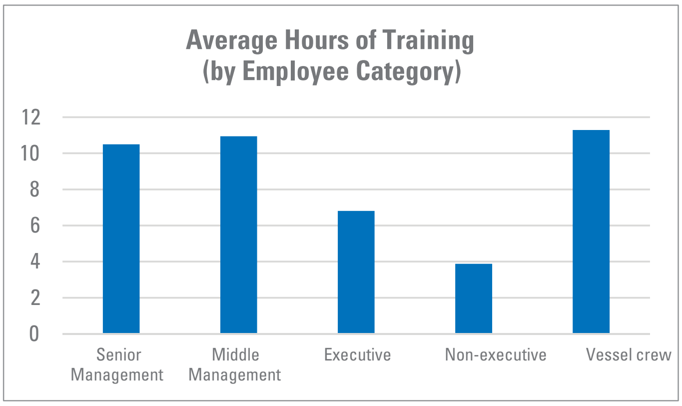
	New Employees		Employee Turnover	
	Number	Rate	Number	Rate
By Age Group				
Less than 30 years old	0	0	0	0%
Between 30 and 50 years old	1	3%	5	14%
More than 50 years old	0	0	2	6%
By Gender				
Male	0	0	6	17%
Female	1	3%	1	3%
Total	**1**	**3%**	**7**	**20%**

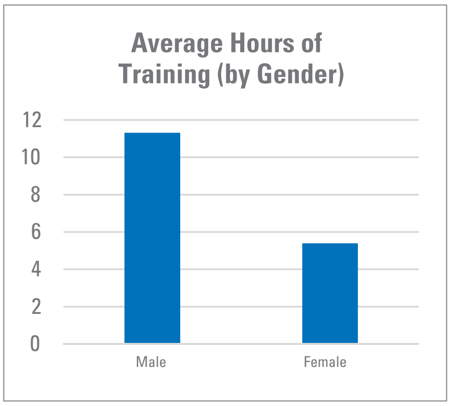
SUSTAINABILITY REPORT

Health Screening, December 2016

Training and Development

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. Two in-house training programmes were conducted in FY2017, and both programmes were well-received by the staff that participated. On average, all our staff received about 10 to 11 hours of training in the last 12 months. The breakdown of average hours of training by employee category and by gender is provided as follows, and is determined primarily by operational requirements.





We plan to roll out a formal training and development roadmap for each and every onshore employees in the coming year with the objective of introducing more structured learning for our employees. We strive to gradually increase the employees' training hours to 20 hours per employee next financial year and 40 hours thereafter.

SUSTAINABILITY REPORT

Occupational Health and Safety

Given the nature of our operations, health and safety is one of the biggest challenges that we are faced with. CHO is committed towards providing a secure environment for operations to all its offshore/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.

We are thus 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.

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 initiative, our employees are encouraged to report any prospective areas of health and safety risk 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 (3) monthly submissions are rewarded. These practices are then shared with the rest of the staff such that the level of awareness and knowledge of how to reduce health and safety hazards can be enhanced.

Example of a good practice observed and submitted in a C.A.R.E. card

"I found the rail guard of the hook crane was open and there was no barricade in place so I put the rail guard in its correct position."

Periodic Training on Health and Safety

We also provide regular trainings on health and safety and these cover both our onshore and offshore personnel.

Onshore personnel: The HR department has a training plan for onshore personnel to comply with Health Safety and Security training matrix. We also conducted a "Better Health through Better Living" talk in October 2016, and will continue to organise similar talks for the onshore personnel on a regular basis.

Offshore personnel: QHSSE department rolled-out an in-house training package fleet wide and reminds vessels in a timely manner to carry out onboard training as part of creating awareness among crew on health, safety, security and environment. 22 topics have been identified which will cover the full scale of QHSSE aspects. Each topic consists of a PowerPoint presentation and video.

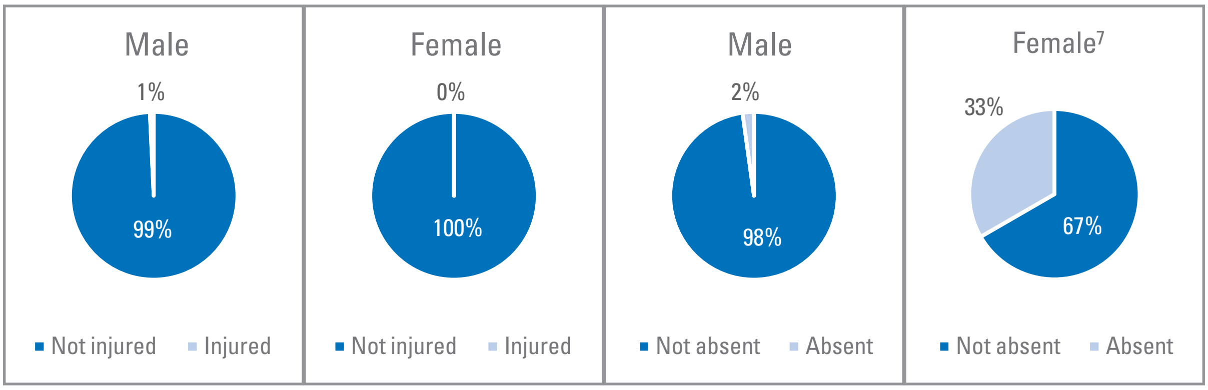
ZERO Tolerance Policy

Internally, we make it a point to emphasise regularly our desire for ZERO Incidents, ZERO Injuries, and ZERO Occupational illnesses. In FY2017, we started the year with a bold target of 100% reduction in hand and finger related injuries – we achieved this through the implementation of the Crush Point Awareness (CPA) Campaign, and resulted in only 1 minor workplace injury during the year. We aim to reduce this to zero in FY2018.

Medical and Dental Benefits

CHO provides a comprehensive medical and dental plan as part of our standard employee compensation and benefit scheme. Each employee is entitled to up to 14 days of paid medical leave and 60 days of paid hospitalisation leave, while all outpatient medical expenses are covered by the company for both employees and their immediate family. Dental expenses are also covered up to a cap of S$300 per person per year.[7]

SUSTAINABILITY REPORT



[7] The 33% absenteeism rate amongst female staff is primarily due to staff being on paid hospitalisation leave.

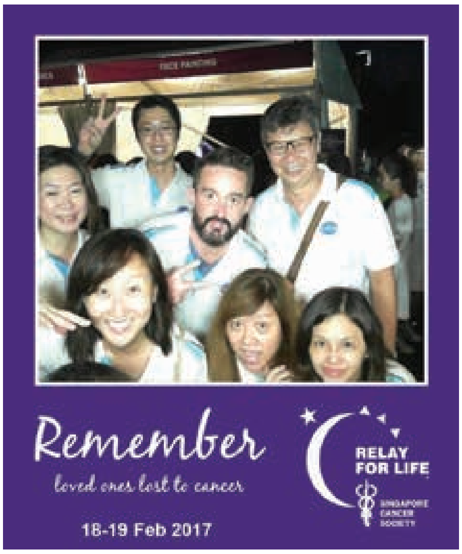
Corporate Social Responsibility

With most of our employees out at sea for most of the year, it is a big challenge for us to do more within the corporate social responsibility space. As such, this was not selected as a material topic this year. However, with the feedback from our employees that many of them wanted to do more for the community, we managed to organise our very first community service project for the office personnel in November 2016 with SPD, a charity organisation that serves people with disabilities. A total of 61 volunteerism hours were clocked over a 2-days period.

Community Service Project with SPD, November 2016

SUSTAINABILITY REPORT

We also participated in the Singapore Cancer Society (SCS) Relay for Life in February 2017 and played our part in the fight against cancer. A total of 36 volunteerism hours were clocked by the participants. It is heartening to know that many of our staff want to contribute more to the community in such ways. We will thus be looking to organising community service projects at least once a year.



Singapore Cancer Society (SCS) Relay for Life, February 2017

Summary of Social Performance and Targets

Material Topics		Performance	Targets
Diversity and Equal Opportunity			
405-2	Ratio of the basic salary and remuneration of women to men for each employee category	Ratios within the 40/60 bracket	• Ensure that the ratios are maintained within the 40/60 bracket
Employment			
401-1	New employee hires and employee turnover	See above	• Provide flexi-work arrangements for employees by FY2018 including staggered working hours, telecommuting, compressed work week and work from home options.
Training and Development			
404-1	Average hours of training per year per employee	10 to 11 hours	• Formalise a training and development plan for onshore employees. • Tap on training programs by government agencies such as WDA and SDF.
Occupational Health and Safety			
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities	1 minor work place injury during the year	• Achieve zero work place injuries during the year in FY2018 • Conduct at least 1 health talk a year

SUSTAINABILITY REPORT

GOVERNANCE

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.

The Group adheres to a code of conduct which deals with issues such as confidentiality, work conduct and discipline, corporate gifts, insiders' trading, conflict of interest and corruptions. Clear policies and guidelines on how to handle workplace harassment has also been put in place recently. The detailed policies and guidelines are published on the Group's staff engagement portal and accessible by all staff.

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.

Anti-Corruption

Our core values are the cornerstone upon which CHO's culture is built, and which guide how we do business. At the heart of the core values is the value of Integrity and Honesty, in which every employee is expected to uphold honesty, integrity, truthfulness and sincerity, while remaining fair and ethical in even the most difficult situations. We are committed to being transparent with each other, our customers and our stakeholders and will always do the right thing for the right reasons.

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 2017, we are not aware of any incidents of corruption, confirmed or suspected.

Dealings in Securities

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.

Emergency Preparedness, Risk and Crisis Management

We manage our risks at two levels: Corporate and Operational levels.

The Group recognises that risk management is just as much about opportunities as it is about threats. To capitalise on opportunities, the company has to take measured risks. Therefore, risk management is about optimizing the risk-reward relationship within known and agreed risk appetite levels. The Board of Directors is responsible for the governance of risk across the Group.

At corporate level, an enterprise risk register which comprises of risks identified across the Group is jointly maintained by the CFO and the QHSSE Team. The Enterprise Risk Management and Sustainability Committee which comprises of all departmental heads, CFO, COO and CEO performs biannual review of the register to identify new risks and re-rank the severity and the applicability of the existent risks. Actions are identified at the corporate level to mitigate the "high" risk issues and action items are followed up as part of Enterprise Risk Management.

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 control the respective components of risk as per the appropriate hierarchy of controls.

SUSTAINABILITY REPORT

Summary of Governance Performance and Targets

Material Topics		Performance	Targets
Anti-Corruption			
205-3	Confirmed incidents of corruption and actions taken	No incidents	Provide whistleblowing and anti-corruption updates to all staff annually by FY2018

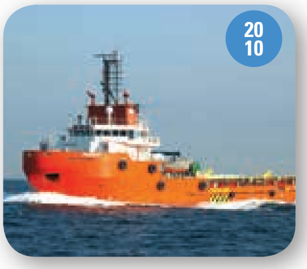
GRI CONTENT INDEX

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	Company profile Our People
102-8	Information on employees and other workers	Our People
102-9	Supply chain	Sustainability – the CHO way (Supply chain management)
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary principle or approach	Our Environment
102-12	External initiatives	Our People
102-13	Membership of associations	Our People
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)

SUSTAINABILITY REPORT

Disclosure Number	Disclosure Title	Reference
102-47	List of material topics	Sustainability – the CHO way (Materiality assessment)
102-48	Restatements of information	N/A (inaugural report)
102-49	Changes in reporting	N/A (inaugural report)
102-50	Reporting period	Financial year ended 30 June 2017
102-51	Date of most recent report	N/A (inaugural report)
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.
102-55	GRI content index	GRI Content Index
102-56	External assurance	No assurance obtained
Specific Standard Disclosures		
Material Topic: Energy Consumption		
103-1/2/3	Management Approach	Our Environment
302-1	Energy consumption within the organization	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: 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
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, 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: Anti-Corruption		
103-1/2/3	Management Approach	Governance
205-3	Confirmed incidents of corruption and actions taken	Governance

OUR FLEET



PERIDOT

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

Main Propulsion
2 x Wartsila,
total 12,240 BHP

Bollard Pull
152.2 MT continuous /
158.8 MT maximum

Dynamic Positioning System
Class 2

PTSC HA LONG
(EX-AQUAMARINE)

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

Main Propulsion
2 x Wartsila,
total 12,240 BHP

Bollard Pull
152.0 MT continuous /
157.7 MT maximum

Dynamic Positioning System
Class 2

CORAL*

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

Main Propulsion
2 x Wartsila,
total 12,240 BHP

Bollard Pull
157.2 MT continuous /
162.0 MT maximum

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 3600 HP
Multi-purpose
Offshore Supply
Vessel

LANGERY
(EX-PEARL)

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

Main Propulsion
2 x Wartsila,
total 12,240 BHP

Bollard Pull
151.8 MT continuous /
155.1 MT maximum

Dynamic Positioning System
Class 2

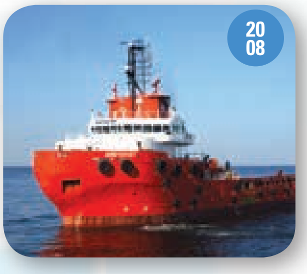
TURQUOISE

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

Main Propulsion
2 x Wartsila,
total 12,240 BHP

Bollard Pull
153.9 MT continuous /
157.7 MT maximum

Dynamic Positioning System
Class 2



AMETHYST

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

Main Propulsion
2 x Wartsila,
total 12,240 BHP

Bollard Pull
153.6 MT continuous /
159.2 MT maximum

Dynamic Positioning System
Class 2

TOURMALINE

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

Main Propulsion
2 x Wartsila,
total 12,240 BHP

Bollard Pull
150.6 MT continuous /
154.8 MT maximum

Dynamic Positioning System
Class 2

AMBER*

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

Main Propulsion
2 x Bergen,
total 4,826 BHP

Bollard Pull
60.4 MT continuous /
64.2 MT maximum

BERYL*

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

Main Propulsion
2 x Bergen,
total 4,826 BHP

Bollard Pull
60 MT continuous /
62 MT maximum

GARNET

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

Main Propulsion
2 x Wartsila,
total 5,400 BHP

Bollard Pull
71.5 MT continuous

TOPAZ

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

Main Propulsion
2 x Wartsila,
total 5,400 BHP

Bollard Pull
72 MT continuous

JASPER

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

Main Propulsion
2 x Mak,
total 5,000 BHP

Bollard Pull
63.1 MT continuous

ZIRCON*

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

Main Propulsion
2 x Mak,
total 5,000 BHP

Bollard Pull
66.8 MT continuous

TEMASEK ATTAKA*

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

Main Propulsion
2 x Wartsila,
total 5,400 BHP

Bollard Pull
60 MT continuous

TEMASEK SEPINGGAN*

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

Main Propulsion
2 x Wartsila,
total 5,400 BHP

Bollard Pull
64.6 MT continuous /
65.2 MT maximum

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

1

MR TAN PONG TYEA
Executive Chairman

2

MR JAMES WILLIAM NOE
Executive Director & CEO

3

MR ZHANG HAIBO
Non-Executive Director

4

MS TAN SOOH WHYE
Non-Executive Director

5

MR THIA PENG HEOK, GEORGE
Non-Executive, Lead Independent Director

6

MR TAN KIAN HUAY
Non-Executive, Independent Director

BOARD OF DIRECTORS

1 MR TAN PONG TYEA
Executive Chairman

Mr Tan Pong Tyea is the Executive Chairman of CH Offshore Ltd ("CHO"). He was appointed to this position on 22 October 2015. He was initially appointed as Non-Executive Chairman on 1 June 2010. Following his re-designation to Executive Chairman, he stepped down as a member of the Remuneration Committee. 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"), the holding company of CHO. 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.

2 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 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.

3 MR ZHANG HAIBO
Non-Executive Director

Mr. Zhang Haibo is the Non-Executive Director of CHO. He was appointed to this position on 17 April 2017.

Mr. Zhang is also currently serving as Director of PTS Capital Pte. Ltd. and Brake Parts Inc. Brake Parts Inc is a premier manufacturer and supplier of brake parts and a global leader in the aftermarket automotive industry. Mr Zhang has more than 20 years of management experience in automotive parts manufacturing industry and has vast experience and knowledge in the capital market. He was previously the Chairman and General Manager of Longkou Haimeng Machinery Co., Ltd.; Chairman of BPI Brake System (Qingdao) Co., Ltd. and BPI Shanghai Trading Co., Ltd.

4 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. 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, the holding company 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 the company 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.

5 MR THIA PENG HEOK, GEORGE
Non-Executive, Lead Independent Director

Mr Thia Peng Heok, George is a Non-Executive, Lead Independent Director 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. He is 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.

6 MR TAN KIAN HUAY
Non-Executive, Independent Director

Mr Tan Kian Huay is a Non-Executive, Independent Director of CHO. He was appointed to this position on 30 March 2015. 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, Mr Tan now serves on the boards of NTUC Fairprice Foundation Ltd, NTUC Fairprice Co-operative Ltd, Choice Homes Investments Pte Ltd and Jurong Health Services Pte Ltd.

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

1

MR TAN PONG TYEA
Executive Chairman

2

MR JAMES WILLIAM NOE
Executive Director & CEO

3

MR TAN JIT SIN DEREK
Chief Operating Officer

4

MS WONG SOO PIN EVELYN
Chief Financial Officer

5

MR LOH MENG SUM SAM
Director – Business Development

6

MR LIM TZE KERN KENNY
Director – Business Development

OUR EMPLOYEES

FINANCIAL CALENDAR

30 June 2017	Financial Year End
4 November 2016	Announcement of First Quarter Financial Results
10 February 2017	Announcement of Half-Year Financial Results
9 May 2017	Announcement of Third Quarter Financial Results
21 August 2017	Announcement of Full-Year Financial Results
11 September 2017	Dispatch of Annual Report to Shareholders
27 September 2017	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 2017. 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's 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 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

REPORT ON CORPORATE GOVERNANCE

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.

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 2017 and the attendance of each Director where relevant are as follows:

Attendance at Board Meetings during the financial year ended 30 June 2017[1]

Directors	No. of Meetings Held	No. of Meetings Attended
Mr Tan Pong Tyea	4	3
Mr James William Noe	4	4
Mr Gan Wah Kwang[2]	3	3
Mr Zhang Haibo[3]	1	1
Ms Tan Sooh Whye	4	4
Mr Thia Peng Heok George	4	4
Mr Tan Kian Huay	4	4

Attendance at Board Committee Meetings during the financial year ended 30 June 2017[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	–	–	–	–	2	2
Ms Tan Sooh Whye	4	4	1	1	–	–
Mr Thia Peng Heok George	4	4	1	1	2	2
Mr Tan Kian Huay	4	4	1	1	2	2

Notes:
(1) Refers to meetings held/attended while each Director was in office.
(2) Mr Gan Wah Kwang resigned as Executive Director on 28 February 2017.
(3) Mr Zhang Haibo was appointed as Non-Executive Director on 17 April 2017.

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 6 Directors, 2 of whom is 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 Tan Pong Tyea	Executive Director (Chairman)
Mr James William Noe	Executive Director & CEO
Mr Zhang Haibo	Non-Executive Director
Ms Tan Sooh Whye	Non-Executive Director
Mr Thia Peng Heok George	Non-Executive Lead Independent Director
Mr Tan Kian Huay	Non-Executive Independent Director

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. As the Company's Chairman is not an Independent Director, pursuant to the Code, half of the Board has to be independent. The Company is aware of the requirement and is in the process of restructuring the Board in order to meet the requirement stipulated under 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 Lead Independent Director of the Company. As the Lead Independent Director, he leads and encourages dialogue between Independent Directors without the presence of the other Directors and provides feedback to the Chairman. He is also available as the alternate channel for shareholders, should shareholders fail to resolve concerns through the normal channels of the Chairman, CEO or CFO, or when such normal channels are inappropriate.

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 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 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 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.

REPORT ON CORPORATE GOVERNANCE

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.

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 Mr James William Noe, Mr Zhang Haibo and Mr Tan Kian Huay for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendation.

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.

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.

REPORT ON CORPORATE GOVERNANCE

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.

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. The RC will look into this in due course.

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 56 of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

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.

REMUNERATION PAID OR ACCRUED TO DIRECTORS FOR FINANCIAL YEAR ENDED 30 JUNE 2017

Directors of Company	Fixed Component (%)[1]	Variable Component (%)[2]	Benefits (%)[3]	Directors' Fees (%)	Total Compensation (%)
S$750,000 – S$1,000,000					
Mr James William Noe	73%	5%	22%	–	100%
Below S$250,000					
Mr Tan Pong Tyea	100%	–	–	–	100%
Mr Gan Wah Kwang[4]	93%	–	7%	–	100%
Mr Zhang Haibo[5]	–	–	–	100%	100%
Mr Thia Peng Heok George	–	–	–	100%	100%
Mr Tan Kian Huay	–	–	–	100%	100%
Ms Tan Sooh Whye	–	–	–	100%	100%

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) Mr Gan Wah Kwang resigned as Executive Director on 28 February 2017.
(5) Mr Zhang Haibo was appointed as Non-Executive Director on 17 April 2017.

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.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION PAID OR ACCRUED TO THE TOP FOUR KEY MANAGEMENT PERSONNEL FOR FINANCIAL YEAR ENDED 30 JUNE 2017

Key Management Personnel of Company	Fixed Component (%)[1]	Variable Component (%)[2]	Benefits (%)[3]	Total Compensation (%)
S$250,000 to S$499,999				
Dr Shastri Ganesh Ramachandra[4]	82%	2%	16%	100%
Ms Wong Soo Pin Evelyn	94%	6%	–	100%
Below S$250,000				
Mr Tan Jit Sin Derek[5]	100%	–	–	100%
Mr Jerry Chen Fang[6]	96%	–	4%	100%
Ms Low Wei Ling[7]	88%	8%	4%	100%
Mr Lim Tze Kern Kenny[8]	100%	–	–	100%
Mr Loh Meng Sum Sam[8]	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 and notice-in-lieu.
(4) Mr Shastri Ganesh Ramachandra resigned on 30 June 2017.
(5) Mr Tan Jit Sin was appointed as Chief Operating Officer on 16 December 2016.
(6) Mr Jerry Chen Fang resigned as Executive Vice President on 13 April 2017.
(7) Ms Low Wei Ling resigned as Director of Marketing on 31 March 2017.
(8) Mr Lim Tze Kern Kenny and Mr Loh Meng Sum Sam joined as Director of Business Development on 1 February 2017.

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 2017.

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 2017.

(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.

REPORT ON CORPORATE GOVERNANCE

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.

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.

REPORT ON CORPORATE GOVERNANCE

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 2017 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 2017 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.

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;

REPORT ON CORPORATE GOVERNANCE

(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, amounted to S$65,600, with the fees paid for its provision of audit and non-audit services

REPORT ON CORPORATE GOVERNANCE

amounting to S$58,000 and S$7,600 respectively. Having satisfied as to the foregoing and that Listing Rule 712 has been complied with, the AC has recommended the re-appointment of Deloitte & Touche LLP, as external auditors at the forthcoming AGM.

Deloitte & Touche LLP 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

REPORT ON CORPORATE GOVERNANCE

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.

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 2017.

REPORT ON CORPORATE GOVERNANCE

(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]	5,187

Note:

(1) Mr Tan Pong Tyea is the Executive Chairman and controlling shareholder of the Company. He has a direct interest of 51.81% and deemed interest of 10.96% in the issued shares in Falcon Energy Group Limited.

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.	(a) The Company has complied with all the principles and guidelines of the Code, save for the following: (i) Number of Board Representation The NC and the Board have not made a determination of the maximum number of board representation a Director may hold. (ii) Disclosure of the Remuneration of Directors and Key Management Personnel 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.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company Complied?
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) The alternative practices adopted by the Company are as follows: (i) Number of Board Representation 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) Disclosure of the Remuneration of Directors and Key Management Personnel 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.
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?	(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company Complied?
	(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.	(b) The Board consists of 6 members (5 male and 1 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) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(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.	(a) Appropriate external training in areas such as financial, legal and industry-specific knowledge is arranged for new Directors, where necessary.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	(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?	(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) If a maximum number has not been determined, what are the reasons?	(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.
	(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.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company Complied?
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.	The Company maintains a satisfactory independent element on the Board by having 2 Independent Directors out of a total of 6 Board members. It is in compliance with the Guideline 2.1 where at least one-third of the Board has to be independent. As the Company's Chairman is not an independent Director, half of the Board has to be independent. The Company 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

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company Complied?
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.
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.	(a) Please refer to Principle 9 of the Corporate Governance Report.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company Complied?
	(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?	(b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.
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.	(a) During the year under review, the aggregate of fees paid to the external auditors was S$65,600, comprising S$58,000 for audit services and S$7,600 for non-audit services.

REPORT ON CORPORATE GOVERNANCE

Guideline	Questions	How has the Company Complied?
	(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.	(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.
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?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b) The Group has specifically entrusted an investor relations team comprising the Executive Chairman, CEO and the CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(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 2017. 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, 2017.

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 63 to 111 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, 2017, 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 Tan Pong Tyea
Mr Thia Peng Heok George
Mr Tan Kian Huay
Mr James William Noe
Ms Tan Sooh Whye
Mr Zhang Haibo (Appointed on April 17, 2017)

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:

	Shareholdings in which directors are deemed to have an interest	
Name of directors and company in which interest are held	**At beginning of year or date of appointment if later**	**At end of year**
The company		
(Ordinary shares)		
Mr Tan Pong Tyea	611,406,281	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.

DIRECTORS' STATEMENT

The director's interests in the shares of the company at July 21, 2017 were the same as at June 30, 2017.

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	(Lead Independent Non-Executive Director)
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 Lead Independent Non-Executive Director)
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 auditors of the group:

(a) The group's financial and operating results and accounting policies;

(b) 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;

DIRECTORS' STATEMENT

(c) 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;

5 AUDIT COMMITTEE (CONT'D)

(d) The co-operation and assistance given by the management to the group's external auditors; and

(e) The re-appointment of the external auditors of the group.

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 auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group at the forthcoming AGM of the company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Mr James William Noe

Mr Tan Pong Tyea

August 21, 2017

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 30 June 2017, 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 63 to 111.

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 30 June 2017 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 *(Refer to Notes 3 and 11 to the consolidated financial statements)* The group has substantial capital investments in vessels, which represents 66% (2016: 72%) of its total assets. The group has recognised an allowance for impairment loss of US$31,076,000 (2016: US$1,001,000) for certain vessels in current financial year, due to the challenging market conditions. As the challenging market conditions continue, the charter and utilisation rates remain depressed in the current year which are impairment indicators relevant to the group's vessels. Management determined the recoverable amount of the group's vessels by computing the value-in-use of the respective cash generating units ("CGU"). CGU is defined by management through the division of the group's fleet of vessels by engine specification. The determination and classification of the group's vessels in the respective CGU involves significant judgement and estimates. The assumptions used in the value-in-use include projected charter rate, average utilisation rate, and pre-tax discount rate of 9.0% (2016: 7.5%). 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 challenged the key assumptions used in the value-in-use which include the projected charter rates and utilisation rates. • We have also challenged the other assumptions used in the value-in-use which include the 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 assess 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

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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CH OFFSHORE LTD AND ITS SUBSIDIARIES

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.

(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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CH OFFSHORE LTD AND ITS SUBSIDIARIES

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

August 21, 2017

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017

	Note	Group 2017 US$'000	Group 2016 US$'000	Company 2017 US$'000	Company 2016 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	4,668	9,711	2,841	9,057
Trade and other receivables	8	18,040	9,223	48,741	39,684
Inventories		108	–	7	–
Prepayments		103	176	56	146
Total current assets		22,919	19,110	51,645	48,887
Non-current assets					
Subsidiary companies	9	–	–	8,751	8,751
Associated companies	10	26,226	33,533	4,986	4,986
Fixed assets	11	97,420	135,305	59,915	72,065
Total non-current assets		123,646	168,838	73,652	85,802
Total assets		146,565	187,948	125,297	134,689
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	12	3,989	5,754	41,247	42,546
Other payables – deferred gain	13	403	403	–	–
Borrowings	14	5,447	7,411	5,447	7,411
Total current liabilities		9,839	13,568	46,694	49,957
Non-current liabilities					
Borrowings	14	3,631	–	3,631	–
Other payables – deferred gain	13	5,043	5,446	–	–
Customer deposit	12	3,000	3,000	3,000	3,000
Deferred tax liabilities	15	3,833	4,589	2,583	2,500
Total non-current liabilities		15,507	13,035	9,214	5,500
Capital and reserves					
Issued capital	16	55,379	55,379	55,379	55,379
Treasury shares	17	(46)	–	(46)	–
Accumulated profits		65,886	105,966	14,056	23,853
Total equity		121,219	161,345	69,389	79,232
Total liabilities and equity		146,565	187,948	125,297	134,689

See accompanying notes to the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED JUNE 30, 2017

	Note	Group		Company	
		2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Revenue	18	16,405	24,725	9,520	12,289
Cost of sales	19	(4,924)	(6,012)	(1,963)	(2,704)
Gross profit before direct depreciation		11,481	18,713	7,557	9,585
Others – direct depreciation		(7,441)	(7,715)	(3,984)	(4,160)
Gross profit		4,040	10,998	3,573	5,425
Other income	20	344	9,192	207	34,167
Other expenses	23(b)	(33,470)	(2,600)	(11,209)	(473)
Administrative expenses		(4,556)	(5,267)	(1,996)	(2,140)
Finance cost	21	(290)	(143)	(289)	(141)
(Loss) Profit before income tax and results of associated companies		(33,932)	12,180	(9,714)	36,838
Share of results of associated companies	10	(6,904)	(1,965)	–	–
(Loss) Profit before income tax		(40,836)	10,215	(9,714)	36,838
Income tax	22	756	(4,589)	(83)	(2,500)
(Loss) Profit for the year representing total comprehensive income for the year	23(a)	(40,080)	5,626	(9,797)	34,338
Earnings per share:					
Basic and fully diluted (US cents)	24	(5.69)	0.80		

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2017

	Issued capital US$'000	Treasury shares US$'000	Accumulated profits US$'000	Total US$'000
Group				
Balance at July 1, 2015	55,379	–	186,321	241,700
Profit for the year, representing total comprehensive income for the year	–	–	5,626	5,626
Dividends representing transactions with owners, recognised directly in equity (Note 25)	–	–	(85,981)	(85,981)
Balance at June 30, 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 17)	–	(46)	–	(46)
Balance at June 30, 2017	55,379	(46)	65,886	121,219

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2017

	Issued capital US$'000	Treasury shares US$'000	Accumulated profits US$'000	Total US$'000
Company				
Balance at July 1, 2015	55,379	–	75,496	130,875
Profit for the year, representing total comprehensive income for the year	–	–	34,338	34,338
Dividends representing transactions with owners, recognised directly in equity (Note 25)	–	–	(85,981)	(85,981)
Balance at June 30, 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 17)	–	(46)	–	(46)
Balance at June 30, 2017	55,379	(46)	14,056	69,389

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	Note	2017 US$'000	2016 US$'000
Operating activities			
(Loss) Profit before income tax and results of associated companies		(33,932)	12,180
Adjustments for:			
Depreciation of fixed assets		7,467	7,757
(Gain) Loss on disposal of fixed assets		(5)	3
Interest income (Note 20)		(136)	(197)
Interest expense (Note 21)		277	139
Impairment of fixed asset (Note 11)		31,076	1,001
Net foreign exchange (gain) loss – unrealised		(76)	308
Allowance for doubtful debts (Note 8)		2,382	1,269
Reversal of accrued foreign tax (Note 20)		–	(5,209)
Reversal of accrued commission fee (Note 20)		–	(3,737)
Operating cash flows before movements in working capital		7,053	13,514
Trade and other receivables	A	(11,083)	(5,673)
Prepayments		73	(81)
Inventories		(108)	–
Trade and other payables	B	(1,724)	(2,527)
Cash (used in) generated from operations		(5,789)	5,233
Interest paid	B	(318)	–
Interest received	A	20	320
Net cash (used in) from operating activities		(6,087)	5,553
Investing activities			
Purchases of fixed assets		(667)	(8,817)
Disposal of intangible asset		–	3
Proceeds from disposal of fixed assets		14	–
Net cash used in investing activities		(653)	(8,814)
Financing activities			
Dividends paid (Note 25)		–	(133,178)
Purchase of treasury shares		(46)	–
Repayment of bank loan		(1,853)	–
Proceeds from bank loan		3,579	7,037
Net cash from (used in) financing activities		1,680	(126,141)
Net decrease in cash and cash equivalents		(5,060)	(129,402)
Cash and cash equivalents at beginning of year		9,711	139,047
Effects of exchange rate changes on the balance of cash held in foreign currencies		17	66
Cash and cash equivalents at end of the year		4,668	9,711

Notes to the consolidated statement of cash flows:

Note A:

During the year, total interest income earned from the ultimate holding company amounted to US$116,000 (2016: US$nil). An amount of US$116,000 (2016: US$nil) 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$277,000 (2016: US$139,000). An amount of US$98,000 (2016: US$139,000) of interest due to the bank remains unpaid at the end of the reporting period and is presented in "Trade and other payables".

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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 9 and 10 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, 2017 were authorised for issue by the Board of Directors on August 21, 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ADOPTION OF NEW REVISED STANDARDS – On July 1, 2016, the group 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.

At the date of the authorisation of these financial statements, the following new FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers (with classifications issued)*
- FRS 116 *Leases*

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption except the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced 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.

<u>Key requirements of FRS 109:</u>

- All recognised financial assets that are within the scope of FRS 39 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 FRS 109, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 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, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. 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 currently available in FRS 39. Under FRS 109, 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.

FRS 109 will take effect from financial years beginning on or after January 1, 2018. Management anticipates that the application of FRS 109 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 FRS 109 until the group performs a detailed review.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Under FRS 115, 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 FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

In June 2016, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also include additional transition reliefs on contract modifications and completed contracts.

FRS 115 *Revenue from Contracts with Customers* will take effect from financial years beginning on or after January 1, 2018. Management anticipates that the application of FRS 115 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 FRS 115 until the group performs a detailed review.

FRS 116 *Leases*

FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance. 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 predecessor FRS 17.

FRS 116 *Leases* will take effect from financial years beginning on or after January 1, 2019. Management anticipates that the application of FRS 116 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 FRS 116 until the group performs a detailed review.

IFRS convergence in 2018

Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The group will be adopting the new framework for the first time for financial year ending June 30, 2019, with retrospective application to the comparative financial year ending June 30, 2018 and the opening statement of financial position as at July 1, 2017 (date of transition).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect any material changes to the group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs, and the election of certain transition options available under IFRS 1.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1.

The preliminary assessment above may be subject to change arising from the detailed analysis.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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
Motor vehicles	–	5 years

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 that are of a short duration is recognised when the services are completed.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

Management is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amount recognised in the financial statements apart from those involving estimations which are dealt with below.

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 amount, management has factored in the higher of fair value less cost to sell and value in use, as well as considering 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 has engaged an independent valuer with the appropriate qualifications and professional experience to value the group's vessels and estimated the value in use to derive at the future cash flows expected from the vessels based on the pre-tax discount rate 9.0% per annum (2016: 7.5% 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$31,076,000 (2016: US$1,001,000) 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 11 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

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.

The carrying amount of fixed assets are disclosed in Note 11.

Impairment of investments in subsidiaries and associates

Determining whether investments in subsidiaries and associates are impaired requires an estimation of the recoverable amount of the investments. Management has evaluated the recoverability of the investments based on estimated recoverable amount of the subsidiaries and associates, and is confident that no allowance for impairment is necessary.

The carrying amount of the investments in subsidiaries and associates are disclosed in Notes 9 and 10 to the financial statements respectively.

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 estimate of the ultimate realisation of these trade receivables, including creditworthiness and the past collection history of each debtor.

At the end of reporting period, the trade and other receivables outstanding from the group's ultimate holding company and related companies (collectively known as Falcon Energy Group ("FEG")) which amounted to US$8,789,000 (2016: US$3,612,000). Management is of the view that this amount will be repaid by FEG in the foreseeable future and no allowance for doubtful debt will be recognised by the group.

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, 2017

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

Key sources of estimation uncertainty (Cont'd)

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, 2017, 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$3,833,000 (2016: US$4,589,000) 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 15 and 22 to the financial statements respectively.

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Financial assets				
Loan and receivables (including cash and cash equivalents)	22,708	18,934	51,582	48,741
Financial liabilities				
Trade and other payables and borrowings, at amortised cost	11,550	13,068	48,808	49,860

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

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

Group

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

As at June 30, 2016

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 amount of financial assets/liabilities presented in the statement of financial position
Financial assets			
Trade receivables (US$'000)	11,374	(5,445)	5,929
Financial liabilities			
Trade payables (US$'000)	11,088	(5,445)	5,643

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, 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

(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 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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Singapore Dollar	9,349	7,748	1,591	2,681	9,222	7,608	1,138	2,439
Australian Dollar	–	–	26	25	–	–	26	25
Malaysia Ringgit	16	–	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, 2017

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

(c) Financial risk management policies and objectives (Cont'd)

(i) Foreign exchange risk management (Cont'd)

Foreign currency sensitivity (Cont'd)

If the foreign currencies strengthen by 10% against the functional currency of each group entity, loss before income tax (2016: profit before income tax) will (increase) decrease by:

	Group impact		Company impact	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Singapore Dollar	(776)	507	(808)	517

If the foreign currencies weaken by 10% against the functional currency of each group entity, loss before income tax (2016: profit before income tax) will increase (decrease) by an equal amount above.

No sensitivity analysis has been presented for Australian Dollar 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 bearing fixed interest rates and loan receivables from ultimate holding company bearing fixed interest rates and bank loan bearing variable interest rate are disclosed in Notes 7 and 14 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

(c) Financial risk management policies and objectives (Cont'd)

(iii) Credit risk management (Cont'd)

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.

The group's credit exposure is concentrated mainly in the Africa, Mexico, South East Asia, India, 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 a single customer which represents 43% (2016: 23%) of total gross trade receivables of the group as at the end of the reporting period.

At the end of the reporting period, the group has concentration of credit risk whereby 49% (2016: 39%) of its trade and other receivables are due from FEG.

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.

As at June 30, 2017, the company is in a net current asset position of US$4,951,000 (2016: net current liability of US$1,070,000) which arose from trade and other payables due to subsidiaries of the company amounting to US$38,597,000 (2016: US$38,483,000).

Non-derivative financial assets

All the financial assets of the group and 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 group and company's financial assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

(c) Financial risk management policies and objectives (Cont'd)

(iv) Liquidity risk management (Cont'd)

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
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
		8,242	4,212	(904)	11,550
2016					
Non-interest bearing	–	5,657	–	–	5,657
Floating interest rate	4.73	7,586	–	(175)	7,411
		13,243	–	(175)	13,068

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
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
		45,500	4,212	(904)	48,808
2016					
Non-interest bearing	–	42,449	–	–	42,449
Floating interest rate	4.73	7,586	–	(175)	7,411
		50,035	–	(175)	49,860

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

(c) Financial risk management policies and objectives (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	
	2017	2016
	US$'000	US$'000
Agency fees paid to a subsidiary company	426	426

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, 2017

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Management and agency fee earned from associated companies	(648)	(700)	–	–
Management and agency fee earned from related companies	(60)	(482)	–	–
Rental paid to related companies	252	206	–	44
Purchase of vessel	–	6,500	–	–
Charter hire income earned from a related company	(730)	(548)	–	–
Vessel operating expenses paid to an associated company	–	189	–	–
Gain (Loss) on disposal of motor vehicle arising from the sale to previous director	5	(3)	5	(3)
Interest income from ultimate holding company	116	–	116	–

Compensation of directors and key management personnel

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

	Group	
	2017 US$'000	2016 US$'000
Short-term benefits	1,925	1,839
Post-employment benefits	–	–
Termination benefits	–	401
	1,925	2,240

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Cash on hand	15	5	–	–
Cash at bank	4,627	4,958	2,815	4,309
Fixed deposits	26	4,748	26	4,748
	4,668	9,711	2,841	9,057

The fixed deposits bear interest at rates ranging from 0.5% to 2.03% (2016: 0.26% to 2.15%) per annum.

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Trade:				
Outside parties	9,495	5,787	5,864	3,501
Allowance for doubtful debts				
– Outside parties (Note 23(b))	(3,651)	(1,269)	(2,382)	–
	5,844	4,518	3,482	3,501
Related companies (Note 6)	1,831	1,109	56	–
Associated companies (Notes 6 and 10)	377	302	–	–
Subsidiary companies (Notes 5 and 9)	–	–	410	130
	8,052	5,929	3,948	3,631
Non-trade:				
Outside parties[a]	1,312	57	1,311	57
Subsidiary companies (Notes 5 and 9)	–	–	39,011	35,836
Associated companies (Notes 6 and 10)	1,718	734	–	–
Related companies (Note 6)	2,497	2,343	10	–
Ultimate holding company (Note 6)	4,461	160	4,461	160
	9,988	3,294	44,793	36,053
Total trade and other receivables	18,040	9,223	48,741	39,684

(a) During the year, the group acted in the capacity of an agent to acquire a company on behalf of a third party company. An amount of US$1,308,000 (2016: US$nil) remains due from this third party company to the group which represents a deposit paid by the group to secure the acquisition on behalf. Based on the relevant agreements signed between the group and the third party company, the acquisition was completed on July 5, 2017.

These receivables are interest-free and repayable on demand and the group has not recognised any allowance as management is of the view that these receivables are recoverable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8 TRADE AND OTHER RECEIVABLES (CONT'D)

During the year, the credit terms granted to customers ranged from 30 to 90 days (2016: 30 to 90 days) upon receipt of invoice. No interest is charged on the overdue trade receivables.

Included in the group's and company's trade receivable balance from outside parties are US$3,581,000 (2016: US$1,981,000) and US$2,804,000 (2016: US$1,981,000) 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 related to customers that the group has assessed to be creditworthy, based on the credit evaluation process performed by management.

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$4,090,000 (2016: US$nil) which bears effective interest at 4.30% per annum due from the ultimate holding company. The group and company has not made any allowance as management is of the view that these receivables are recoverable.

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

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Not past due and not impaired	2,263	2,537	678	1,520
Past due but not impaired[(i)]	3,581	1,981	2,804	1,981
	5,844	4,518	3,482	3,501
Impaired receivables[(ii)]	3,651	1,269	2,382	–
Less: Allowance for impairment	(3,651)	(1,269)	(2,382)	–
	–	–	–	–
Total trade receivables, net	5,844	4,518	3,482	3,501

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

8 TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
< 3 months	1,696	816	922	816
3 to 6 months	833	842	833	842
More than 6 months	1,052	323	1,049	323
	3,581	1,981	2,804	1,981

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

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Balance at beginning of year	1,269	–	–	–
Charge to profit or loss	2,382	1,269	2,382	–
Balance at end of year	3,651	1,269	2,382	–

At the end of the reporting period, the group and company have outstanding receivables due from one of their customers which amounted to US$5,063,000 (2016: US$1,687,000). 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 12). Management has assessed and is of the view that the net exposure due from the customer is US$2,060,000. Accordingly, an allowance for doubtful debts of US$2,060,000 was recognised at the end of the reporting period for trade receivables due from this customer.

In 2016, the High Court of Singapore granted an application to place Swiber Holdings Limited ("Swiber"), one of the major customers of the group, into interim judicial management. Accordingly, the management has assessed and made an allowance for doubtful debts on the group's net trade receivables due from Swiber Offshore (India) Pvt Ltd, a subsidiary of Swiber amounting to US$1,269,000 (2016: US$1,269,000). At the end of the reporting period, Swiber remains under judicial management.

9 SUBSIDIARY COMPANIES

	Company	
	2017 US$'000	2016 US$'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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

9 SUBSIDIARY COMPANIES (CONT'D)

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

	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activities
		2017	2016	
		%	%	
Held by the company				
CHO Ship Management Pte Ltd[(a)(b)]	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
Pembrooke Marine Pte Ltd[(a)]	Singapore	100	100	Ship owning and chartering
Venture Offshore Pte Ltd[(a)]	Singapore	100	100	Investment holding
Held by CHO Ship Management Pte Ltd				
High Majestic Sdn Bhd[(c)(d)]	Malaysia	100	–	Ship owning and chartering
Held by Delaware Marine Pte Ltd				
Pearl Marine Pte Ltd[(c)(d)]	Malaysia	100	–	Ship owning and chartering

Notes:

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

(b) During the financial year, the subsidiary has changed its name from Chuan Hup Agencies (Private) Limited to CHO Ship Management Pte Ltd.

(c) Newly incorporated during the year.

(d) Not audited as deemed insignificant to the group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

10 ASSOCIATED COMPANIES

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Unquoted equity shares, at cost	1,675	1,675	278	278
Amounts receivable – non-trade(i)	12,677	12,677	4,708	4,708
Share of results of associated companies(ii)	11,874	19,181	–	–
	26,226	33,533	4,986	4,986

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

	Group	
	2017 US$'000	2016 US$'000
Share of losses of associated companies after income tax	(7,307)	(2,368)
Amortisation of deferred gain from sale of vessels to associated companies (Note 13)	403	403
	(6,904)	(1,965)

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

At the beginning of year	19,181	21,549
Current year share of losses	(7,307)	(2,368)
At the end of year	11,874	19,181

	Country of incorporation and operation	Proportion of ownership interest and voting power held		Principal activities
		2017	2016	
		%	%	
Held by the company				
MarineCo Limited(a)	Malaysia	49	49	Ship owning and chartering
Gemini Sprint Sdn. Bhd.(a)	Malaysia	49	49	Ship chartering
Held by Venture Offshore Pte. Ltd.:				
PT Bahtera Nusantara Indonesia(b)	Indonesia	49	49	Ship owning and chartering

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

10 ASSOCIATED COMPANIES (CONT'D)

(a) The audited financial statements of the associated companies held by the company are for the financial year ended March 31, 2017. Accordingly, unaudited management accounts for the financial period from April 1, 2017 to June 30, 2017 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.

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Current assets	1,845	3,473	4,291	4,483	6,136	7,956
Non-current assets	8,684	15,244	41,277	50,727	49,961	65,971
Current liabilities	873	2,041	2,189	3,743	3,062	5,784
Non-current liabilities	9,423	9,618	16,264	16,264	25,687	25,882
Revenue	1,797	3,721	6,241	8,365	8,038	12,086
Loss for the year, representing total comprehensive income for the year	(6,824)	(3,689)	(8,089)	(1,143)	(14,913)	(4,832)
Group's share of associated companies' loss for the year	(3,343)	(1,808)	(3,964)	(560)	(7,307)	(2,368)
Net assets of the associated companies	233	7,058	27,115	35,203	27,348	42,261
Carrying amount of the group's interest in the associated companies[(1)]	263	3,606	13,286	17,250	13,549	20,856

(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$148,000 (2016: US$148,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

11 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
Group						
Cost:						
Balance at July 1, 2015	171,544	13,584	416	138	1,170	186,852
Additions	6,593	2,135	89	–	–	8,817
Transfer from construction-in-progress	446	724	–	–	(1,170)	–
Disposals	–	–	(198)	(53)	–	(251)
Balance at June 30, 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
Accumulated depreciation:						
Balance at July 1, 2015	44,171	6,921	373	138	–	51,603
Depreciation	5,135	2,579	43	–	–	7,757
Disposals	–	–	(195)	(53)	–	(248)
Balance at June 30, 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
Impairment:						
Impairment loss recognised in the year ended and [Note 23 (b)] and balance at June 30, 2016	1,001	–	–	–	–	1,001
Addition [Note 23(b)]	31,076	–	–	–	–	31,076
Balance at June 30, 2017	32,077	–	–	–	–	32,077
Carrying amount:						
Balance at June 30, 2017	92,237	4,466	50	–	667	97,420
Balance at June 30, 2016	128,276	6,943	86	–	–	135,305

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

11 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
Company						
Cost:						
Balance at July 1, 2015	98,485	8,495	66	138	323	107,507
Additions	93	–	34	–	–	127
Transfer from construction-in-progress	323	–	–	–	(323)	–
Disposals	–	–	(52)	(53)	–	(105)
Balance at June 30, 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
Accumulated depreciation:						
Balance at July 1, 2015	26,942	4,259	59	138	–	31,398
Depreciation	2,673	1,487	10	–	–	4,170
Disposals	–	–	(51)	(53)	–	(104)
Balance at June 30, 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
Impairment:						
Impairment loss recognised in the year ended and balance at June 30, 2017 [Note 23(b)]	8,827	–	–	–	–	8,827
Carrying amount:						
Balance at June 30, 2017	57,869	1,355	24	–	667	59,915
Balance at June 30, 2016	69,286	2,749	30	–	–	72,065

At the end of the reporting period, the group and company carried out a review of the recoverable amount of its vessels, after considering the decrease in operations and depressed market condition during the year.

This review led to the recognition of an impairment loss of US$31,076,000 (2016: US$1,001,000) and US$8,827,000 (2016: US$nil) by the group and company respectively through the computation of the value-in-use for their vessels.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

12 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Trade:				
Outside parties	2,461	2,357	1,131	966
Advance from customer	1,517	3,097	1,517	3,097
Associated companies (Notes 6 and 10)	–	189	–	–
Subsidiary companies (Notes 5 and 9)	–	–	3,032	4,462
Related parties	2	–	2	–
	3,980	5,643	5,682	8,525
Non-trade:				
Outside parties	3,000	3,000	3,000	3,000
Associated companies (Notes 6 and 10)	–	97	–	–
Related companies (Note 6)	9	14	–	–
Subsidiary companies (Notes 5 and 9)	–	–	35,565	34,021
	3,009	3,111	38,565	37,021
Total trade and other payables	6,989	8,754	44,247	45,546
Less: Due within 12 months	(3,989)	(5,754)	(41,247)	(42,546)
Amounts due after 12 months	3,000	3,000	3,000	3,000

The credit terms granted by suppliers ranged from 30 to 90 days (2016: 30 to 90 days). The group has financial risk management policies in place to ensure that all payables are within the credit time frame.

Included in non-trade payables, is an amount of US$3,000,000 (2016: US$3,000,000) which relates to a customer deposit received in prior year for a vessel of the group in which the customer has an option to purchase in February 2019 based on the charter agreement.

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

13 OTHER PAYABLES – DEFERRED GAIN

	Group	
	2017 US$'000	2016 US$'000
Deferred gain	5,849	6,252
Amortisation during the year (Note 10)	(403)	(403)
	5,446	5,849
Current portion	(403)	(403)
Non-current portion	5,043	5,446

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

14 BORROWINGS

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Bank loan A	5,447	7,411	5,447	7,411
Bank loan B	3,631	–	3,631	–
Total	9,078	7,411	9,078	7,411
Less: Due within 12 months	(5,447)	(7,411)	(5,447)	(7,411)
Amounts due after 12 months	3,631	–	3,631	–

Group and company

Bank Loan A:

The bank loan is an unsecured revolving 6 months credit facility which bears an average effective interest rate of 4.50% (2016: 4.73%) per annum at the end of the reporting period. A portion of the loan which amounted to US$1,853,000 (2016: US$nil) was repaid during the year.

Bank Loan B:

The bank loan is unsecured with a tenure of 72 months and bears an effective interest rate of 5.50% (2016: nil%) 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, 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 loans were classified under non-current liabilities.

At June 30, 2017, the group and company have available US$nil (2016: US$3,705,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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, 2017

15 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
Group			
At July 1, 2015	–	–	–
(Charge) Credit to profit or loss for the year (Note 22)	(6,255)	1,666	(4,589)
At June 30, 2016	(6,255)	1,666	(4,589)
(Charge) Credit to profit or loss for the year (Note 22)	849	(93)	756
At June 30, 2017	(5,406)	1,573	(3,833)
Company			
At July 1, 2015	–	–	–
(Charge) Credit to profit or loss for the year (Note 22)	(3,659)	1,159	(2,500)
At June 30, 2016	(3,659)	1,159	(2,500)
(Charge) Credit to profit or loss for the year (Note 22)	266	(349)	(83)
At June 30, 2017	(3,393)	810	(2,583)

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Deferred tax assets	1,573	1,666	810	1,159
Deferred tax liabilities	(5,406)	(6,255)	(3,393)	(3,659)
	(3,833)	(4,589)	(2,583)	(2,500)

Subject to the agreement by the tax authorities, at the end of the reporting period, the group has unutilised capital allowances of US$9,252,000 (2016: US$9,800,000) available for offset against future profits.

In deriving at the allocation percentage of non-tax-exempt charter income, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

16 ISSUED CAPITAL

	Group and Company			
	2017 '000	2016 '000	2017 US$'000	2016 US$'000
	Number of ordinary shares			
Issued and paid-up capital:				
At the beginning and end of the year	705,091	705,091	55,379	55,379

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.

17 TREASURY SHARES

	Group and Company			
	2017 '000	2016 '000	2017 US$'000	2016 US$'000
	Number of ordinary shares			
At the beginning of the year	–	–	–	–
Repurchased during the year	198	–	46	–
At the end of the year	198	–	46	–

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

18 REVENUE

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Charter hire income earned	15,600	22,059	9,520	12,289
Rendering of services	1	1,478	–	–
Management and agency fee	804	1,188	–	–
	16,405	24,725	9,520	12,289

19 COST OF SALES

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Vessel operating expenses	4,924	5,414	1,963	2,704
Service cost	–	598	–	–
	4,924	6,012	1,963	2,704

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

20 OTHER INCOME

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Foreign exchange gain	45	–	38	–
Interest income	136	197	136	197
Reversal of foreign tax payable[a]	–	5,209	–	5,209
Reversal of commission fees payable[b]	–	3,737	–	3,737
Dividend income – subsidiary companies (Notes 5 and 9)	–	–	–	25,000
Others	163	49	33	24
	344	9,192	207	34,167

(a) In 2016, management assessed the foreign tax payable at the end of the reporting period and is of view that no foreign tax is likely to be paid to the relevant tax authorities. Accordingly, these foreign tax payable was reversed in 2016; and

(b) In 2016, management has considered the facts and available evidence surrounding the on-going arbitration and concluded it is not probable that any commission fees, will be paid to its ship brokers. Accordingly, the commission fees payables which amounted to US$3,737,000 was reversed in 2016.

At the end of the reporting period, there were no repayments made by the group and company which relates to the above reversals.

21 FINANCE COST

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Interest expense on bank loans	277	139	277	139
Bank charges	13	4	12	2
	290	143	289	141

22 INCOME TAX

(a) Taxation credit (charge) comprises:

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Deferred tax (Note 15)				
– Current	772	(4,589)	(83)	(2,500)
– Under provision in prior years	(16)	–	–	–
Income tax	756	(4,589)	(83)	(2,500)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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) profit before income tax as a result of the following differences:

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
(Loss) Profit before income tax	(40,836)	10,215	(9,714)	36,838
Income tax expense at statutory rate at 17%	(6,942)	1,737	(1,652)	6,263
Net income not subject to tax[1]	4,242	(5,279)	1,497	(6,684)
Effects of expenses not deductible in determining taxable profits	586	2,828	209	421
Tax effect of share of results of associates	1,174	334	–	–
Deferred tax benefits not recognised	138	380	–	–
Effects of previously unrecognised and unused tax offsets now recognised as deferred tax assets	–	(1,666)	–	(1,159)
Effects of deferred tax expense relating to the origination of taxable temporary differences	–	6,255	–	3,659
Adjustments recognised in the current year in relation to deferred tax of prior year	16	–	16	–
Others	30	–	13	–
Income tax	(756)	4,589	83	2,500

(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	
	2017 US$'000	2016 US$'000
Amount at beginning of the year	2,517	332
Amount arising during the year	812	2,236
Adjustments to prior year	(832)	(51)
Amount at end of the year	2,497	2,517
Deferred tax benefit on above not recorded:	424	428

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

22 INCOME TAX (CONT'D)

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 uncertainty of future taxable profit stream.

23 (LOSS) PROFIT 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 (credit):

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Directors' fees	169	48	169	48
Staff cost:				
Permanent staff (including directors' remuneration)	3,232	3,606	1,255	1,259
Contract based crew	1,670	2,287	651	1,170
	4,902	5,893	1,906	2,429
Cost of defined contribution plans included in staff costs	217	232	63	48
Audit fees:				
Paid to auditors of the company	42	52	22	18
Non-audit fees:				
Paid to auditors of the company	5	5	2	2

(b) Other expenses include:

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Net foreign exchange loss	–	327	–	469
Allowance for doubtful trade receivables (Note 8)	2,382	1,269	2,382	–
Impairment loss on fixed assets (Note 11)	31,076	1,001	8,827	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

24 EARNINGS PER SHARE

Earnings per share is calculated by dividing the group's profit 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	
	2017	**2016**
(Loss) Profit attributable to shareholders (US$'000)	(40,080)	5,626
Number of ordinary shares used to compute earnings per share ('000)	704,942	705,091
Basic and fully diluted:		
Earnings per share (US cents)	(5.69)	0.80

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

25 DIVIDENDS

In current year and also subsequent to the financial year ended June 30, 2017, the directors did not recommend any dividend for the financial year ended June 30, 2017.

In prior year, the company declared and paid a final and special dividend of S$0.02 and S$0.125 per ordinary share of the company totalling approximately S$102,238,000 (equivalent to US$73,520,000) for the financial year ended June 30, 2015; and declared and paid an interim special dividend of S$0.025 per ordinary share of the company totalling approximately S$17,627,000 (equivalent to US$12,461,000) for the financial year ended June 30, 2016.

In 2015, the company paid a final and special dividend of S$0.02 and S$0.02 per ordinary share of the company totalling approximately S$28,204,000 (equivalent to US$22,451,000) for the financial year ended June 30, 2014, and declared an interim special dividend of S$0.09 per ordinary share of the company totalling approximately S$63,458,000 (equivalent to US$47,197,000) for the financial year ended June 30, 2015, which was paid in the financial year ended June 30, 2016.

The dividends declared, paid or payable by the company were one-tier tax exempt dividends.

26 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

26 SEGMENTAL INFORMATION (CONT'D)

Information about major customers

Included in revenue of US$16,405,000 (2016: US$24,725,000) are revenues of approximately US$4,924,000 (2016: US$6,481,000) which arose from the chartering of vessels to the group's largest customer.

The group has five (2016: four) major customers that contribute greater than 10% of the total revenue for charter income.

	Revenue	
	2017	2016
	US$'000	US$'000
Customer A	4,924	6,481
Customer B	3,376	3,386
Customer C	2,581	–
Customer D	1,546	5,061
Customer E	1,406	5,343

27 GUARANTEES

	Group and Company	
	2017	2016
	US$'000	US$'000
Guarantees (unsecured)	28	1,654

The guarantees provided by the group to respective parties are as follows:

	Group and Company	
	2017	2016
	US$'000	US$'000
Associated company[(a)]	–	1,624
Third parties	28	30
	28	1,654

(a) In 2016, this pertains to the corporate guarantees provided to an associated company to obtain bank loans. The bank loans have been fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

28 COMMITMENTS

Operating lease commitments:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Minimum lease payments paid under operating leases included in profit or loss	357	396	153	80

As at the end of the reporting period, the group and the company have outstanding commitments under non-cancellable operating leases in respect of office premises, which fall due as follows:

	Group and Company	
	2017	2016
	US$'000	US$'000
Within one year	–	6
	–	6

Operating lease payments represent rentals payable by the group and the company for rental of certain office premises. Leases are negotiated for a term of nil year (2016: 1 years) and rentals are fixed for nil year (2016: 1 years).

STATISTICS OF SHAREHOLDINGS

AS AT 18 AUGUST 2017

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	17	0.43	323	0.00
100 – 1,000	896	22.72	698,374	0.10
1,001 – 10,000	2,033	51.56	10,377,300	1.47
10,001 – 1,000,000	985	24.98	42,343,219	6.01
1,000,001 AND ABOVE	12	0.31	651,473,298	92.42
TOTAL	**3,943**	**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	CIMB SECURITIES (SINGAPORE) PTE LTD	412,707,257	58.55
2	UOB KAY HIAN PRIVATE LIMITED	154,029,250	21.85
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	5,697,399	0.81
6	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	5,000,000	0.71
7	DBS NOMINEES (PRIVATE) LIMITED	3,773,800	0.54
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,007,800	0.43
9	CITIBANK NOMINEES SINGAPORE PTE LTD	2,658,100	0.38
10	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,210,570	0.17
11	MAYBANK KIM ENG SECURITIES PTE LTD	1,162,500	0.16
12	RAFFLES NOMINEES (PTE) LIMITED	1,044,800	0.15
13	OCBC SECURITIES PRIVATE LIMITED	938,500	0.13
14	LEOW KIM SIANG OR NG MAY CHOO	730,000	0.10
15	CHIA CHEE HUA	681,800	0.10
16	DB NOMINEES (SINGAPORE) PTE LTD	500,000	0.07
17	NG HWEE KOON	485,900	0.07
18	GAN GUAT CHING	480,000	0.07
19	PHILLIP SECURITIES PTE LTD	418,000	0.06
20	LIEN SHEONG CHYE	400,000	0.06
	TOTAL	**656,107,498**	**93.09**

STATISTICS OF SHAREHOLDINGS

AS AT 18 AUGUST 2017

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 18 August 2017:–

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Energian Pte. Ltd.	457,560,131[a]	64.91	–	–
Falcon Energy Group Limited	–	–	457,560,131[b]	64.91
Tan Pong Tyea	–	–	457,560,131[b]	64.91
SZ Offshore Investment Pte. Ltd.	153,846,150	21.83	–	–
Zhang Haibo	–	–	153,846,150[c]	21.83
Nanshan Group Singapore Co. Pte. Ltd.	–	–	153,846,150[d]	21.83
Nanshan Group Co., Ltd	–	–	153,846,150[d]	21.83
The Villagers Committee of Nanshan Village, Donjiang Town, Longkou City	–	–	153,846,150[d]	21.83
Song Zuowen	–	–	153,846,150[d]	21.83

Notes:

(a) 412,180,175 are held in the name of CIMB Securities (Singapore) 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 (Chapter 289) of Singapore and Section 7 of the Companies Act to have an interest in the 457,560,131 Shares of the Company held by Energian Pte. Ltd.

(c) Zhang Haibo is deemed pursuant to Section 4 of the Securities and Futures Act (Chapter 289) of Singapore to have an interest in 153,846,150 Shares of the Company held by SZ Offshore Investment Pte. Ltd.

(d) Nanshan Group Singapore Co. Pte. Ltd., Nanshan Group Co., Ltd, the Villagers Committee of Nanshan Village, Donjiang Town, Longkou City and Song Zuowen are each deemed pursuant to Section 4 of the Securities and Futures Act (Chapter 289) of Singapore to have an interest in 153,846,150 Shares of the Company held by SZ Offshore Investment Pte. Ltd.

Free Float

Based on the information available to the Company as at 18 August 2017 and to the best knowledge of the Directors and the substantial shareholders of the Company, approximately 13.26% 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-First Annual General Meeting of the Company will be held at TRN Centre, 10, Anson Road #19-14, International Plaza, Singapore 079903 on Wednesday, 27 September 2017 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 2017 and the Auditors' Report thereon. (Resolution 1)

2. To approve Directors' fees of S$143,110 for the financial year ended 30 June 2017 (FY2016: S$147,240). (Resolution 2)

3. To re-elect Mr. Zhang Haibo, being a Director who retires by rotation pursuant to Article 88 of the Constitution of the Company. (Resolution 3)

4. To re-elect Mr. Tan Kian Huay, being a Director who retires by rotation pursuant to Article 89 of the Constitution of the Company. (Resolution 4)

5. To re-elect Mr. James William Noe, being a Director who retires by rotation pursuant to Article 89 of the Constitution of the Company. (Resolution 5)

6. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise Directors to fix their remuneration. (Resolution 6)

7. 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:

8 "Share Issue Mandate (Resolution 7)

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 sub-paragraph (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

9 "CH Offshore Employee Share Option Scheme (Resolution 8)

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."

10 "Renewal of Shares Buyback Mandate (Resolution 9)

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 Prescribed 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 SGX-ST's Trading System or 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) in accordance with 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 and the provisions of the Listing Manual of the SGX-ST for the time being in force ("**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");

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in 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 Share buybacks 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,

whichever is the earliest;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the total number of Shares in the Company (excluding any Shares which are held as treasury shares and subsidiary holdings) issue as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held 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,

NOTICE OF ANNUAL GENERAL MEETING

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 of Shares from shareholders of the Company 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.

(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
11 September 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

Resolution 4 Mr. Tan Kian Huay 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 Remuneration Committee and a member of the Audit and Nominating Committees.

Resolution 7 The Ordinary Resolution 7 proposed in item 8, 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 8 The Ordinary Resolution 8 proposed in item 9, 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 9 The Ordinary Resolution 9 under item 10 above, if passed, will renew the Share Buyback Mandate and will authorize the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the 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 2017 are set out in greater detail in the Shareholders' Circular enclosed together with the Annual Report.

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.

NOTICE OF ANNUAL GENERAL MEETING

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.

CH OFFSHORE LTD

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

FORTY-FIRST ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

1. 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 2017 is sent to them at the request of their CPF and/or SRS Approved Nominees (as the case may be) solely FOR INFORMATION ONLY.
2. 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.
3. 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 11 September 2017.

*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-First 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 TRN Centre, 10, Anson Road #19-14, International Plaza, Singapore 079903 on Wednesday, 27 September 2017 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 Mr. Zhang Haibo as Director.		
4	Re-election of Mr. Tan Kian Huay as Director.		
5	Re-election of Mr. James William Noe as Director.		
6	Re-appointment of Messrs Deloitte & Touche LLP as Auditors.		
	SPECIAL BUSINESS		
7	Authority to allot and issue new shares and/or convertible securities		
8	Approval of Authority to offer and grant options and to issue shares pursuant to the CH Offshore Employee Share Option Scheme		
9	Renewal of Share Buyback Mandate		

Dated this ______ day of ______________ 2017

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

Fold Flap 2nd fold here

Please affix
Postage
Stamp

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

1st 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 11 September 2017.

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CORPORATE DATA

BOARD OF DIRECTORS
Mr Tan Pong Tyea
(Executive Chairman)
Mr James William Noe
(Executive Director & CEO)
Mr Zhang Haibo
(Non-Executive Director)
Ms Tan Sooh Whye
(Non-Executive Director)
Mr Thia Peng Heok George
(Non-Executive, Lead Independent Director)
Mr Tan Kian Huay
(Non-Executive, Independent 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: investor@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

Co Reg. No. 197600666D
CH Offshore Ltd
10 Anson Road, #33-15 International Plaza
Singapore 079903
Tel: (65)-64109018
Fax: (65)-68622336