CH OFFSHORE LTD

(Co. Reg. No. 197600666D)

Unaudited Financial Statement And Related Announcement for the Year Ended 30 June 2016

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

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

1(a)(i) **Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2016**

	Group		
	12 Months 30/6/2016 US$'000	**12 Months 30/6/2015 US$'000**	Change %
Revenue	**24,725**	**31,818**	(22.3)
Cost of sales	(6,012)	(5,240)	(14.7)
Gross profit before direct depreciation	**18,713**	**26,578**	(29.6)
Direct depreciation	(7,715)	(7,466)	(3.3)
Gross profit after direct depreciation	**10,998**	**19,112**	(42.5)
Other income (refer to note below)	9,192	61,133	nm
Other expenses (refer to note below)	(2,600)	(6,419)	(59.5)
Indirect depreciation	(43)	(25)	nm
Administrative expenses	(5,225)	(4,607)	(13.4)
Profit from operations	**12,322**	**69,194**	(82.2)
Finance costs	(143)	-	nm
Profit before income tax and results of associated companies	**12,179**	**69,194**	(82.4)
Share of results of associated companies	(1,964)	2,794	(170.3)
Profit before income tax	**10,215**	**71,988**	(85.8)
Income tax	(4,589)	-	nm
Profit after income tax	**5,626**	**71,988**	(92.2)
Other comprehensive income:	-	-	
Total comprehensive income for the year	**5,626**	**71,988**	(92.2)

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

	Group		
	US$'000		%
	12 Months 30/6/2016 US$'000	**12 Months 30/6/2015 US$'000**	Change
Interest income	197	672	(70.7)
Settlement income	-	60,000	nm
Reversal of over accrued foreign tax and commission expenses	8,946	-	nm
Msicellaneous income	49	18	nm
Foreign exchange (loss)/gain	(327)	443	(173.8)
Expenses in relation to claim settlement	-	(6,419)	nm
Loss on sale of club membership	(3)	-	nm
Impairment loss	(1,001)	-	nm
Provision for doubtful debt	(1,269)	-	nm

Note: "nm" means not meaningful

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

Statements of financial position as at 30 June 2016	**Group**		**Company**	
	30/6/2016	**30/6/2015**	**30/6/2016**	**30/6/2015**
	US$'000	US$'000	US$'000	US$'000
ASSETS				
Current assets				
Cash and cash equivalents	9,711	139,047	9,057	138,540
Trade and other receivables	9,223	4,942	39,684	31,561
Prepayments	176	95	146	69
Total current assets	19,110	144,084	48,887	170,170
Non-current assets				
Subsidiary companies	-	-	8,751	8,751
Associated companies	33,533	35,901	4,986	4,986
Club membership	-	3	-	3
Fixed assets	135,305	135,249	72,066	76,109
Total non-current assets	168,838	171,153	85,803	89,849
Total assets	**187,948**	**315,237**	**134,690**	**260,019**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	2,656	11,879	39,448	73,738
Provisions	-	5,209	-	5,209
Other payables - deferred gain	403	403	-	-
Loans and borrowings	7,411	-	7,411	-
Advance from client	3,098	-	3,098	-
Dividend Payable	-	47,197	-	47,197
Total current liabilities	13,568	64,688	49,957	126,144
Non-current Liabilities				
Other payables - deferred gain	5,446	5,849	-	-
Client deposit	3,000	3,000	3,000	3,000
Deferred taxation	4,589	-	2,500	-
Total non-current liabilities	13,035	8,849	5,500	3,000
Capital and reserves				
Issued capital	55,379	55,379	55,379	55,379
Accumulated profits	105,966	186,321	23,854	75,496
Total equity	161,345	241,700	79,233	130,875
Total liabilities and equity	**187,948**	**315,237**	**134,690**	**260,019**

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

(a) Amount repayable in one year or less, or on demand S$10 million (US equivalent of US$7,411K) (FY1415: Nil)

(b) Amount repayable after one year NIL

(c) Details of any collaterals. Borrowing is unsecured.

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

Consolidated statement of cash flows	**Group**	
	FY ended 30 June	
	2016	**2015**
	US$'000	US$'000
Operating activities :		
Profit before income tax and results of associated companies	12,179	69,194
Adjustments for :		
Depreciation and impairment	8,759	7,491
Interest income	(197)	(672)
Net foreign exchange loss (gain) - unrealised	307	(460)
Settlement income	-	(60,000)
Operating cashflows before working capital changes	21,048	15,553
Trade and other receivables	(4,403)	46,639
Prepayments	(81)	-
Advance from client	3,098	-
Trade and other payables	(9,223)	8,107
Provisions	(5,209)	-
Cash generated from operations	5,230	70,299
Interest received	320	670
Settlement income - other	-	16,050
Net cash generated from operating activities	5,550	87,019
Investing activities :		
Proceeds on disposal of fixed assets	42	-
Purchase of fixed assets	(8,857)	(5,406)
Repayment by an associated company	-	98
Proceeds on club membership	3	-
Net cash used in investing activities	(8,812)	(5,308)
Financing activities :		
Proceeds from bank loans	7,411	-
Dividends paid	(133,123)	(22,451)
Net cash used in financing activities	(125,712)	(22,451)
Net (decrease) increase in cash and cash equivalents	(128,974)	59,260
Cash and cash equivalents at the beginning of the period	139,047	79,949
Effects of exchange rate changes on the balance of cash held in foreign currencies	(362)	(162)
Cash and cash equivalents at the end of the year	9,711	139,047

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

Statement of changes in equity

GROUP	**Issued capital US$'000**	**Accumulated profits US$'000**	**Total US$'000**
Balance at 30 June 2014	55,379	184,602	239,981
Profit for the period representing total comprehensive income for the period	-	71,988	71,988
Dividends representing transactions with owners, recognised directly in equity	-	(70,269)	(70,269)
Balance at 30 June 2015	55,379	186,321	241,700
Profit for the period representing total comprehensive income for the period	-	5,626	5,626
Dividends representing transactions with owners, recognised directly in equity	-	(85,981)	(85,981)
Balance at 30 June 2016	55,379	105,966	161,345

COMPANY	**Issued capital US$'000**	**Accumulated profits US$'000**	**Total US$'000**
Balance at 30 June 2014	55,379	82,880	138,259
Profit for the period representing total comprehensive income for the period	-	62,885	62,885
Dividends representing transactions with owners, recognised directly in equity	-	(70,269)	(70,269)
Balance at 30 June 2015	55,379	75,496	130,875
Profit for the period representing total comprehensive income for the period		34,339	34,339
Dividends representing transactions with owners, recognised directly in equity	-	(85,981)	(85,981)
Balance at 30 June 2016	55,379	23,854	79,233

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

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

The Company has no treasury share as at the end of the current financial period and as at the end of the corresponding period of the immediately preceding year.

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

As at 30 June 2016 and 30 June 2015, the total number of issued shares excluding treasury shares was 705,090,514.

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

Not applicable.

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

The figures have not been audited nor reviewed by the auditors.

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

Not applicable.

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

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

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

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

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

Earnings per ordinary share for the year based on profit attributable to shareholders:		Group	
		As at 30 June	
		2016	2015
(i) Based on weighted average number of ordinary shares on issue	**US cents**	0.80	10.21
(ii) On a fully diluted basis	**US cents**	0.80	10.21

Note to item 6 (i)

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

	Group	
	As at 30 June	
	2016	2015
Net profit attributable to members (US$'000)	5,626	71,988
Weighted average number of ordinary shares on issue	705,090,514	705,090,514

Note to item 6 (ii)

Group basic earnings per share was the same as the fully diluted earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 30 June 2016 and 30 June 2015.

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

		Group		Company	
		30/6/2016	30/6/2015	30/6/2016	30/6/2015
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	**US cents**	22.88	34.28	11.24	18.56

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

Full Year Results - FY ended 30 June 2016 ("FY1516") vs FY ended 30 June 2015 ("FY1415")

The Group achieved a profit after income tax of US$5.626 million in FY1516. This was 92.2% lower than FY1415 profit after income tax of US$71.988 million. The decrease in profitability was mainly due to one-off net settlement income of US$53.58 million recognised in FY1415; one-time fixed assets impairment charge of US$1 million, doubtful debt provision of US$1.269 million and deferred tax liability provision of US$4.589 million recognised in FY1516; Lower gross margin contributions from existing operations and associates; and higher administrative expenses.

Revenue

The Group's revenue decrease by US$7.093 million or 22.3% for FY1516 as compared to corresponding period for FY1415. The decline was mainly driven by the off-hire of 2 vessels from term contracts towards the end of FY1415 and lower charter rates negotiated by customers.

Cost of Sales

The cost of sales increased 14.7% from US$5.240 million to US$6.012 million despite revenue reduction due to additional costs incurred to maintain a vessel upon expiry of its bareboat contract and higher operating costs incurred on certain vessels to meet customers' more stringent requirements.

Gross Profit after Direct Depreciation

The lower revenue and higher operating expenses resulted in gross profit margins after direct depreciation reduced from 60% in FY1415 to 44.5% in FY1516. FY1516 Depreciation expense was 3.3% higher as compared to FY1415 due mainly to the acquisition of FEG Merlin.

Other Income and Other Expenses

FY1516 other income comprised one-time reversal of over accrued foreign tax and commission expense of US$5.209 million and US$3.737 million respectively and interest income of US$0.197 million. FY1415 other income comprised gross settlement income of US$60 million and interest income of US$0.672 million.

FY1516 other expenses comprised fixed assets impairment charge of US$1.001 million and doubtful debt provision of US$1.269 million. The doubtful debt provision relates to amount owing by Swiber. FY1415 Other expenses comprised one-off claim settlement expense of US$6.419 million.

Administrative Expenses

Administrative expenses increased from US$4.607 million in FY1415 to US$5.225 million in FY1516. The 13.4% increase was due to the restructuring and integration costs incurred as a result of the takeover of CHO Group by Energian Pte Ltd, a 100%-owned subsidiary of Falcon Energy Group Limited ("FEG"). The takeover resulted in headcount increase as well as redundancy payouts in FY1516. As part of the integration plan, the Group moved to its new office in September 15. The previous rental agreement only expires end of 2016, resulting in higher rental expense in the interim period.

Share of Results of Associated Companies

The Group's associated companies suffered losses in FY1516 as compared to a profit in FY1415. CHO Group's share of associates' loss amounted to US$1.964 million in FY1516. The Group's share of associates' one-time assets impairment charge and doubtful debt provision was US$1.262 million and US$0.927 million respectively. Excluding the one-off adjustments, the Group would have shared a loss of US$0.225 million despite low utilization and charter rates.

Income Tax

The deferred tax expense relates to its Singapore-owned, foreign flagged vessels.

Review of the Financial Position as at 30 June 2016

CHO Group net assets value has decreased from US$241.7 million as at 30 June 15 to US$161.345 million as at 30 June 16. The decrease in net asset value was attributable to dividend of US$85.981 million declared during the financial year. As a result, the Group's net asset value per share decreased from 34.28 US cents as at 30 June 2015 to 22.88 US cents as at 30 June 2016. Despite the challenging environment, the Group maintained its net cash and current asset position as at 30 Jun 16 and has a liquidity ratio of 1.41.

The Group's cash decreased from US$139.047 million to US$9.711 million mainly due to total dividend payout of US$133.123 million during the financial year.

Trade and other receivables increased 87% from US$4.942 million to US$9.223 million. The increase was mainly contributed by the Group's related parties as business activities with related parties have increased with the acquisition of CHO Group by "FEG". Full provision of US$1.269 million has been made on the Group's exposure to Swiber receivables.

Trade and other payables reduced 78% with the complete paydown of all the dry docking expenditure incurred and the reversal of accrued commission under dispute.

Loans and borrowings increased US$7.411 million due to drawdown of bank credit facility to fund working capital requirements.

Advance from Client increased US$3.098 million due to a client paying the Group one-year charter revenue in advance for the charter hire of two vessels during the financial year.

The Group made a deferred tax provision of US$4.589 million during the year arising from its Singapore-owned, foreign-flagged vessels. In prior year, the computed deferred tax liability was immaterial after it was offset against available unutilized capital allowance. Accordingly, no deferred tax liability was recognised in FY2015. In current year, after the full claim of capital allowance has been made and the utilization of available unutilized capital allowance, deferred tax liability of US$4.589 million has been recognised.

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

Not applicable.

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

The offshore support industry remains challenging. While the price of oil has improved off a multi-year low reached earlier in the year, offshore activity remains at historic lows. The significant capital spending cuts announced by exploration and production companies earlier in the year and in 2015 have resulted in a decrease in offshore activity, which has resulted in a decrease in activity for offshore support vessels. Overall fleet utilization for the offshore support industry has fallen significantly over the last 24 months, increasing the number of available vessels that are pursuing the fewer opportunities. As a result, there is significant competition for offshore projects, leading to a decrease in the day rates available for offshore support vessels. The group will continue to trim operating and overhead costs and focus on maintaining and gaining fleet utilization.

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

11 **Dividend**

Any dividend declared for the financial period reported on?

(a) Present Period No

(b) Previous Corresponding Period Yes

Name of Dividend	Interim Special One-tier Tax-exempt	Final One-tier Tax-exempt	Special One-tier Tax-exempt	Total
Dividend Type	Cash			
Dividend amount (SGD cents per share)	9.00	2.00	12.50	23.50

(c) Date payable Not applicable

(d) Books closure date Not applicable

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

No dividend has been declared or recommended.

13 **Interested Person Transactions**

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

	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	(US$'000)	(US$'000)
Falcon Energy Group of Companies	7,753	NIL

14 **Confirmation of Compliance to Rule 720(1) of the Listing Manual**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7 under Rule 720(1) of the Listing Manual.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15 **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

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.

16 **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

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. Hence, any material changes in contributions to turnover and earnings by the business are covered in the review in Paragraph 8 above.

17 **A breakdown of sales.**

	Group		
	US$'000		%
	Latest Year 30/6/2016	Previous Year	Change
(a) Sales reported for first half year	11,251	17,860	-37%
(b) Profit after tax for first half year	2,282	11,008	-79%
(c) Sales reported for second half year	13,474	13,958	-3%
(d) Profit after tax for second half year	3,344	60,980	-95%

18 **A breakdown of the total annual dividend (in Singapore dollar value) for the issuer's latest full year and its**

	Latest Full Year (SGD'000)	Previous Full Year (SGD'000)
Ordinary	14,102	14,102
Special	105,764	77,560
Total:	119,865	91,662

19 **Disclosure of person(s) occupying a managerial position in the issuer or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Pursuant to Rule 704(13) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Company confirms that, to the best of our knowledge to date, there is no person occupying a managerial position in the Company, or in any of its principal subsidiaries, who is a relative of a Director or the Chief Executive Officer or a Substantial Shareholder of the Company.

BY ORDER OF THE BOARD
Lim Mee Fun
Company Secretary
29 August 2016