



CH OFFSHORE LTD.
(UEN 197600666D)
(Incorporated in Singapore)

Unaudited Condensed Interim Financial Statements
For the six months ended 30 June 2022

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A. Condensed interim consolidated statement of comprehensive income

	Note	Group		Change %
		6 months ended 30 June 2022	6 months ended 30 June 2021	
		US\$'000	US\$'000	
Revenue	4	9,424	6,927	36.0
Cost of sales		(4,489)	(4,449)	0.9
Gross profit before direct depreciation		4,935	2,478	99.2
Direct depreciation		(2,302)	(2,657)	(13.4)
Gross profit/(loss) after direct depreciation		2,633	(179)	n.m.
Other income		165	751	(78.0)
Other expenses	6	(1,150)	(155)	n.m.
Indirect depreciation		(12)	(11)	9.1
Administrative expenses		(1,399)	(1,540)	(9.2)
Finance cost		(146)	(183)	(20.2)
Profit/(loss) before income tax and results of associated companies		91	(1,317)	n.m.
Share of results of associated companies		–	–	n.m.
Profit/(loss) before income tax	6	91	(1,317)	n.m.
Income tax credit/(expense)	7	16	(1)	n.m.
Profit/(loss) for the period representing total comprehensive income for the period		107	(1,318)	n.m.
Attributable to:				
Equity holders of the Company		107	(1,344)	n.m.
Non-controlling interests		–	26	n.m.
Total comprehensive income for the period		107	(1,318)	n.m.
Profit/(loss) per share:				
Basic and fully diluted (US cents)		0.02	(0.19)	

B. Condensed interim statements of financial position

	Note	Group		Company	
		30 Jun 2022 US\$'000	31 Dec 2021 US\$'000	30 Jun 2022 US\$'000	31 Dec 2021 US\$'000
<u>ASSETS</u>					
Current assets					
Cash and cash equivalents		8,245	6,931	1,923	1,042
Trade and other receivables		7,552	7,054	20,043	23,586
Inventories		554	580	259	261
Loan to associated company		3,458	4,311	-	-
Prepayments		398	163	84	45
Total current assets		20,207	19,039	22,309	24,934
Non-current assets					
Subsidiary companies		-	-	8,704	8,704
Associated companies		-	-	-	-
Fixed assets	9	47,270	49,580	26,414	27,642
Total non-current assets		47,270	49,580	35,118	36,346
Total assets		67,477	68,619	57,427	61,280
<u>LIABILITIES AND EQUITY</u>					
Current liabilities					
Trade and other payables		4,721	4,774	40,823	42,957
Borrowings	10	6,012	6,330	6,012	6,330
Income tax payable		11	27	-	5
Total current liabilities		10,744	11,131	46,835	49,292
Non-current liabilities					
Borrowings	10	2,001	2,863	2,001	2,863
Deferred tax liabilities		2,760	2,760	1,804	1,804
Total non-current liabilities		4,761	5,623	3,805	4,667
Capital and reserves					
Issued capital	11	55,379	55,379	55,379	55,379
Treasury shares		(46)	(46)	(46)	(46)
Accumulated losses		(3,361)	(3,468)	(48,546)	(48,012)
		51,972	51,865	6,787	7,321
Non-controlling interests		-	-	-	-
Total equity		51,972	51,865	6,787	7,321
Total liabilities and equity		67,477	68,619	57,427	61,280

C. Condensed interim statements of changes in equity

Group	Issued capital US\$'000	Treasury shares US\$'000	Accumulated losses US\$'000	Total US\$'000	Non-controlling Interest US\$'000	Total equity US\$'000
2022						
Balance at 1 January 2022	55,379	(46)	(3,468)	51,865	–	51,865
Profit for the period, representing total comprehensive income for the period	–	–	107	107	–	107
Balance at 30 June 2022	55,379	(46)	(3,361)	51,972	–	51,972
2021						
Balance at 1 January 2021	55,379	(46)	1,481	56,814	5	56,819
Loss for the period, representing total comprehensive income for the period	–	–	(1,344)	(1,344)	26	(1,318)
Balance at 30 June 2021	55,379	(46)	137	55,470	31	55,501

C. Condensed interim statements of changes in equity (cont'd)

<u>Company</u>	Issued capital US\$'000	Treasury shares US\$'000	Accumulated losses US\$'000	Total equity US\$'000
2022				
Balance at 1 January 2022	55,379	(46)	(48,012)	7,321
Loss for the period, representing total comprehensive income for the period	-	-	(534)	(534)
Balance at 30 June 2022	55,379	(46)	(48,546)	6,787
2021				
Balance at 1 January 2021	55,379	(46)	(44,717)	10,616
Profit for the period, representing total comprehensive income for the period	-	-	561	561
Balance at 30 June 2021	55,379	(46)	(44,156)	11,177

D. Condensed interim consolidated statement of cash flows

	Note	Group	
		6 months ended 2022 US\$'000	30 June 2021 US\$'000
Cash flows from operating activities			
Profit/(loss) before tax		91	(1,317)
Adjustments for:			
Depreciation of property, plant and equipment		2,313	2,668
Interest income		(2)	–
Interest expense		146	183
Unrealised foreign exchange gain, net		(295)	(117)
Gain on disposal of property, plant and equipment		–	(667)
Write-back of expected credit losses on trade receivables		(331)	–
Expected credit losses on trade receivables		1,481	–
Operating cash flows before working capital changes		3,403	750
Decrease/(increase) in inventories		26	(82)
Increase in prepayment		(235)	(307)
(Increase)/decrease in trade and other receivables		(1,632)	1,207
Decrease in trade and other payables		(47)	(1,685)
Cash flows generated from/(used in) operations		1,515	(117)
Interest received		76	–
Interest paid		(147)	(201)
Income tax paid		(16)	(185)
Net cash flows generated from/(used in) operating activities		1,428	(503)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3)	(829)
Proceeds from disposal of property, plant and equipment		–	1,773
Repayment from loan to associate		853	–
Net cash flows generated from investing activities		850	944
Cash flows from financing activities			
Proceeds from bank loan		–	1,115
Repayment of bank loans		(921)	(1,582)
Net cash flows used in financing activities		(921)	(467)
Net increase/(decrease) in cash and cash equivalents		1,357	(26)
Effect of exchange rate changes on cash and cash equivalents		(43)	(73)
Cash and cash equivalents at beginning of financial period		6,931	3,190
Cash and cash equivalents at end of financial period		8,245	3,091

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

CH Offshore Ltd. (the “Company”) is listed on the Singapore Exchange Securities Trading Limited and is incorporated and domiciled in the Republic of Singapore. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprised the Company and its subsidiaries (collectively, the “Group”).

The principal activities of the Company are that of investment holding and the owning and chartering of vessels. The principal activities of the Group are investment holding, ship management and the owning and chartering of vessels.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in United States Dollar (USD or US\$), which is the Company’s functional currency, and all values in the tables are rounded to the nearest thousand (US\$’000), except when otherwise indicated.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions were reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there were no significant judgements made in applying the accounting policies in the condensed interim financial statements.

2.2 Use of judgements and estimates (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 5 – provision for expected credit losses on trade receivables
- Note 9 – impairment test on vessels

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue 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.

Disaggregation of revenue

	Group	
	6M2022 US\$'000	6M2021 US\$'000
Charter hire revenue	4,227	1,947
Other ancillary charter hire revenue	4,784	4,341
Management and agency fee	413	639
	<hr/>	<hr/>
	9,424	6,927
	<hr/> <hr/>	<hr/> <hr/>

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30 Jun 2022 US\$'000	31 Dec 2021 US\$'000	30 Jun 2022 US\$'000	31 Dec 2021 US\$'000
Financial assets				
Trade and other receivables	7,552	7,054	20,043	23,586
Cash and cash equivalents	8,245	6,931	1,923	1,042
Loan to associated company	3,458	4,311	–	–
Total undiscounted financial assets	19,255	18,296	21,966	24,628
Financial liabilities				
Trade and other payables	4,721	4,774	40,823	42,957
Borrowings	8,245	9,530	8,245	9,530
Total undiscounted financial liabilities	12,966	14,304	49,068	52,487
Total net undiscounted financial assets/(liabilities)	6,289	3,992	(27,102)	(27,859)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate expected credit loss (ECL) for trade receivables. The provision matrix is initially derived based on the Group's historical observed default rates and calibrated to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of ECL is a significant estimate as it is sensitive to changes in circumstances and forecast economic conditions. For the six months ended 30 June 2022, the Group has written-back an allowance for ECL amounting to US\$330,544 and passed an allowance for ECL amounting to US\$1,480,544. The Group has assessed the new ECL provision recorded to be adequate.

6. Profit/(loss) before income tax

6.1 Significant items

	Group	
	6M2022 US\$'000	6M2021 US\$'000
Income:		
Grant income	77	81
Gain on disposal of vessels	–	667
Net foreign exchange gain	86	–
Expenses:		
Net foreign exchange loss	–	155
Expected credit losses on trade receivables, net	1,150	–

6.2 Related party transactions

In addition to the related party information disclosed elsewhere in the condensed interim financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial period:

	Group	
	6M2022	6M2021
	US\$'000	US\$'000
Management and agency fee from associated companies	24	142
Transactions with related companies:		
- Rental paid	(46)	(45)
- Fees paid for services rendered to its vessels	(2)	(113)
- Management and agency fee earned	109	108

7. Income tax (credit)/expense

The Group calculates the period income tax (credit)/expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax (credit)/expense in the condensed interim consolidated statement of comprehensive income are:

	Group	
	6M2022	6M2021
	US\$'000	US\$'000
<i>Income tax:</i>		
– Current	–	–
– (Over)/under provision in respect of prior years	(16)	1
<i>Deferred income tax:</i>		
– Origination and reversal of temporary differences	–	–
Income tax (credit)/expense recognised in the statement of comprehensive income	(16)	1

8. Earnings Per Share and Net Asset Value Per Share

Basic earnings per ordinary share for the six months ended 30 June 2022 and 2021 are calculated by dividing loss for the financial period, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial periods of 704,892,514.

The Group has no dilution in its earnings per share at 30 June 2022 and 30 June 2021.

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Net asset value per ordinary share based on issued share capital at the end of the period (in US cents)	7.37	7.36	0.96	1.04

Net asset value per ordinary share as at 30 June 2022 and 31 December 2021 are calculated based on the number of ordinary shares in issue of 704,892,514.

9. Fixed assets

During the six months ended 30 June 2022, the Group acquired assets amounting to US\$3,103 (30 June 2021: US\$829,319) and disposed assets amounting to US\$4,150 (30 June 2021: US\$1,565,819).

Impairment testing on vessels

As at 31 December 2021, the Group carried out a review of the recoverable amount of its vessels due to the continued weakness in the oil and gas industry. The recoverable amount of the vessels was based on its value in use and the pre-tax discount rate was 9.5%. No impairment loss had been recognised in 2021 as the recoverable amount of the vessels was computed to be higher than the carrying amount. The Group has not performed any further review of the recoverable amount of its vessels during the six months ended 30 June 2022 because there were no significant impairment indicators at 30 June 2022.

10. Borrowings

	Group and Company	
	30 Jun 2022	31 Dec 2021
	US\$'000	US\$'000
<u>Amount repayable within one year or on demand</u>		
Secured	5,131	5,435
Unsecured	881	895
	<hr/>	<hr/>
	6,012	6,330
	<hr/>	<hr/>
<u>Amount repayable after one year</u>		
Secured	–	342
Unsecured	2,001	2,521
	<hr/>	<hr/>
	2,001	2,863
	<hr/>	<hr/>
Total borrowings	8,013	9,193
	<hr/>	<hr/>

The secured bank borrowings are secured by a 12,000 BHP vessel.

11. Share capital

	Group and Company			
	30 Jun 2022		31 Dec 2021	
	No. of shares	US\$'000	No. of shares	US\$'000
Issued and fully paid:				
At 30 June 2022 and 31 December 2021	704,892,514	55,379	704,892,514	55,379

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

The Company held 198,000 treasury shares as at 30 June 2022 and 31 December 2021.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 31 December 2021.

There was no sale, transfer, cancellation and/or use of treasury shares during the current reported financial period.

There was no sale, transfer, cancellation and/or use of subsidiary holdings during the current reported financial period.

F. Other information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of CH Offshore Ltd. and its subsidiaries (collectively, the “Group”) as at 30 June 2022 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

The Group earned a profit after income tax of \$0.11 million in the six months ended 30 June 2022 (“1H2022”) compared to the net loss of \$1.32 million incurred in the six months ended 30 June 2021 (“1H2021”). The profits in the current year was mainly due to higher revenue in 1H2022 compared to 1H2021.

Revenue

Revenue increased by 36.0% from \$6.93 million for 1H2021 to \$9.42 million for 1H2022. The increase was due to increase in utilisation rate from 54% for 1H2021 to 89% for 1H2022 for CHO-owned vessels and higher revenue generated from third-party chartered vessels.

Cost of sales and Direct depreciation

Operating expenses for 1H2022 of \$4.49 million was higher than 1H2021 of \$4.45 million in line with the increase in revenue. Direct depreciation for 1H2022 of \$2.30 million was lower than \$2.66 million in 1H2021 due to the sale of vessels in 2021.

Administrative expenses and other expenses

Corporate overheads and other administrative expenses decreased by 9.2% from \$1.54 million in 1H2021 to \$1.40 million in 1H2022 mainly due to the lower payroll in 1H2022. Other expenses increased from \$0.16m in 1H2021 to \$1.15m in 1H2022 mainly due to the expected credit losses provided in 1H2022 following a review of the historical credit loss experience in view of the unpredictable global economic outlook.

Financial position and cash flow

The Group’s shareholders’ equity increased from \$51.87 million as at 31 December 2021 to \$51.97 million as at 30 June 2022 due to the profit of \$0.11 million earned in 1H2022.

Cash and cash equivalents increased from \$6.93 million as at 31 December 2021 to \$8.25 million as at 30 June 2022. The positive cashflows generated from operating activities and investing activities was partially offset by the cash used in financing activities for the repayment of bank loans.

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

Not applicable.

4. A commentary at the date of the 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 oil and gas sector has performed well in the first half of 2022 as compared to the last two years given the global pandemic. However, the global economic outlook remains unpredictable with the ongoing Russia-Ukraine war, supply chain disruptions, rising inflation and interest rates. We will continue to leverage on our strengths and stay conservative in our operations to adapt quickly to the ever-changing environment to remain sustainable and relevant in the long term.

5. Dividend information

5a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on? No

5b. Corresponding Period of the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

5c. Date Payable

Not applicable

5d. Book Closure Date

Not applicable

No dividend has been declared or recommended in view of the Group's operational and financial cash needs.

6. Interested person transactions

The Company has obtained a general mandate from shareholders for interested person transactions with Baker Technology Group of Companies during the Annual General Meeting held on 22 April 2022. The following are details of the interested person transactions entered into by the Group in 1H2022:

	Nature of relationship	Aggregate value of all interested person transactions 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)
Baker Technology Group of Companies	Associates of Company's Controlling Shareholder	(US\$'000) –	(US\$'000) 109
Falcon Energy Group of Companies	Associates of Company's Controlling Shareholder	88	–

7. Disclosure pursuant to Rule 706A of the Listing Manual

(A) Incorporation of subsidiaries

On 15 June 2022 and 13 July 2022, the Company incorporated the following direct and indirect subsidiaries in Singapore and in Malaysia respectively. The particulars of the subsidiaries are as follows:

Name of the direct subsidiary	:	CHO Investment Pte. Ltd.
Issued and paid-up share capital	:	S\$100 consisting of 100 Ordinary Shares
Percentage of shareholding	:	100%
Principal activities	:	Investment holding

Name of the indirect subsidiary	:	Sea Offshore Assets Sdn. Bhd.
Issued and paid-up share capital	:	RM1.00 consisting of 1 Ordinary Share
Percentage of shareholding	:	100%
Principal activities	:	Trading, owning and chartering of vessels

The incorporation of CHO Investment Pte. Ltd. and Sea Offshore Assets Sdn. Bhd. were funded by internal resources.

The incorporation of CHO Investment Pte. Ltd. and Sea Offshore Assets Sdn. Bhd. are not expected to have any material impact on the earnings per share or the net tangible assets of the Group for financial year ending 31 December 2022.

None of the Directors and their respective associates has any interest, direct or indirect, in the incorporation of CHO Investment Pte. Ltd. and Sea Offshore Assets Sdn. Bhd. (other than through their respective direct and/or indirect shareholding interests in the Company, if any).

(B) Acquisition of shares in subsidiary

On 12 July 2022, Delaware Marine Pte Ltd, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with RMS Synergy Sdn Bhd to acquire the 30,000 ordinary shares in Pearl Marine Pte Ltd ("Pearl Marine") representing 30% of the issued and paid-up share capital ("Sale Shares") for a cash consideration of US\$30,000.00 (the "Acquisition"). The consideration was arrived at on a willing-buyer-willing-seller basis, taking into account Pearl Marine's financial performance, existing assets and its business prospects. Based on the latest available audited financial statement of Pearl Marine for the financial year ended 31 December 2021, the net asset value attributable to the Sale Shares is nil. The consideration was funded from the Group's internal resources.

As the relative figures computed on the bases set out in Rule 1006 of SGX-ST Listing Manual amount to 5% or less, the Acquisition does not constitute a discloseable transaction under Chapter 10 of the SGX-ST Listing Manual.

The Acquisition resulted in Pearl Marine becoming an indirect wholly-owned subsidiary of the Company.

The Acquisition has no material impact on the consolidated net tangible assets and earnings per share for the Group's current financial year.

None of the Directors and their respective associates has any interest, direct or indirect, in the Acquisition (other than through their respective direct and/or indirect shareholding interests in the Company, if any).

8. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

9. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and of the Group for the half year ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Thia Peng Heok George
Board Chairman

Dr Benety Chang
CEO

BY ORDER OF THE BOARD

Lim Mee Fun
Company Secretary
29 July 2022