

CH OFFSHORE LTD.



(Co. Reg. No. 197600666D)

Unaudited Financial Statements and Dividend Announcement for the Half Year Ended 30 June 2020

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

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED INCOME STATEMENT

	Group		
	6 months ended 30/6/20 US\$'000	6 months ended 30/6/19 US\$'000	Change %
Revenue	11,879	8,633	37.6%
Cost of sales	(8,331)	(5,813)	43.3%
Gross profit before direct depreciation	3,548	2,820	25.8%
Direct depreciation	(3,322)	(3,729)	(10.9)%
Gross profit/(loss) after direct depreciation	226	(909)	n.m.
Other income	263	136	93.4%
Other expenses	(77)	(242)	(68.2)%
Indirect depreciation	(10)	(6)	66.7%
Administrative expenses	(1,674)	(1,871)	(10.5)%
Loss from operations	(1,272)	(2,892)	(56.0)%
Finance costs	(211)	(236)	(10.6)%
Loss before income tax and results of associated companies	(1,483)	(3,128)	(52.6)%
Share of results of associated companies	-	(3,650)	n.m.
Loss before taxation	(1,483)	(6,778)	(78.1)%
Income tax expenses	6	(5)	n.m.
Loss after taxation	(1,477)	(6,783)	(78.2)%
Total comprehensive income for the period	(1,477)	(6,783)	(78.2)%
Attributed to:			
Shareholders of the company	(1,443)	(6,763)	(78.7)%
Non-controlling interests	(34)	(20)	70.0%
	(1,477)	(6,783)	(78.2)%

1(a)(ii) Notes to the income statement and statement of comprehensive income

	Group		
	6 months ended 30/6/20 US\$'000	6 months ended 30/6/19 US\$'000	Change %
Interest income	64	134	(52.2)%
Foreign exchange loss	(77)	(95)	(18.9)%
Loss on disposal of fixed assets	-	(141)	n.m.
Government subsidies/grants	185	2	n.m.

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

	Group		Company	
	30/6/20	31/12/19	30/6/20	31/12/19
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	8,489	8,323	1,996	3,481
Trade and other receivables	7,709	8,756	25,747*	33,599
Inventories	519	353	259	30
Loan to associated company	5,537	5,537	-	-
Prepayments	379	178	65	39
Total current assets	22,633	23,147	28,067	37,149
Non-current assets				
Other receivables	-	-	-	6,902
Subsidiary companies	-	-	26,170*	8,751
Associated companies	-	-	-	-
Loan to associated company	-	-	-	-
Fixed assets	74,821	76,272	36,047	37,425
Total non-current assets	74,821	76,272	62,217	53,078
Total assets	97,454	99,419	90,284	90,227
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	10,478	10,216	46,782	46,132
Borrowings	6,261	6,468	6,261	6,468
Income tax payable	112	129	111	111
Total current liabilities	16,851	16,813	53,154	52,711
Non-current Liabilities				
Borrowings	1,738	2,263	1,738	2,263
Deferred taxation	4,096	4,097	2,900	2,900
Total non-current liabilities	5,834	6,360	4,638	5,163
Capital and reserves				
Issued capital	55,379	55,379	55,379	55,379
Treasury shares	(46)	(46)	(46)	(46)
Accumulated profits/(losses)	19,352	20,795	(22,841)	(22,980)
	74,685	76,128	32,492	32,353
Non-controlling interests				
	84	118	-	-
Total equity	74,769	76,246	32,492	32,353
Total liabilities and equity	97,454	99,419	90,284	90,227

* - The settlement of amounts of US\$17,419,000 due from subsidiaries are at the discretion of the subsidiaries. Consequently, these amounts form part of the Company's net investment in the subsidiaries.

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

As at 30/6/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
6,261	-	6,468	-

Amount repayable after one year

As at 30/6/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
1,738	-	2,263	-

Details of any collateral

Borrowing is secured by a 12,000 BHP vessel.

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

	6 months ended 30/6/20 US\$'000	6 months ended 30/6/19 US\$'000
Operating activities:		
Loss before income tax	(1,483)	(6,778)
Adjustments for:		
Depreciation	3,333	3,735
Share of results of associates	-	3,650
Loss on disposal of fixed assets	-	141
Interest income	(64)	(134)
Interest expense	211	236
Net foreign exchange (gain)/loss – unrealised	(175)	36
Waiver of debts to associated companies	-	6
Operating cashflows before working capital changes	<u>1,822</u>	<u>892</u>
Trade receivables and other receivables	1,110	(1,865)
Prepayments	(201)	76
Inventories	(166)	(37)
Trade payables and other payables	326	586
Cash generated from/(used in) operations	<u>2,891</u>	<u>(348)</u>
Interest received	22	176
Interest paid	(224)	(229)
Income tax paid	(12)	(5)
Net cash generated from/(used in) operation activities	<u>2,677</u>	<u>(406)</u>
Investing activities:		
Proceeds from disposal of fixed assets	-	840
Purchase of fixed assets	(1,883)	(11)
Repayment from associated companies	-	1,258
Net cash (used in)/generated from investing activities	<u>(1,883)</u>	<u>2,087</u>
Financing activity:		
Repayment of bank loans	(422)	(137)
Net cash used in financing activity	<u>(422)</u>	<u>(137)</u>
Net increase in cash and cash equivalents	372	1,544
Cash and cash equivalents at beginning of period	8,323	5,700
Effects of exchange rate changes on the balance of cash held in foreign currencies	(206)	(19)
Cash and cash equivalents at end of period	<u>8,489</u>	<u>7,225</u>

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

	Issued Capital US\$'000	Treasury Shares US\$'000	Retained Profits US\$'000	Total US\$'000	NCI US\$'000	Total Equity US\$'000
<u>GROUP</u>						
<u>6 months ended 30 June 2019</u>						
Balance at 1 January 2019	55,379	(46)	34,961	90,294	14	90,308
Loss for the period, representing total comprehensive income for the period	-	-	(6,763)	(6,763)	(20)	(6,783)
Balance at 30 June 2019	55,379	(46)	28,198	83,531	(6)	83,525
<u>6 months ended 30 June 2020</u>						
Balance at 1 January 2020	55,379	(46)	20,795	76,128	118	76,246
Loss for the period, representing total comprehensive income for the period	-	-	(1,443)	(1,443)	(34)	(1,477)
Balance at 30 June 2020	55,379	(46)	19,352	74,685	84	74,769
<u>COMPANY</u>						
<u>6 months ended 30 June 2019</u>						
Balance at 1 January 2019	55,379	(46)	(5,205)	50,128	-	50,128
Loss for the period, representing total comprehensive income for the period	-	-	(2,381)	(2,381)	-	(2,381)
Balance at 30 June 2019	55,379	(46)	(7,586)	47,747	-	47,747
<u>6 months ended 30 June 2020</u>						
Balance at 1 January 2020	55,379	(46)	(22,980)	32,353	-	32,353
Profit for the period, representing total comprehensive income for the period	-	-	139	139	-	139
Balance at 30 June 2020	55,379	(46)	(22,841)	32,492	-	32,492

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 is no change in the company's share capital since the previous period reported on.

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

	Number of shares as at	
	30/6/2020	31/12/2019
Total number of issued shares	705,090,514	705,090,514
Less: Treasury shares	(198,000)	(198,000)
Total number of issued shares, excluding treasury shares	<u>704,892,514</u>	<u>704,892,514</u>

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

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

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

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

2. Whether the figures have been audited or reviewed, and 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 modifications or emphasis of matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) updates on the efforts taken to resolve each outstanding audit issue; (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed

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 31 December 2019 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

Nil.

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 period based on net loss attributable to shareholders:

	Group	
	6 months ended	
	30/6/2020	30/6/2019
(i) Based on weighted average number of ordinary shares on issue (US cents)	(0.21)	(0.96)
(ii) On a fully diluted basis (US cents)	(0.21)	(0.96)

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

	Group		Company	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Net asset value per ordinary share based on the number of issued shares excluding treasury shares as at the end of the period reported on (US cents)	10.60	10.80	4.61	4.59

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

1st Half ended 30 June 2020 ("1H2020") vs 1st Half ended 30 June 2019 ("1H2019")

The Group incurred a loss after income tax of \$1.48 million in 1H2020, 78.2% lower than the net loss of \$6.78 million incurred in 1H2019. The lower losses in 1H2020 was mainly due to improved utilisation of the vessels, no further losses from associate company and lower administrative expenses.

Revenue

Revenue increased by 37.6% from \$8.63 million for 1H2019 to \$11.88 million for 1H2020. The increase was due to increase in utilisation rate from 61% for 1H2019 to 66% for 1H2020 from CHO-owned vessels. Higher revenue was also generated from third-party chartered vessels.

Cost of Sales and Direct Depreciation

Vessel operating expenses for 1H2020 of \$8.33 million was higher than 1H2019 of \$5.81 million in line with the increase in revenue. Direct depreciation decreased from 1H2019 of \$3.73 million to \$3.32 million for 1H2020 due to the sale of FEG Merlin and Jasper in 2019.

Corporate Overheads & Other expenses

Administrative expenses decreased by 10.5% from \$1.87 million in 1H2019 to \$1.67 million in 1H2020 mainly due to the higher legal fees incurred for the brokers' commission case in 1H2019 and lower travel costs incurred in 1H2020 in view of the COVID-19 pandemic.

Share of results of associated companies

There was no further share of losses of associated companies in 1H2020 as the share of losses had been capped at the cost of investment in the associated companies since 1H2019. The share of losses of \$3.65 million in 1H2019 was mainly attributable to the loss on disposal of 3 vessels recognised by an associated company.

A Review of Financial Position

The Group's net assets value was \$74.8 million and net asset value per share was 10.60 US cents as at 30 June 2020.

Cash and cash equivalents increased slightly from \$8.32 million as at 31 December 2019 to \$8.49 million as at 30 June 2020. The positive cashflow from operating activities for 1H2020 was partially offset by (i) the cashflow used in investing activities mainly due to vessel dry docking of \$1.3 million and refurbishment to other vessels; and (ii) repayment of bank loan.

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 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 global situation in relation to the COVID-19 pandemic is still uncertain with some countries experiencing their second wave of infections. In Singapore, we are currently in Phase 2 of Singapore's reopening. We are likely to see increased costs in relation to procedures/policies put in place to abide by the government implemented Safe Management Measures and also measures put in place by the various governments where our vessels operate due to impact on crew changes and procurement.

Oil prices remain under pressure despite improving since the sharp drop in prices in April 2020, remaining below Jan 2020 levels. Economic activities around the world continues to suffer as a result of the pandemic, thus causing an imbalance in supply and demand. The sector expectations remain uncertain and volatile and we expect fewer market enquiries, requests for realignment of existing charters and shorter charter periods. As such, charter income is expected to be negatively impacted, thus weighing on the Group's financials for the financial year ending 31 December 2020 especially if low oil prices persist.

11. Dividend

Any dividend declared for the financial period reported on?

- | | |
|-----------------------------------|----------------|
| (a) Present period | No |
| (b) Previous corresponding period | No |
| (c) Date payable | Not applicable |
| (d) Record date | Not applicable |

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

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

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Company did not obtain a general mandate from shareholders for interested person transactions with Falcon Energy Group of Companies.

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 18 June 2020.

The following are details of the interested person transactions entered into by the Group in 1st half ended 30 June 2020:

	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) (US\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (US\$'000)
Baker Technology Group of Companies	-	85
Falcon Energy Group of Companies	117	-

14. Negative confirmation pursuant to Rule 705(5)

The Board of Directors of the Company hereby confirm to the best of their knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the 1st half ended 30 June 2020 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Lim Mee Fun
Company Secretary
30 July 2020