CH OFFSHORE LTD

Annual Report 2010

Charting New Opportunities with Renewed Strengths

Contents

Our vision

is to be one of the leading marine support service providers for the Oil & Gas industry.

Our mission

is to be one of the most preferred marine support services companies which:

- Provides a safe working environment and adopts safe practices onboard our vessels in line with the applicable health, safety and environmental standards.
- Protects and safeguards the marine environment by adopting antipollution control measures to minimise oil discharge, garbage disposal and exhaust emission onboard our vessels
- Is competitive
- Is customer-focused
- Is committed to constantly upgrading the skills of the office and shipboard employees to realise their full potential and maximise their contributions to the Company

Corporate Data

Board of Directors

Mr Tan Pong Tyea	(Non-Executive Chairman)
Mr Peh Kwee Chim	(Non-Executive Director)
Mr Cheak Boon Heng	(Non-Executive Director)
Mr Neo Chin Lee	(Non-Executive Director)
Mr Billy Lee Beng Cheng	(Non-Executive, Independent Director)
Mdm Joanna Young Sau Kwan	(Non-Executive, Independent Director)
Mr Peh Siong Woon Terence	(Alternate Director to Mr Peh Kwee Chim)

Audit Committee

Mdm Joanna Young Sau Kwan	(Chairman)
Mr Billy Lee Beng Cheng	
Mr Neo Chin Lee	

Remuneration Committee

Mr Billy Lee Beng Cheng	(Chairman)
Mdm Joanna Young Sau Kwan	
Mr Cheak Boon Heng	

Nominating Committee

Mr Billy Lee Beng Cheng	(Chairman)
Mdm Joanna Young Sau Kwan	
Mr Cheak Boon Heng	

Company Secretary

Ms Valerie Tan May Wei

Registered Office

388 Jalan Ahmad Ibrahim
Singapore 629157
Telephone: (65) 6861 1711
Facsimile: (65) 6862 2336
Website: www.choffshore.com.sg
Email: investor@choffshore.com.sg

Share Registrar

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00
PWC Building
Singapore 048424

Auditors

Deloitte & Touche LLP
6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809

Partner-in-Charge: Mr Alan Nisbet
Appointed since the Financial Year ended June 30, 2008

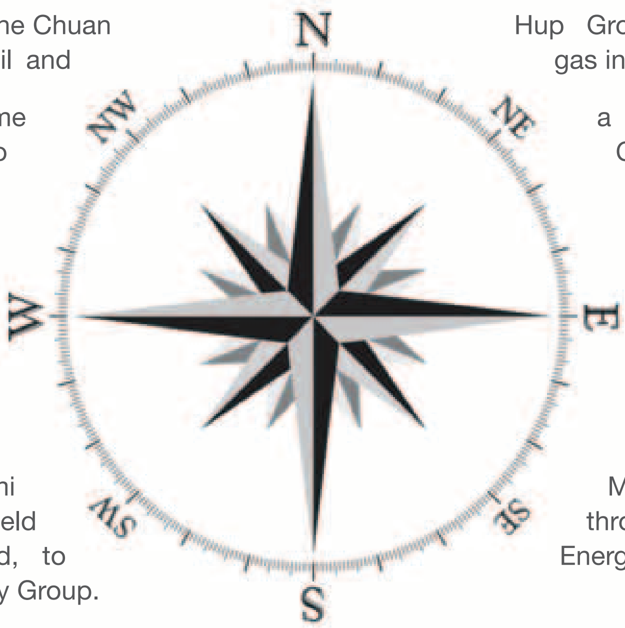
A Renewed Commitment with Deeper Capabilities

Our Company 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 present name was adopted in September 1990.

Under the Chuan Hup Group, our involvement in the oil and gas industry began in the early 1970s in Indonesia, the largest oil producer in South East Asia then. In the early 1970s, oil exploration and production activities started onshore with major customers being Caltex Indonesia in Sumatra, Tesoro in Tarakan and Unocal in Balikpapan. As oil production moved progressively offshore, our involvement increased to meet the demand and requirements of the oil producers. The consequential rise in demand for offshore support services led to an expansion to our offshore fleet. From 1981 to 1983, we acquired a total of 24 units of anchor-handling tug supply (AHTS) and maintenance vessels, and one tender assisted work-over rig.

Since then, in line with the development of the offshore oil and gas industry, our Group has continued to maintain a fleet of offshore support vessels which remain relevant to our customers' needs.

In the first half of 2002, Chuan Hup reorganised its business into offshore support services to the oil and gas industry, marine logistics services and transportation for the coal and other aggregate industries and other non-marine investments. CH Offshore became the corporate vehicle to 'house' assets and companies of the Chuan Hup Group that provide offshore support services to the oil and gas industry.



The Company became a public limited company, changed its name to CH Offshore Ltd ("CHO") and was listed on the Singapore Stock Exchange by introduction on 28 February 2003. In October 2005, Habib Corporation Berhad (Habib), a public listed company on the Bursa Malaysia, acquired a 29.07% stake in CHO from Chuan Hup Holdings Limited. Habib subsequently changed its name to Scomi Marine Berhad, reflecting the change of ownership in the company.

On 28 April 2010, Scomi Marine Berhad sold its entire 29.07% stake in CHO, held through its subsidiary, Scomi Marine Services Pte Ltd, to Energian Pte Ltd, a wholly-owned subsidiary of Falcon Energy Group.

As at the end of financial year ended 30 June 2009, the CHO Group had disposed all 1980s-built vessels. Currently, CHO operates a fleet of 13 AHTS vessels with an average age of 4 years old as of June 2010. It also co-owns two AHTS with Scomi Marine Berhad, enabling the Group to operate in Malaysia. The fleet includes seven 12,240 brake horse power (bhp) AHTS vessels, two of which were delivered during the financial year.

Building on our strength and expertise, the Group has operations in a multitude of areas. Since 1980, we have served most oil majors and other customers in Indonesia, Malaysia, the Philippines, Brunei, Thailand, Vietnam, Australia, the Middle East and Latin America. With over 30 years of experience in almost every facet of offshore support services, we have forged excellent relationships with our customers through our firm commitment to quality, reliability and high service standards.

Renewed Commitment

Introduction

The Financial Year ended 30 June 2010 ("FY2010") was a challenging one for the CH Offshore Group ("Group"). The global economic slowdown had a devastating impact across all sectors of the shipping industry. In spite of the crisis, the Group managed well and achieved a profit after tax of US$37.3 million.

On behalf of the Board, I am pleased to present the Annual Report and the Audited Financial Statements of the Group for the Financial Year ended 30 June 2010.

Financial Review

REVENUE reduced by 8.3% to US$63.1 million for FY2010 from US$68.8 million for FY2009. The lower revenue was mainly due to lower charter rates and vessel utilisation. The global shipping industry, including the offshore support vessels ("OSV") sector experienced excess fleet capacity that outpaced demand.

Loss of revenue also came about when two vessels were docked for their 1st Major Inspection and Overhaul during FY2010. The lower revenue was mitigated by higher charter rate for one vessel and a full year contribution from another vessel, which we took delivery of in November 2008.

OPERATING COSTS to revenue for FY2010 at 24% is only marginally higher than FY2009 at 21.9%. Administrative expenses remained low at US$3.3 million (FY2009: US$3.3 million). We have made great efforts to maintain low operating costs and administrative expenses.

DIRECT DEPRECIATION rose 22.2% to US$7.6 million from US$6.2 million due to the delivery of two vessels in November 2009 and March 2010. The increase is also as a result of the capitalisation and amortisation of Major Inspection and Overhaul costs of two vessels.

The CHO Group has changed its Accounting Policy for Costs relating to the Major Inspection and Overhaul of Vessels ("Costs") for the financial year, beginning 1 July 2009. It is mandatory for vessels to undergo major inspection and overhaul once in every five years. Previously, such Costs were charged off to profit or loss as and when they were incurred. With effect from 1 July 2009, such Costs were capitalised and amortised over five years. The change in this accounting policy has been disclosed in the notes to the financial statements.

OTHER INCOME. There was no sale of assets in the current financial year. During the previous financial year, the Group sold the remaining four 1980s-built AHTS vessels. This together with the disposal of investment in an associated company contributed a one-off gain of US$11.5 million for FY2009.

SHARE OF RESULTS OF ASSOCIATED COMPANIES. The results are derived from two associated companies. Share of results has declined to US$0.5 million from US$0.7 million as one of the vessels was docked for its first Major Inspection and Overhaul during FY2010.

PROFIT AFTER INCOME TAX. The lower revenue, higher direct depreciation and an absence of gain from sale of assets resulted in a profit after tax of US$37.3 million which is 33.6% lower than US$56.2 million for FY2009.

FINANCIAL POSITION for the Group remains strong. Total shareholders' funds increased 15.8% to US$217.0 million from US$187.4 million as a result of continuing positive results from the operation of its fleet of vessels. The Group's net assets value per share rose to 30.77 US cents from 26.58 US cents as at 30 June 2009. Healthy cashflow is also evidenced from the cash surplus of US$30.0 million from its operation activities.

During the Financial Year 2010, the Group has entered into two separate loan agreements with the banks to borrow a total sum of US$27 million to finance the delivery of the last two vessels. One vessel was delivered end-November 2009 and the

last vessel was delivered end-March 2010. As a result, borrowings from the banks have increased 691.7% to US$23.8 million as at 30 June 2010 from US$3 million as at 30 June 2009. Despite a 691.7% increase in borrowings, gearing (debt to equity) ratio remained low at 0.11.

Fleet Activities

In November 2009 and March 2010, the Group took delivery of the last two 12,240 bhp AHTS vessels. With the complete delivery of all the eight new 12,240 bhp AHTS vessels from Japan, the Group now owns or co-owns and manages a modern fleet of 15 AHTS vessels with an average age of about 4 years old as of 30 June 2010. All the vessels are on term-charter, except for 3 units trading on spot-charter.

Once the "Azaz Cabotage" regulation takes effect in January 2011, all vessels operating in Indonesia will be required to be Indonesian-flagged. For the Group to continue its chartering activities in Indonesia, we have in February 2010, entered into an agreement to own a 49% stake in a company incorporated in Indonesia. In June 2010, the said company, PT Bahtera Nusantara Indonesia was duly established as a limited liability company in Indonesia.

In line with our corporate strategy to maintain our presence in Indonesia, the Group has sold one of the vessels operating in Indonesia to PT Bahtera Nusantara Indonesia in July 2010.

The Group already has a strong presence in South East Asia, the Middle East, Australia and Latin America. The Group will continue to remain strategically viable to maintain our current position and extend our geographical reach wherever opportunities beckon.

Dividend

There was no interim dividend payout for the half year ended 31 December 2009. The Group faced tight cashflow as a result of late payment from a debtor and substantial capital commitments. Based on the situation at that point in time, the directors were of the opinion that it was prudent to preserve cash. Hence, the decision was made not to pay out interim dividend but to defer the decision until after the close of the current financial year ended 30 June 2010.

Subsequent to the closing of Financial Year ended 30 June 2010, the cashflow situation has eased and the Group does not expect any substantial capital commitments for the new Financial Year 2011. However, the Group expects to increase the issuance of corporate guarantees to the newly-established associated company in proportion to its shareholdings. This is necessary to enable it to obtain loans from the banks to finance the purchase of vessels. As a result, the Group expects to see an increase in its contingent liabilities going forward. To keep its total liabilities in check, it was decided to use some of the surplus cash to pare down some long term borrowings. By paying off some of its bank loans, the Group also saved on some interest expenses.

Taking into consideration the above as well as operational cashflow constraints and adequate working capital requirements, the directors are recommending a final tax-exempt dividend of SGD 1.5 cents per ordinary share which will amount to S$10.6 million (equivalent to US$7.8 million).

The dividend payout for the Financial Year ended 30 June 2009 was 2.0 SGD cents per ordinary share.

Outlook and Prospects

Despite the recovery in crude oil price from below US$40 per barrel in March 2009 to US$70 per barrel by August 2009, the OSV sector is in a precarious situation as it has been weakened considerably by the oversupply of offshore support vessels and slow pick-up in offshore drilling activity over the past year.

Even though oil prices have now stabilised in the region between US$70 to US$80 per barrel but because of the time lag between planning and implementation, exploration and production ("E & P") activities are only expected to slowly pick up in 2011, which will then result in increased demand for offshore support vessels.

However, more detrimental for the industry, is the overcapacity of offshore support vessels. The considerable number of AHTS newbuildings that will be delivered up to end of 2011 will exacerbate the oversupply situation, as the increased demand resulting from increased E & P activities is unlikely to be able to absorb these new deliveries.

We expect Financial Year 2011 to be more difficult for the OSV industry. However, we are prepared to face the challenges ahead. Over the last four years, we have invested in a fleet of new 12,240 bhp vessels. As a result, we have a young fleet, with an average age of four years. We are optimistic that we will not only be able to 'ride out the storm' due to prudent management of assets and cost cutting measures which we will continue to enforce. We believe that we are also well positioned to exploit opportunities in new geographical areas of growth in the industry.

Appreciation

There were changes to the Board of Directors due to the sale by Scomi Marine Services Pte Ltd of its entire 29.07% stake in CH Offshore Ltd to Energian Pte Ltd, a wholly-owned subsidiary of Falcon Energy Group on 28 April 2010. Tan Sri Asmat Bin Kamaludin, Dato' Kamaluddin Bin Abdullah and Mdm Loong Chun Nee resigned on 28 April 2010. Mr Ong Kok Wah resigned on 1 June 2010. On 1 June 2010, Mr Peh Kwee Chim, Mr Neo Chin Lee and I were appointed as directors of CH Offshore Ltd. At the same time, Mr Terence Peh was appointed as an alternate director to Mr Peh Kwee Chim.

We would like to place on record our appreciation to Tan Sri Asmat Bin Kamaludin, Dato' Kamaluddin Bin Abdullah, Mdm Loong Chun Nee and Mr Ong Kok Wah for their invaluable contributions as Directors during their tenure.

Acknowledgement

On behalf of the board, I would like to take this opportunity to commend our management and staff for their dedication and hard work, without which, good operating performance would not have been possible, especially under such trying conditions. I would like to thank our shareholders for their continued support, our clients and business partners for their trust and commitment, and all our Board members for their invaluable counsel and insights.

Mr Tan Pong Tyea
Non-Executive Chairman

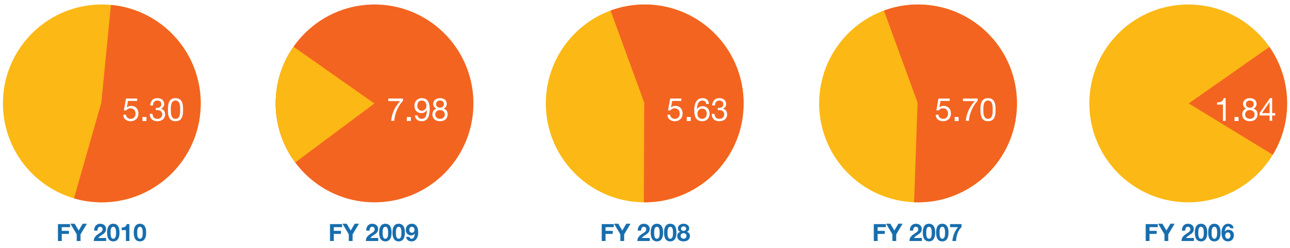
18 August 2010

Five-year Group Financial Statistics and Charts

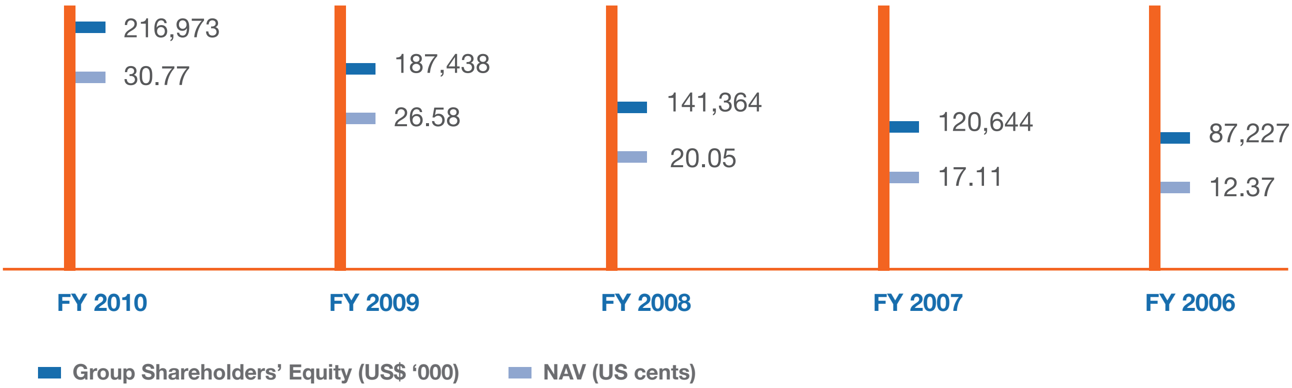
	FY 2006 US$'000	FY 2007 US$'000	FY 2008 US$'000	FY 2009 US$'000	FY 2010 US$'000
STATEMENTS OF COMPREHENSIVE INCOME					
REVENUE	35,316	45,676	43,131	68,794	63,117
Profit before income tax	12,956	40,686	39,884	56,263	37,362
Income tax	(5)	(513)	(205)	(24)	(23)
Profit for the year	12,951	40,173	39,679	56,239	37,339
Profit attributable to shareholders of the company	12,951	40,173	39,679	56,239	37,339
STATEMENTS OF FINANCIAL POSITION					
CURRENT ASSETS	18,794	49,089	20,955	28,494	49,143
NON-CURRENT ASSETS					
Fixed assets	95,687	87,867	132,367	168,094	196,479
Club membership	-	17	17	17	17
Associated companies	3,416	6,659	5,756	6,184	7,124
Total non-current assets	99,103	94,543	138,140	174,295	203,620
Total assets	117,897	143,632	159,095	202,789	252,763
CURRENT LIABILITIES	17,800	14,177	13,027	13,728	19,499
NON-CURRENT LIABILITIES					
Deferred taxation	-	25	-	-	-
Other payables	1,870	1,786	1,704	1,623	1,541
Bank loans	11,000	7,000	3,000	-	14,750
Total non-current liabilities	12,870	8,811	4,704	1,623	16,291
Total liabilities	30,670	22,988	17,731	15,351	35,790
Shareholders' equity	87,227	120,644	141,364	187,438	216,973
Issued capital	55,379	55,379	55,379	55,379	55,379
PER SHARE DATA					
Earnings Per Share (US cents):					
Basic	1.84	5.70	5.63	7.98	5.30
Fully Diluted	1.84	5.70	5.63	7.98	5.30
Dividends Per Share (SGD cents)	1.50	4.00	2.00	2.00	1.50
Net Assets Value Per Share (US cents)	12.37	17.11	20.05	26.58	30.77

Five-year Group Financial Statistics and Charts

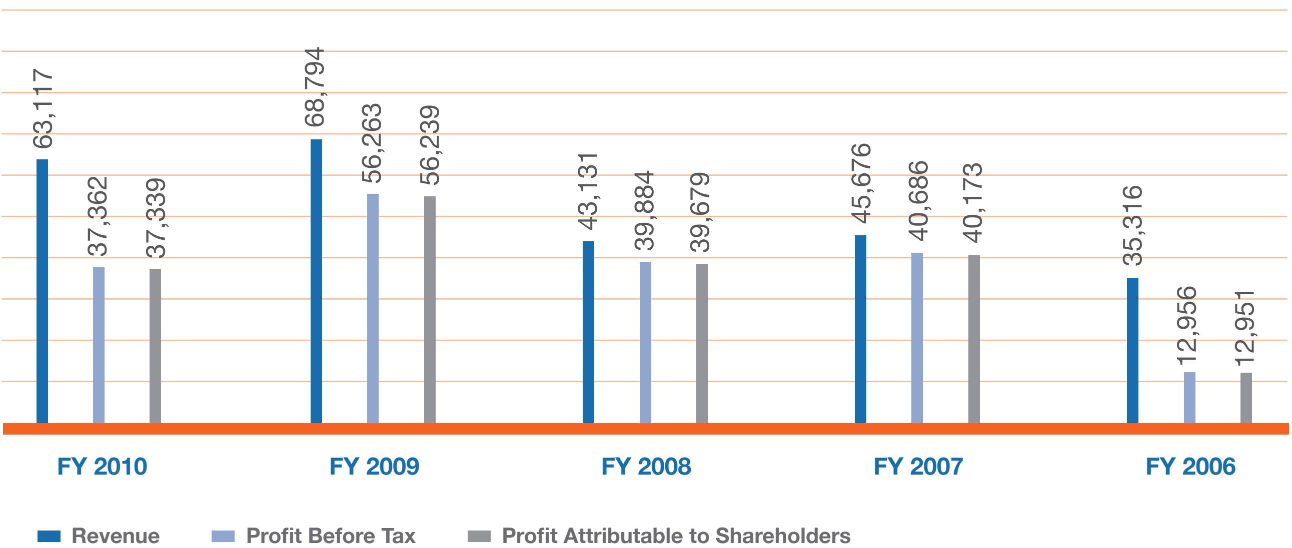
Earnings per Share (US cents)



Group Shareholders' Equity and Net Assets Value ("NAV")



Group Revenue, Profit Before Tax & Profit Attributable to Shareholders

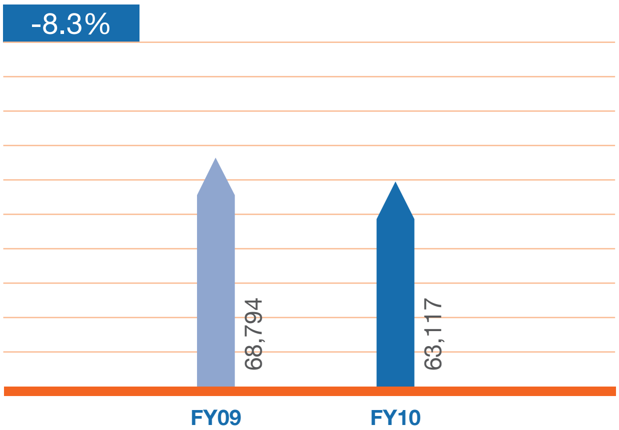


Bolstered for Future Endeavours

REVENUE (US$'000)

FY09	FY10	Change
68,794	63,117	-8.3%

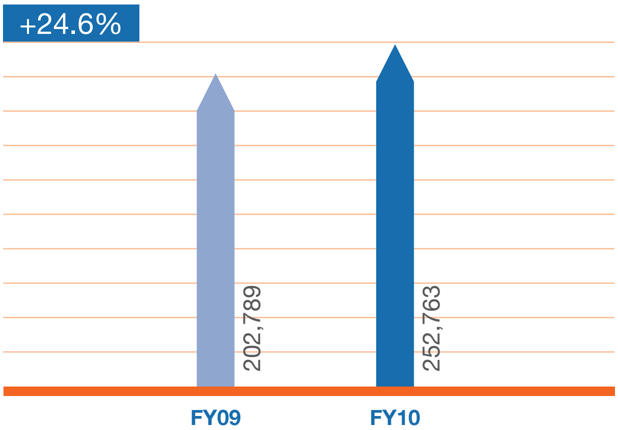
Revenue declined by 8.3% to US$63.117 million from US$68.794 million. During FY10, revenue was affected by lower charter rates for some of the vessels, and docking of two vessels for 1st Major Inspection and Overhaul. However, this negative impact was mitigated by higher charter rate for one vessel and full contribution from one new 12,240 bhp vessel delivered in November 2008.



GROUP TOTAL ASSETS (US$'000)

FY09	FY10	Change
202,789	252,763	24.6%

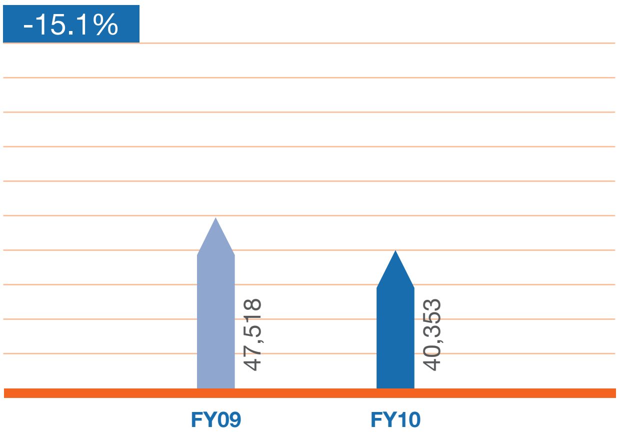
The Group's total assets rose 24.6% to US$252.763 million from US$202.789 million. This is primarily due to the delivery of last two newly-constructed 12,240 bhp AHTS vessels in FY10.



GROSS PROFIT AFTER DIRECT DEPRECIATION (US$'000)

FY09	FY10	Change
47,518	40,353	-15.1%

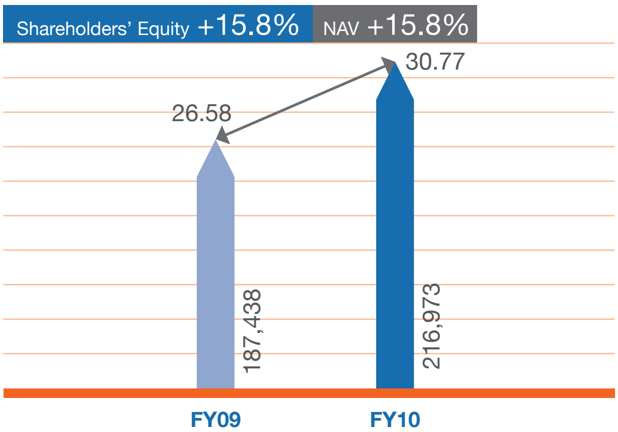
The lower revenue together with higher operating costs and direct depreciation resulted in a 15.1% decline in gross profit after direct depreciation to US$40.353 million for FY10 from US$47.518 million for FY09. Operating costs rose 0.7% to US$15.154 million from US$15.051 million due to additional operating costs for the two new vessels delivered in November 2009 and March 2010. Direct depreciation rose 22.2% to US$7.610 million for FY10 from US$6.225 million for FY09 due to higher depreciation costs of the recently delivered vessels and the capitalisation and amortisation of Major Inspection and Overhaul costs of two vessels.



SHAREHOLDERS' EQUITY AND NET ASSETS VALUE ("NAV")

	FY09	FY10	Change
Shareholders' Equity (US$'000)	187,438	216,973	15.8%
NAV (US cents)	26.58	30.77	15.8%

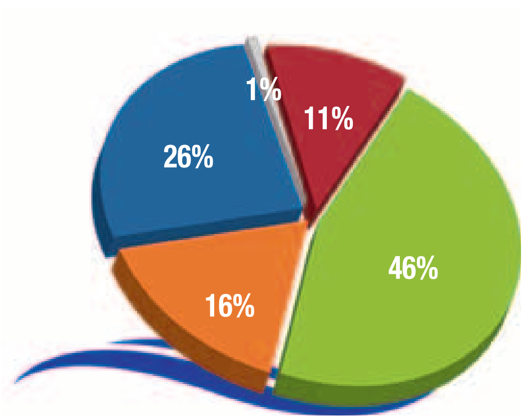
In view of positive operating performance, the Group's total shareholders' funds rose 15.8% to US$216.973 million from US$187.438 million as at 30 June 2009 and net assets value (NAV) per share rose to 30.77 US cents from 26.58 US cents.



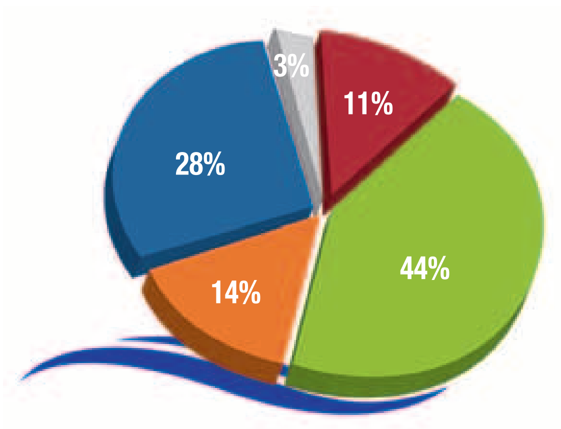
By Geographical Segments

	INDONESIA (US$'000)	MIDDLE EAST (US$'000)	AUSTRALIA (US$'000)	LATIN AMERICA (US$'000)	OTHERS* (US$'000)	TOTAL (US$'000)
As at 30 June 2010 (FY10)						
Revenue	7,144	8,552	17,896	27,798	1,727	63,117
Gross profit after direct depreciation	4,127	4,366	12,154	19,393	313	40,353
As at 30 June 2009 (FY09)						
Revenue	7,381	10,859	17,996	31,683	875	68,794
Gross profit after direct depreciation	5,187	6,381	12,720	22,383	847	47,518

FY09 REVENUE CONTRIBUTIONS by geographical segments



FY10 REVENUE CONTRIBUTIONS by geographical segments



Indonesia | Middle East | Australia | Latin America | Others*

* Others include Vietnam, Malaysia and other South East Asia countries.

Review of Operations and Results

By Geographical Segments

Revenue | Gross Profit after Direct Depreciation

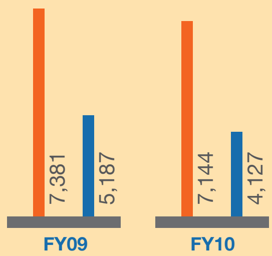
INDONESIA

Change
-3.2% -20.4%

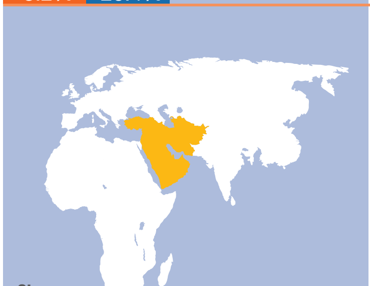
Revenue declined marginally by 3.2% despite one vessel was docked for its 1st Major Inspection and Overhaul and reduced fleet size as three 1980s-built vessels were sold during the previous financial year. The loss of revenue was mitigated by the re-deployment of a sister vessel which had completed her contract in the Middle East as well as higher charter rate for one vessel.

Gross profit after direct depreciation declined 20.4% to US$4.127 million for FY10 from US$5.187 million for FY09. The lower gross profit after direct depreciation is due to the decline in revenue and higher operating costs.

Earnings From Indonesia
(US$'000)



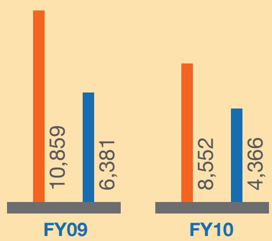
MIDDLE EAST



Change
-21.2% -31.6%

Loss of earnings from one vessel docked for its 1st Major Inspection and Overhaul and another vessel completed its contract in December 2009. Lower revenue was also due to lower charter rates. As a result, both revenue and gross profit after direct depreciation decreased 21.2% and 31.6% respectively.

Earnings From Middle East
(US$'000)

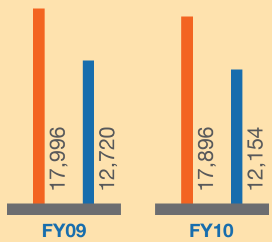


AUSTRALIA

Change
-0.6% -4.4%

Revenue from this segment dipped marginally by 0.6%. One vessel completed its contract in the 3rd Quarter of the current FY10. However, there was a full contribution to the current FY10 from one new 12,240bhp AHTS vessel deployed in December 2008. Gross profit after direct depreciation also declined 4.4% to US$12.154 million for FY10 from US$12.720 million for FY09.

Earnings From Australia
(US$'000)

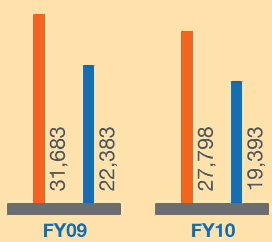


LATIN AMERICA

Change
-12.3% -13.4%

Revenue reduced by 12.3% to US$27.798 million for FY10 from US$31.683 million for FY09 and gross profit after direct depreciation by 13.4% to US$19.393 million from US$22.383 million. This is primarily due to lower charter rates.

Earnings From Latin America
(US$'000)

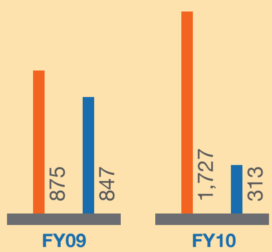


OTHERS

Change
97.4% -63.0%

Others comprised primarily chartering activities in Vietnam and South East Asia, management fees, agency fees, interest income and other services rendered. During FY10, three vessels were deployed to this geographical segment on spot jobs. As a result, revenue increased 97.4% to US$1.727 million for FY10 from US$0.875 million for FY09. The higher operating costs resulted in a 63.0% decrease in gross profit after direct depreciation to US$0.313 million from US$0.847 million.

Earnings From Others
(US$'000)



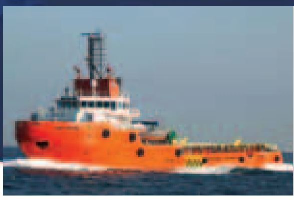
Reinforced Capabilities, Boosted Performance

With the fleet presently reaching its pinnacle in numbers, attaining optimum performance in offshore support services is now at hand. A strengthened capability for deepwater support presents CH Offshore's readiness to capture the deepwater market segment and complement our array of specialised services.

Fleet in Full Strength

Completed and recently arrived are the two latest additions to our fleet—the Japanese Designed-and-Built Dynamic Positioning AHTS vessels rated at 12,240 brake horsepower. These state-of-the-art vessels further strengthens our deepwater capabilities.

2010



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

2009

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

2008

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

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

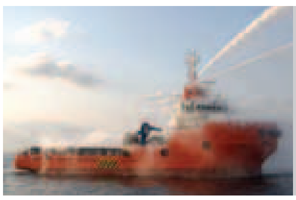
TURQUOISE

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

2006



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 1

2005

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*

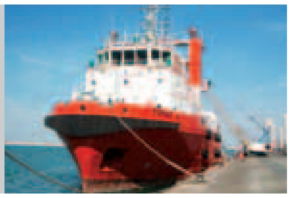
Dimension (L x B x D)	51.79 m x 13.5 m x 6.0 m
Main Propulsion	2 x Bergen, total 4,826 BHP
Bollard Pull	60 MT continuous / 62 MT maximum

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



2004

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

2002

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

Mr Tan Pong Tyea

Mr Peh Kwee Chim

Mr Tan Pong Tyea *(Non-Executive Chairman)*

Mr Tan Pong Tyea is the Non-Executive Chairman of CH Offshore Ltd ("CHO"). He was appointed to this position on 1 June 2010 and will be due for re-election at the coming Annual General Meeting ("AGM").

Mr Tan has more than 25 years of experience servicing the oil companies and major contractors throughout the region. He is the Executive Chairman and Chief Executive Officer of Falcon Energy Group. He is also the Managing Director of Oilfield Services Company Ltd ("OSCL").

Mr Tan was the founder of the OSCL Group, which originated in 1983 when he ventured into the offshore marine services industry, particularly the business of owning, managing, operating and chartering out offshore support vessels to customers in the oil and gas industry.

Mr Tan holds a Master in Management Studies from Durham University, United Kingdom.

Mr Peh Kwee Chim *(Non-Executive Director)*

Mr Peh Kwee Chim is a Non-Executive Director of CHO. He was appointed to this position on 1 June 2010 and will be due for re-election at the coming AGM.

Mr Peh has 40 years of experience in the marine transportation, marine logistics and offshore support services industries. He is an Executive Director of Chuan Hup Holdings Limited ("CHH") and is a member of its Nominating Committee. He was one of the co-founders of CHH in 1970.

Mr Peh is also the Executive Chairman of PCI Limited ("PCI"). He has over 20 years of experience in the contract manufacturing industry and has been instrumental in building up the PCI Group. He is a member of the Nominating Committee of PCI. He is also a Director of Dredging International Asia Pacific Pte Ltd.

Mr Peh graduated from the University of Western Australia in 1969 with a Bachelor of Engineering (Mechanical) degree.

Board of Directors

Mr Cheak Boon Heng

Mr Neo Chin Lee

Mdm Joanna Young Sau Kwan

Mr Cheak Boon Heng *(Non-Executive Director)*

Mr Cheak Boon Heng is a Non-Executive Director of CHO. He was appointed as an Executive Director of the Company on 21 January 1991, Executive Vice-Chairman from 1 July 2004 to 1 February 2005 and Executive Chairman from 1 February 2005 to 17 October 2005. He resigned as Executive Chairman on 17 October 2005 but continued as a Non-Executive Director. He was last re-elected on 24 October 2008. Mr Cheak is also a member of the Remuneration and Nominating Committees. He has over 37 years of experience in the marine transportation, marine logistics and offshore support services industries.

Mr Cheak is currently a Director of Finbar Group Limited, which is listed on the Australian Securities Exchange. He is also a Director of Scomi Marine Bhd, which is listed on Bursa Malaysia.

Mr Cheak holds a degree of Bachelor of Economics from the University of Western Australia.

Mr Neo Chin Lee *(Non-Executive Director)*

Mr Neo Chin Lee is a Non-Executive Director of CHO. He was appointed to this position on 1 June 2010 and will be due for re-election at the coming AGM. He is a member of the Audit Committee.

Mr Neo has over 30 years of experience in the offshore marine industry. He is the Chief Operating Officer and an Executive Director of Falcon Energy Group, and is in charge of overseeing the business and operations of its Marine Division. He is also a Director cum Chief Executive Officer of Asetanian Marine Pte Ltd.

Mr Neo graduated in Nautical Studies from the Singapore Polytechnic and also holds a Higher Nautical Diploma from Liverpool Polytechnic, United Kingdom.

Mdm Joanna Young Sau Kwan *(Non-Executive, Independent Director)*

Mdm Joanna Young Sau Kwan is a Non-Executive, Independent Director and was appointed to this position on 1 February 2005. She will be due for re-election at the coming AGM. She is also the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees.

Mdm Young brings with her a wealth of experience in accounting, auditing and financial management. Mdm Young runs her own accounting firm. From 1969 to 1978, she gained extensive experience in the accounting profession during her employment with Evan Wong & Co and Turquand Youngs & Co. In 1978, she joined a garment manufacturing company taking charge of financial, administration and production duties before setting up her own practice in 1980. Mdm Young has been the Honorary Auditor of the Chinese Women's Association since 1972.

Mdm Young is also a Non-Executive Independent Director of Chuan Hup Holdings Limited. She is the Chairman of its Audit Committee and a member of its Remuneration and Nomination Committees.

Mdm Young studied Accountancy in Sydney Technical College and obtained her Accountancy Certificate in 1968. She was admitted to membership of the Australian Society of Accountants and the Singapore Society of Accountants in 1969. She is a Fellow (Practising) Member of the Institute of Certified Public Accountants of Singapore and a Fellow Member of CPA Australia.

Board of Directors

Mr Billy Lee Beng Cheng

Mr Peh Siong Woon Terence

Mr Billy Lee Beng Cheng *(Non-Executive, Independent Director)*

Mr Billy Lee Beng Cheng is a Non-Executive, Independent Director and was appointed to this position on 13 February 2003. He will be due for re-election at the coming AGM. He is also the Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee.

Mr Lee has extensive experience in the oil and gas and marine industries having spent more than 25 years in both industries' upstream and downstream segments. Mr Lee started his career in 1973 as a Project Engineer in a major oil-refinery in Singapore before moving on to head the Economic Development Board's Marine, Transportation and Offshore Oil Industry Division in 1975. Mr Lee later joined the Promet Group of companies in 1979 and was made the Managing Director (Energy Division) of both Promet Bhd Malaysia and Hong Kong listed Promet Petroleum Ltd in 1984 and subsequently a Main Board Member. In 1987, he joined Sembawang Holdings Pte Ltd and was appointed as its Director of Business Development for the Sembawang Group before being made the Managing Director and President of Sembawang Maritime Ltd (renamed SembCorp Logistics Ltd) in 1999. Mr Lee retired in 2000 to pursue his personal interests but remains active in the industry.

Mr Lee holds a degree of Bachelor of Science (First Class Honours) and a Master of Science (with distinction) from the University of Leeds, England. Mr Lee is also a member of the Singapore Institute of Directors, Singapore Institute of Management and a senior member of the Institution of Engineers, Singapore.

Mr Peh Siong Woon Terence *(Alternate Director to Mr Peh Kwee Chim)*

Mr Peh Siong Woon Terence is an Alternate Director to Mr Peh Kwee Chim. He was appointed to this position on 1 June 2010.

Mr Peh is the Chief Executive Officer and an Executive Director of Chuan Hup Holdings Limited ("CHH"). Mr Peh was the Deputy Financial Controller of CHH from July 2002 to October 2005. From July 2002 to September 2005, he was seconded to CHO as Chief Financial Officer. As Chief Financial Officer, he oversaw the financial affairs of CHO. From July 2000 to June 2002, Mr Peh was the Finance Manager at CHH and was responsible for its cash management, treasury functions, account payables and banking relations. Prior to his appointment with CHH, he was a Finance Manager at PCI Limited and was responsible for its cash management and treasury functions.

Mr Peh holds a degree of Bachelor of Commerce in Marketing from Curtin University of Technology, Australia and a Master of Commerce in Finance from the University of New South Wales, Australia.

Key Management

Mr Koh Kok Leong *(Chief Executive Officer)*

Mr Koh Kok Leong is the Chief Executive Officer of CHO and was appointed to this position on 1 January 2007. As Chief Executive Officer, he is responsible for the day-to-day running of the business and for the overall performance of the CHO Group.

Mr Koh joined Chuan Hup Agencies (Private) Limited in 1989 as an Assistant General Manager and was appointed General Manager in 2000. In May 2006, he was promoted to Chief Operating Officer of CHO, a position he held until his appointment as Chief Executive Officer.

Mr Koh holds a Diploma in Marine Engineering and a Certificate of Competency as a First Class Marine Engineer.

Ms Teo Peck Bee *(Chief Financial Officer)*

Ms Teo Peck Bee is the Chief Financial Officer of CHO and was appointed to this position on 1 February 2009. She is responsible for all financial, accounting, administrative and taxation matters of the CHO Group.

Prior to this, Ms Teo was the Deputy Chief Financial Officer of CHO since 1 July 2002. She was the Assistant Financial Controller of Chuan Hup Holdings Limited in 1996 and its Senior Accountant in 1994.

Ms Teo holds a degree of Bachelor of Accountancy from the National University of Singapore.

Financial Calendar

Financial Year End	30 June 2010
Announcement of First Quarter Financial Results	6 November 2009
Announcement of Half-Year Financial Results	4 February 2010
Announcement of Third Quarter Financial Results	12 May 2010
Announcement of Full-Year Financial Results	6 August 2010
Dispatch of Annual Report to Shareholders	1 October 2010
Annual General Meeting	19 October 2010
Book Closure to Register Members for Dividend Payment	11 November 2010
Proposed Payment of First and Final Dividend	25 November 2010

INTRODUCTION

CHO is committed to achieving high standards of corporate governance to ensure greater transparency and maximise long-term shareholder value.

This report describes CHO's main corporate governance practices with reference to the Singapore Code of Corporate Governance (the "Code").

BOARD MATTERS

The Board's Conduct of its Affairs
(Principle 1)

The Board oversees the business affairs of CHO and therefore every director is expected to act in good faith and always in the interests of the Company. The principal functions of the Board include the approval of the Company's strategic plans, the approval of major investments, divestments and fund-raising, overseeing processes for evaluating the adequacy of internal controls and risk management and being responsible for corporate governance practices. CHO has in place financial authorisation and approval limits for operating and capital expenditure, as well as acquisitions and disposal of investments. The Board and the Audit Committee also approve the CHO Group's financial results.

The Board meets on a regular basis. Where necessary, additional Board meetings are held to deliberate on urgent substantive matters. An aggregate of 4 Board meetings were held for the financial year ended June 30, 2010. Details of the attendance of Board members at Board meetings and meetings of the various Board Committees for the financial year ended June 30, 2010 are set out on pages 27 and 28 of this Annual Report.

All new directors appointed to the Board are briefed on the business activities of the Group and its strategic directions, as well as their statutory and other duties and responsibilities as directors. Where appropriate, directors are sent for courses, conferences and seminars in relevant fields.

Board Composition and Balance
(Principle 2)

The Board currently comprises 6 directors, 2 of whom are non-executive independent directors and 4 of whom are non-executive directors. The non-executive independent directors are Mr Billy Lee Beng Cheng and Mdm Joanna Young Sau Kwan. The non-executive directors are Mr Tan Pong Tyea, Mr Peh Kwee Chim, Mr Cheak Boon Heng and Mr Neo Chin Lee. Mr Peh Siong Woon Terence is the alternate director to Mr Peh Kwee Chim.

The directors bring with them a broad range of expertise and experience in areas such as accounting and finance, business and management, industry knowledge and customer-based experience and knowledge. The diversity of the directors' experience allows for the useful exchange of ideas and views. Profiles of the directors and other relevant information are set out on pages 16 to 18 of this Annual Report.

Chairman and Chief Executive Officer
(Principle 3)

Different individuals assume the Chairman and the Chief Executive Officer functions in CHO. There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer. The Chairman chairs the Board meetings and guides the Board on its discussion on significant issues. The Chief Executive Officer is responsible for the day-to-day management of the business and the overall performance of the Group. The Chairman and the Chief Executive Officer are not related.

Board Membership
(Principle 4)

The Nominating Committee comprises Mr Billy Lee Beng Cheng (Committee Chairman), Mdm Joanna Young Sau Kwan and Mr Cheak Boon Heng, the majority of whom, including the Chairman, are independent non-executive directors.

The Nominating Committee reviews and assesses candidates for directorships before making recommendations to the Board. In recommending new directors to the Board, the Nominating Committee takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability.

In evaluating a director's contribution and performance for the purpose of re-nomination, the Nominating Committee takes into consideration a variety of factors such as attendance, preparedness, participation and candour.

Recommendations for appointments and re-appointments of directors and appointments of the members of the various Board Committees are made by the Nominating Committee and considered by the Board as a whole. At each Annual General Meeting ("AGM") of CHO, 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 CHO 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.

Board Performance
(Principle 5)

The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of CHO and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that CHO is ably led. The measure of a board's performance is also tested through its ability to lend support to management especially in times of crisis and to steer CHO in the right direction.

CHO is of the opinion that the financial indicators set out in the Code as guides for the evaluation of directors are more of a measure of management's performance and hence are less applicable to directors. In any case, such financial indicators provide a snapshot of a company's performance, and do not fully measure the sustainable long-term wealth and value creation of CHO.

The Board through the delegation of its authority to the Nominating Committee, has used its best efforts to ensure that directors appointed to the Board possess the background, experience, knowledge and skills critical to the Company's business and that each director with his special contributions brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Access to Information
(Principle 6)

Prior to each Board meeting, the Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as ongoing reports relating to operational and financial performance of the Group. The Board also has separate and independent access to senior management and the Company Secretary at all times. The Board also has access to independent professional advice, where appropriate, at the expense of CHO.

REMUNERATION MATTERS

Remuneration Committee
(Principles 7, 8 and 9)

The Remuneration Committee comprises Mr Billy Lee Beng Cheng (Committee Chairman), Mdm Joanna Young Sau Kwan and Mr Cheak Boon Heng, all of whom are non-executive directors and the majority of whom, including the Chairman, are independent directors. The role of the Remuneration Committee is to review and approve the remuneration and the aggregate variable bonuses of the directors and the senior management of CHO.

While the Chief Executive Officer is in attendance at Remuneration Committee meetings, he does not attend discussions relating to the review of his performance and compensation.

The Remuneration Committee in establishing the framework of remuneration policies for its directors and senior executives is largely guided by the financial performance of the Company. In this respect, it believes that remuneration should be competitive and sufficient to attract, retain and motivate executive directors and senior executives to manage the Company well. Pay levels, benefits and incentives are structured to focus them to achieve corporate objectives.

The remuneration package generally comprises two components. One component is fixed in the form of a base salary that includes the 13th month based AWS. The other component is variable consisting of performance and incentive bonuses. The variable portion is largely dependent on the financial performance of the Company as the Remuneration Committee strongly supports and endorses the flexible wage system because it gives the Company more flexibility to ride through economic downturns. The Remuneration Committee has adopted set profitability levels to be achieved before performance bonuses are payable.

Non-executive directors are paid directors' fees which are subject to approval at AGMs.

The directors' remuneration in bands of US$250,000 is disclosed below. The remuneration of the top five key executives who are not also directors of the Company is shown in bands of US$250,000.

DIRECTORS' REMUNERATION PAID OR ACCRUED FOR FINANCIAL YEAR ENDED JUNE 30, 2010

Directors of Company	Fixed Component (%) [1]	Variable Component (%) [2]	Directors' Fees (%)	Total Compensation (%)
Below US$250,000				
Encik Aminuddin Yusof Lana[3]	-	-	100	100
Tan Sri Asmat Bin Kamaludin[4]	-	-	100	100
Dato' Kamaluddin Bin Abdullah[4]	-	-	100	100
Mr Ong Kok Wah[5]	-	-	100	100
Mr Cheak Boon Heng	-	-	100	100
Mr Billy Lee Beng Cheng	-	-	100	100
Mdm Joanna Young Sau Kwan	-	-	100	100
Mr Tan Pong Tyea[6]	-	-	100	100
Mr Peh Kwee Chim[6]	-	-	100	100
Mr Neo Chin Lee[6]	-	-	100	100

Notes:

(1) Fixed component refers to base salary earned, including AWS and employer CPF.

(2) Variable component refers to variable bonus.

(3) Encik Aminuddin Yusof Lana resigned as director on July 31, 2009.

(4) Tan Sri Asmat Bin Kamaludin and Dato' Kamaluddin Bin Abdullah resigned as directors on April 28, 2010.

(5) Mr Ong Kok Wah resigned as director on June 1, 2010.

(6) Mr Tan Pong Tyea, Mr Peh Kwee Chim and Mr Neo Chin Lee were appointed as directors on June 1, 2010.

REMUNERATION OF THE TOP FIVE KEY EXECUTIVES WHO ARE NOT ALSO DIRECTORS OF THE COMPANY FOR FINANCIAL YEAR ENDED JUNE 30, 2010

Key Executives of Company	Fixed Component (%) [1]	Variable Component (%) [2]	Benefits (%) [3]	Total Compensation (%)
US$500,000 to below US$749,999				
Koh Kok Leong	43	54	3	100
Below US$250,000				
Teo Peck Bee	46	49	5	100
Kwan Chun Khuen	63	37	-	100
Ng Tai San	65	35	-	100
Chia Yong Hwa	68	32	-	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 the usage of cars.

ACCOUNTABILITY AND AUDIT

Accountability
(Principle 10)

The Board through its announcements of quarterly and full-year results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects.

CHO recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties. On a regular basis, Board members are provided with business and financial reports comparing actual performance with budget with highlights on key business indicators and major issues.

Audit Committee
(Principle 11)

The Audit Committee comprises Mdm Joanna Young Sau Kwan (Committee Chairman), Mr Billy Lee Beng Cheng and Mr Neo Chin Lee, the majority of whom, including the Chairman, are non-executive and independent. Mdm Joanna Young Sau Kwan has accounting and related financial management expertise and experience. The Board considers Mr Billy Lee Beng Cheng and Mr Neo Chin Lee as having sufficient financial knowledge and experience to discharge their responsibility as members of the Committee.

The Audit Committee meets at least four times a year to carry out its role of reviewing the financial reporting process, the systems of internal controls, management of financial risks and the audit process.

The Audit Committee's duties include:

(a) reviewing the scope and the results of audit work carried out by the external auditors, the cost effectiveness of the audit, the independence and objectivity of the external auditors, and the nature, extent and costs of non-audit services provided by the external auditors;

(b) reviewing significant financial reporting issues and judgements to ensure the integrity of the financial statements of the Group and the quarterly and annual financial statements and financial announcements required by SGX-ST for recommendation to the Board for approval;

(c) reviewing and assessing the adequacy and effectiveness of the Company's systems of internal controls;

(d) reviewing the effectiveness of the Company's internal audit functions;

(e) recommending to the Board the appointment, re-appointment and removal of the external auditors of the Company and approval of the remuneration and terms of engagement of the external auditors;

(f) meeting with the internal auditors and the external auditors, without the presence of the Company's management, at least annually;

(g) reviewing the independence of the external auditors annually; and

(h) reviewing interested person transactions to ensure compliance with the SGX-ST Listing Manual and the Shareholders' Mandate obtained at the last Annual General Meeting.

The Audit Committee has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of management and full discretion to invite any director or executive officer to attend its meetings. The Audit Committee has adequate resources to enable it to discharge its responsibilities properly.

The Company has implemented a Whistle-Blowing 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 objectives for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

With the exception of MarineCo Limited, Gemini Sprint Sdn Bhd and PT Bahtera Nusantara Indonesia, all the subsidiaries and associated companies listed on pages 56 and 58 of this Annual Report are audited by Deloitte & Touche LLP. MarineCo Limited and Gemini Sprint Sdn Bhd were audited by Messrs PricewaterhouseCoopers for the financial year ended December 31, 2009. Accordingly, unaudited management accounts for the financial period from July 1, 2009 to June 30, 2010 were used for the purpose of equity accounting for MarineCo Limited and Gemini Sprint Sdn Bhd. PT Bahtera Nusantara Indonesia was newly incorporated in June 2010 and remained inactive as at June 30, 2010.

The Board and the Audit Committee are satisfied that the appointment of Messrs PricewaterhouseCoopers would not compromise the standard and effectiveness of the audit of the Group.

The Company has adopted the SGX Best Practices Guide with respect to the dealings in securities for the guidance of directors and officers. CHO's directors and officers 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 officers are prohibited from dealing in CHO's shares on short-term considerations.

Internal Controls
(Principle 12)

Internal and external auditors conduct regular reviews of the system of internal controls and significant internal control weaknesses are brought to the attention of the Audit Committee and to management for remedial action. The Audit Committee is of the opinion that there are adequate internal controls in the Company.

CHO recognises the importance of enterprise risk management process (ERM) and has set up a Risk Management Committee, which reports to the Board.

CHO has institutionalised its risk management practices under a formal ERM framework. The framework allows the Company to have reliable mechanisms for gathering enterprise-wide information; identifying, analysing and monitoring risks to make risk-informed decisions. The Group also has in place a Business Continuity Management framework.

CHO has implemented a Group insurance program. The Group also has in place a system for financial monitoring and control.

Internal Audit
(Principle 13)

The internal audit function is outsourced to international public accounting firm, Moore Stephens. The internal auditors will report to the Chairman of the Audit Committee 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 Audit Committee 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 Audit Committee has reviewed the adequacy of the internal audit function and is satisfied that the Company's internal audit function is adequately resourced.

COMMUNICATION WITH SHAREHOLDERS
(Principles 14 and 15)

CHO believes in regular and timely communication with investors. The Company is open to meetings with investors and analysts.

CHO's website serves as a comprehensive and easy-to-use source of information for shareholders. It contains the Company's publicly disclosed financial information, annual reports, news releases and announcements.

CHO is in full support of the Code's principle to encourage shareholder participation. CHO's Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provide that a proxy need not be a member of CHO. Voting in absentia by facsimile or email is not currently permitted to ensure proper authentication of the identity of shareholders and their voting intentions.

Board members endeavour to attend general meetings to address questions by shareholders. Management as well as the external auditors are present at AGMs to assist the Board in addressing queries from shareholders.

Interested Person Transactions

The Company has also put in place an internal procedure to track interested person transactions ("IPTs") of the Company. The Finance Department is in charge of keeping a register of the Company's IPTs. All IPTs are disclosed in the Company's Annual Report.

The aggregate value of interested person transactions entered into during the financial year under review is as follows:

Interested Person Transactions	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
	(US$'000)
Chuan Hup Holdings Limited Group of Companies	216

Interested Person Transactions	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual during the financial period under review (excluding transactions less than S$100,000)
	(US$'000)
Scomi Group Berhad & associates and Scomi Marine Bhd & associates	1,035 (1)

Note:

(1) The aggregate value was computed up to April 28, 2010. Scomi Group Berhad, Scomi Marine Bhd and their associates ceased to be interested persons when Scomi Marine Services Pte Ltd sold its entire 29.07% share in CH Offshore Ltd to Energian Pte Ltd on April 28, 2010.

CONCLUSION

CHO recognises the importance of good corporate governance practices for maintaining and promoting investor confidence. CHO will continue to review and improve its corporate governance practices on an ongoing basis.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The attendance of each Director at Board meetings and Board Committee meetings during the financial year ended June 30, 2010 is as follows:

Board Meetings

		Board Meetings	
Director	**Notes**	**No of Meetings Held**	**No of Meetings Attended**
Encik Aminuddin Yusof Lana	(1)	–	–
Tan Sri Asmat Bin Kamaludin	(2)	3	3
Dato' Kamaluddin Bin Abdullah	(3) & (4)	3	2
Mr Ong Kok Wah	(5)	4	3
Mr Cheak Boon Heng		4	3
Mr Billy Lee Beng Cheng		4	4
Mdm Joanna Young Sau Kwan		4	4
Mr Tan Pong Tyea	(6)	–	–
Mr Peh Kwee Chim	(7)	–	–
Mr Neo Chin Lee	(8)	–	–

Board Committee Meetings

	Notes	Nominating Committee		Audit Committee		Remuneration Committee	
		No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Encik Aminuddin Yusof Lana	(1)	–	–	–	–	–	–
Tan Sri Asmat Bin Kamaludin	(2)	1	1	–	–	–	–
Dato' Kamaluddin Bin Abdullah	(3)	–	–	–	–	–	–
Mr Cheak Boon Heng	(9)	–	–	3	3	–	–
Mr Billy Lee Beng Cheng		1	1	4	4	1	1
Mdm Joanna Young Sau Kwan		1	1	4	4	1	1
Mr Neo Chin Lee	(8)	–	–	–	–	–	–

Notes:

(1) Encik Aminuddin Yusof Lana resigned as a Director and a Member of the Audit Committee on July 31, 2009.

(2) Tan Sri Asmat Bin Kamaludin resigned as Non-Executive Chairman and as a Member of the Nominating Committee on April 28, 2010.

(3) Dato' Kamaluddin Bin Abdullah resigned as a Non-Executive Director and as a Member of the Remuneration Committee on April 28, 2010.

(4) 1 out of the 3 Board Meetings was attended by Mdm Loong Chun Nee, Alternate Director to Dato' Kamaluddin Bin Abdullah.

(5) Mr Ong Kok Wah resigned as a Non-Executive Director on June 1, 2010.

(6) Mr Tan Pong Tyea was appointed as Non-Executive Chairman on June 1, 2010.

(7) Mr Peh Kwee Chim was appointed as a Non-Executive Director on June 1, 2010.

(8) Mr Neo Chin Lee was appointed as a Non-Executive Director and a Member of the Audit Committee on June 1, 2010.

(9) Mr Cheak Boon Heng was appointed as a Member of the Audit Committee on August 31, 2009 and resigned as a Member of the Audit Committee on June 1, 2010.

The directors present their report together with the audited financial statements of the company and the consolidated financial statements of the group for the financial year ended June 30, 2010.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Mr Tan Pong Tyea	(Appointed on June 1, 2010)
Mr Peh Kwee Chim	(Appointed on June 1, 2010)
Mr Cheak Boon Heng	
Mr Neo Chin Lee	(Appointed on June 1, 2010)
Mr Billy Lee Beng Cheng	
Mdm Joanna Young Sau Kwan	
Mr Peh Siong Woon Terence	(Appointed as alternate director to Mr Peh Kwee Chim on June 1, 2010)

In accordance with Article 88 of the Articles of Association, Mr Tan Pong Tyea, Mr Peh Kwee Chim and Mr Neo Chin Lee retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 89 of the Articles of Association, Mr Billy Lee Beng Cheng and Mdm Joanna Young Sau Kwan retire by rotation and being eligible, offer themselves for re-election.

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES

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 in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES

The directors of the company holding office at the end of the financial year and their interests in the share capital of the company as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act, Cap. 50, are as follows:

	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interests are held	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
<u>The company</u>				
(Ordinary shares)				
Mr Tan Pong Tyea	–	–	205,000,000	205,000,000
Mr Peh Kwee Chim	41,874,666*	41,874,666*	167,197,026	167,197,026
Mr Cheak Boon Heng	2,370,000*	2,370,000*	–	–
Mdm Joanna Young Sau Kwan	4,500	4,500	–	–
Mr Peh Siong Woon Terence	1,000,000	1,000,000	–	–

* Includes share registered in the name of nominees.

The directors' interests in the shares of the company as at July 21, 2010 were the same as at June 30, 2010.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr Tan Pong Tyea and Mr Peh Kwee Chim are deemed to have an interest in all the related corporations of the company.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

5 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6 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.

7 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.

8 AUDIT COMMITTEE

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, and the Singapore Exchange Securities Trading Limited Listing Manual. The functions carried out are detailed in the company's Corporate Governance Report which is included in the Annual Report for the financial year ended June 30, 2010.

The Audit Committee has recommended to the Board of Directors that the auditors, Deloitte & Touche LLP, be nominated for re-appointment as independent auditors at the forthcoming Annual General Meeting of the company.

9 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Mr Peh Kwee Chim

Mr Cheak Boon Heng

August 18, 2010

Statement Of Directors

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the company set out on pages 33 to 69 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at June 30, 2010 and of the results and changes in equity of the group and of the company and cash flows of the group 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 as and when they fall due.

ON BEHALF OF THE DIRECTORS

Mr Peh Kwee Chim

Mr Cheak Boon Heng

August 18, 2010

Independent Auditors' Report
To The Members Of CH Offshore Ltd

We have audited the accompanying financial statements of CH Offshore Ltd ("the company") and its subsidiaries ("the group") which comprise the statements of financial position of the group and the company as at June 30, 2010, the consolidated statements of comprehensive income, and statements of changes in equity of the group and the company and the consolidated statement of cash flows of the group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 69.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: 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 profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

a) the consolidated financial statements of the group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at June 30, 2010 and the results and changes in equity of the group and of the company and cash flows of the group for the year ended on that date; and

b) the accounting and other records required by the Act to be kept by the company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Alan Nisbet
Partner
Appointed since the financial
year ended June 30, 2008

Singapore
August 18, 2010

Statements Of Financial Position
As At June 30, 2010

	Note	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Assets					
Current assets					
Cash and bank balances	7	18,350	19,026	17,603	18,425
Trade receivables	8	22,183	8,625	22,936	8,326
Other receivables and prepayments	9	1,166	843	46,733	9,750
		41,699	28,494	87,272	36,501
Non-current assets classified as held for sale	10	7,444	–	7,444	–
Total current assets		49,143	28,494	94,716	36,501
Non-current assets					
Subsidiary companies	11	–	–	8,751	8,751
Associated companies	12	7,124	6,184	5,426	4,728
Club membership	13	17	17	–	–
Fixed assets	14	196,479	168,094	103,389	128,164
Total non-current assets		203,620	174,295	117,566	141,643
Total assets		252,763	202,789	212,282	178,144
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans – current portion	15	9,000	3,000	9,000	3,000
Trade payables	16	10,157	10,407	18,821	18,724
Other payables	17	–	–	8,772	16,916
Other payables – deferred gain	18	82	82	–	–
Income tax payable		260	239	257	236
Total current liabilities		19,499	13,728	36,850	38,876
Non-current liabilities					
Other payables – deferred gain	18	1,541	1,623	–	–
Bank loans	15	14,750	–	14,750	–
Total non-current liabilities		16,291	1,623	14,750	–
Capital and reserves					
Issued capital	19	55,379	55,379	55,379	55,379
Hedging reserve	20	(213)	–	–	–
Accumulated profits		161,807	132,059	105,303	83,889
Total equity		216,973	187,438	160,682	139,268
Total liabilities and equity		252,763	202,789	212,282	178,144

See accompanying notes to the financial statements.

Consolidated Statements Of Comprehensive Income
Year Ended June 30, 2010

	Note	Group		Company	
		2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Revenue	22	63,117	68,794	49,285	57,895
Cost of sales	23	(15,154)	(15,051)	(12,645)	(12,964)
Gross profit before direct depreciation		47,963	53,743	36,640	44,931
Direct depreciation		(7,610)	(6,225)	(5,340)	(4,899)
Gross profit		40,353	47,518	31,300	40,032
Other income	24	–	11,484	–	7,312
Other expenses – indirect depreciation		(74)	(67)	(35)	(28)
Administrative expenses		(3,287)	(3,306)	(2,071)	(1,788)
Profit from operations		36,992	55,629	29,194	45,528
Finance cost		(167)	(97)	(167)	(97)
Profit before income tax and results of associated companies		36,825	55,532	29,027	45,431
Share of results of associated companies	12	537	731	–	–
Profit before income tax	25	37,362	56,263	29,027	45,431
Income tax expense	26	(23)	(24)	(22)	(21)
Profit for the year		37,339	56,239	29,005	45,410
Other comprehensive expenses:					
Translation difference		–	(67)	–	–
Cash flow hedge	20	(213)	–	–	–
Other comprehensive expenses for the year		(213)	(67)	–	–
Total comprehensive income for the year		37,126	56,172	29,005	45,410
Earnings per share:					
Basic and fully diluted (US cents)	27	5.30	7.98		

See accompanying notes to the financial statements.

Statements Of Changes In Equity

Year Ended June 30, 2010

	Issued capital US$'000	Hedging reserve US$'000	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000
Group					
Balance at July 1, 2008	55,379	–	67	85,918	141,364
Total comprehensive (expense) income for the year	–	–	(67)	56,239	56,172
Final dividend (Note 21)	–	–	–	(7,568)	(7,568)
Interim dividend (Note 21)	–	–	–	(2,530)	(2,530)
Balance at June 30, 2009	55,379	–	–	132,059	187,438
Total comprehensive (expense) income for the year	–	(213)	–	37,339	37,126
Final dividend (Note 21)	–	–	–	(7,591)	(7,591)
Balance at June 30, 2010	55,379	(213)	–	161,807	216,973

	Issued capital US$'000	Accumulated profits US$'000	Total US$'000
Company			
Balance at July 1, 2008	55,379	48,577	103,956
Total comprehensive income for the year	–	45,410	45,410
Final dividend (Note 21)	–	(7,568)	(7,568)
Interim dividend (Note 21)	–	(2,530)	(2,530)
Balance at June 30, 2009	55,379	83,889	139,268
Total comprehensive income for the year	–	29,005	29,005
Final dividend (Note 21)	–	(7,591)	(7,591)
Balance at June 30, 2010	55,379	105,303	160,682

See accompanying notes to the financial statements.

Consolidated Statement Of Cash Flows

Year Ended June 30, 2010

	2010 US$'000	2009 US$'000
Operating activities		
Profit before income tax and results of associated companies	36,825	55,532
Adjustments for:		
Depreciation	7,684	6,292
Interest income	(245)	(236)
Interest expense	118	81
Net foreign exchange loss (gain)	54	(5)
Gain on disposal of an associated company	–	(608)
Gain on disposal of fixed assets	–	(10,871)
Operating profit before working capital changes	44,436	50,185
Trade receivables	(13,558)	(4,019)
Other receivables and prepayments	(324)	(149)
Trade payables	(358)	2,563
Other payables	–	(390)
Cash generated from operations	30,196	48,190
Interest paid	(432)	(520)
Interest received	246	248
Income tax paid	(2)	(28)
Net cash from operating activities	30,008	47,890
Investing activities		
Proceeds on disposal of fixed assets	–	11,031
Purchases of fixed assets	(43,085)	(41,601)
Proceed on disposal of an associated company	–	312
Investment in an associated company	(698)	–
Net cash used in investing activities	(43,783)	(30,258)
Financing activities		
Proceeds from bank loans	27,000	17,000
Repayments of bank loans	(6,250)	(21,000)
Dividends paid	(7,591)	(10,098)
Net cash from (used in) financing activities	13,159	(14,098)
Net (decrease) increase in cash and bank balances	(616)	3,534
Cash and cash equivalents at the beginning of the year	19,026	15,466
Effects of exchange rate changes on the balance of cash held in foreign currencies	(60)	26
Cash and cash equivalents at the end of the year	18,350	19,026

See accompanying notes to the financial statements.

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 388 Jalan Ahmad Ibrahim, Singapore 629157. The financial statements are expressed in United States Dollars.

The principal activities of the company are investment holding and the owning and chartering of vessels.

The principal activities of the subsidiaries and associated companies are set out in Notes 11 and 12 to the financial statements respectively.

The financial statements of the company and the consolidated financial statements of the group for the year ended June 30, 2010 were authorised for issue by the board of directors on August 18, 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

ADOPTION OF NEW AND REVISED STANDARDS – In the current financial year, the group and company have adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after July 1, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group’s and company’s accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 1 – *Presentation of Financial Statements (Revised)*
FRS 108 – *Operating Segments*

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

FRS 1 – *Presentation of Financial Statements (Revised)*

FRS 1 (2008) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

FRS 108 – *Operating Segments*

The group adopted FRS 108 with effect from July 1, 2009. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to identify two sets of segments (Business and Geographical), using a risks and rewards approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. Previously operating segments were determined and presented in accordance with FRS 14 Segment Reporting. Management is of the view that the business segments reported in prior year are the same as the operating segments for FRS 108.

The adoption of FRS 108 only impacts presentation and disclosure aspects of the group’s financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

- FRS 28 (Revised) – *Investments in Associates*
- Amendments to FRS 7 – *Statement of Cash Flows*
- FRS 24 – *Related Party Disclosures (Revised)*

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and company in the period of their initial adoption.

CHANGE IN ACCOUNTING POLICY – In current year, there have been no significant changes in the accounting policies, except for the accounting of the costs relating to major inspection and overhaul of vessels (the "Costs").

As a condition to operate the vessel, major inspection and overhaul is required to be performed on a five-year basis. The costs associated with these major inspection and overhaul are capitalised as part of fixed assets and are amortised over five years which is consistent with industry practice. Any remaining carrying amount of the cost of the previous inspection is derecognised. Previously, such costs were expensed as incurred.

No adjustment was made to the prior years' financial statements arising from the change of accounting policy mentioned above as the impact was not material. Therefore the 3 statements of financial position for comparatives were not presented.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to June 30 each year. Control is achieved when the company has the power to govern the financial and operating policies of an invested enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

In the company's financial statements, investments in subsidiaries and associates were carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

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 rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

There is no financial asset classified as held for trading during the year and at end of the reporting period.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

Financial assets

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

Financial assets 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 investment have been impacted. 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.

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.

In a subsequent period, if 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.

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 costs.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method except for short-term balances when the recognition of interest would be immaterial.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowing is recognised over the term of the borrowings in accordance with 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in foreign exchange rates.

The group used derivative financial instruments to manage its exposure to foreign exchange rate risk. The derivative financial instruments include foreign exchange forward contracts. The use of financial derivatives is governed by the group policies. The group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

The group designates certain hedging instruments, which include derivatives such as interest rate swap in respect of interest rate risk, as cash flow hedge. Hedge of interest rate risk on firm commitments are accounted for as cash flow hedge.

At the inception of the hedge relationship the group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group concludes and documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

ASSOCIATED COMPANY – An associated company is one in which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associated companies are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associated company, less any impairment in the value of individual investments. Losses of an associated company in excess of 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 associated company) are not recognised, unless the group has incurred legal or constructive obligations or made payments on behalf of the associated company.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where a group entity transacts with an associated company of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associated company.

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 do 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.

FIXED ASSETS – Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress consists of construction costs, related acquisition expenses and finance costs incurred during the period of construction. Finance costs that are directly attributable to the construction of an asset are capitalised as part of the cost of the asset.

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	–	4% to 17.15%
Drydocking expenditure	–	20%
Furniture, fittings and equipment	–	10% to 33%
Motor vehicles	–	20%

Depreciation is not provided on construction-in-progress.

Subsequent additions to the vessel is stated at cost and depreciated on a straight-line basis over the vessel's remaining useful life at the date on which 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 TANGIBLE ASSETS – At the end of each reporting period, the group reviews the carrying amounts of its tangible 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

CLUB MEMBERSHIP – Club membership is held on a long term basis, which is stated at purchase cost less accumulated impairment loss.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE – Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

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.

Commission, management fee and agency fee earned from rendering of services is 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.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. 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 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 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 in the countries in which the company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. 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 for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

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 by the end of the reporting period.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly 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, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve.

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. Actual results may differ from these estimates.

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:

Depreciation

As described in Note 2, the group reviews the estimated useful lives and residual values 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.

The depreciation expense and carrying value of fixed assets are disclosed in Note 14.

Impairment of fixed assets

As described in Note 2, determining whether the fixed assets have suffered an impairment loss requires management to assess on an annual basis if there is any indication of impairment, when any indication exists, management is required to exercise their judgement in estimating the recoverable amount of the fixed assets determined on the basis of their fair value by reference to the market value of the fixed assets to be disposed less estimated selling cost.

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

Management also exercises their judgment in assessing impairment of fixed assets by considering the following factors:

a) potential risk of cancellation of chartering contracts by existing customers;

b) utilisation rate of vessels as compared with the preceding reporting period; and

c) likelihood of commercial term of long term charter being renegotiated to reduce locked in charter rates arising from the fall in overall market charter rates.

If the recoverable amount of the vessels determined on the basis of their fair values by reference to the market values of the vessels to be disposed less estimated selling cost is estimated to be less than their carrying amounts, the carrying amounts of the assets is to be reduced to its recoverable amount, an impairment loss is recognised immediately in profit or loss. Based on the management assessment, there was no impairment for these vessels as the recoverable amount of the vessels are greater than their carrying amounts at the end of reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Financial Assets				
Trade and other receivables (including cash and bank balances)	40,589	27,716	86,359	35,836
Financial Liabilities				
Trade and other payables	6,529	5,579	24,622	31,737
Bank loans	23,750	3,000	23,750	3,000

(b) *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.

The main areas of financial risk faced by the group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The group recognises that management of financial risk is an important aspect in its drive towards creating shareholders' value. Management oversees financial risk management and regularly reviews its policy governing risk management practices.

The group does not hold or issue derivatives financial instruments for speculative purposes.

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

(b) *Financial risk management policies and objectives (cont'd)*

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, Malaysian Ringgit, Indonesia Rupiah, Philippines Peso, Australian Dollar and Euro.

The group uses natural hedging opportunities like denominating the liabilities or costs in the same currency as the assets or revenue when there are currency exposures in the transactions whenever practicable.

The group enters into derivatives financial instruments such as forward foreign currency exchange contracts to hedge foreign exchange risk. These financial instruments are utilised to provide a degree of certainty on cash flows. No such derivatives financial instruments were outstanding at the end of the reporting period. The group is prohibited from entering into speculative transactions.

The carrying amounts of foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Singapore Dollar	533	246	8,459	2,789	78	125	8,203	2,697
Malaysian Ringgit	126	97	161	292	–	–	–	–
Indonesia Rupiah	24	24	133	93	4	–	101	84
Philippines Peso	–	–	341	255	–	–	–	–
Australian Dollar	–	–	1,940	114	–	–	1,940	114
Euro	232	83	–	–	–	31	–	–

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.

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

	Group impact		Company impact	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Singapore Dollar	793	254	813	257
Malaysian Ringgit	4	20	–	–
Indonesia Rupiah	11	7	10	8
Philippines Peso	34	26	–	–
Australian Dollar	194	11	194	11
Euro	(23)	(8)	–	(3)

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

(b) *Financial risk management policies and objectives (cont'd)*

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

If the foreign currencies weaken by 10% against the functional currency of each group entity, profit will increase (decrease) by:

	Group impact		Company impact	
	2010	**2009**	**2010**	**2009**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore Dollar	(793)	(254)	(813)	(257)
Malaysian Ringgit	(4)	(20)	–	–
Indonesia Rupiah	(11)	(7)	(10)	(8)
Philippines Peso	(34)	(26)	–	–
Australian Dollar	(194)	(11)	(194)	(11)
Euro	23	8	–	3

(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. These assets and liabilities other than those bank loans with fixed interest rate are, however, mostly short term in nature and with the current interest rate level, any future variation in interest rates are not expected to have a material impact on net profit.

The interest rates of the interest bearing financial assets and liabilities, representing bank balances, fixed deposits and bank loans bearing fixed interest rates are disclosed in Notes 7 and 15 respectively.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the profit for the year ended June 30, 2010 would increase/decrease by approximately US$88,000 or US$66,000 respectively for the group and US$87,000 or US$65,000 respectively for the company (2009 : increase/decrease by approximately US$62,000 or US$60,000 for the group and US$61,000 or US$58,000 for the company). This is mainly attributable to the group's exposure to interest rates on its fixed deposits.

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

(b) *Financial risk management policies and objectives (cont'd)*

(ii) Interest rate risk management (cont'd)

The group and company's borrowings are at fixed interest rates. Interests charged by the banks during the year are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Interest expense recognised in profit or loss	118	81	118	81
Interest expense capitalised in cost of vessels (Note 14)	428	421	–	333

(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 of the value of any collateral obtained.

(iv) 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 Latin America, Indonesia, Middle East and Australia 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.

As disclosed in Note 8, one of the group's customers covers a significant portion of the group's total credit exposure as at year end.

(v) 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.

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

(b) *Financial risk management policies and objectives (cont'd)*

(v) Liquidity risk management (cont'd)

Liquidity risk analysis

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The table has 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.

	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Adjustments US$'000	Total US$'000
Group				
2010				
Trade and other payables	6,529	–	–	6,529
Bank loans	9,723	15,244	(1,217)	23,750
	16,252	15,244	(1,217)	30,279
2009				
Trade and other payables	5,579	–	–	5,579
Bank loans	3,083	–	(83)	3,000
	8,662	–	(83)	8,579
Company				
2010				
Trade and other payables	24,622	–	–	24,622
Bank loans	9,723	15,244	(1,217)	23,750
	34,345	15,244	(1,217)	48,372
2009				
Trade and other payables	31,737	–	–	31,737
Bank loans	3,083	–	(83)	3,000
	34,820	–	(83)	34,737

Non-derivative financial assets

All the financial assets of the group and company are on demand or due within one year from the end of the reporting period. The management is of the opinion that liquidity risk is minimal due to the short term nature.

Derivative financial assets

No derivatives financial instruments were outstanding as at June 30, 2009 and June 30, 2010.

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

(b) *Financial risk management policies and objectives (cont'd)*

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other receivables and payables and other liabilities, except for non-current portion of bank loans, approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The non-current portion of bank loans bear interest at rates approximating market rates as at year end, and hence the carrying amount approximates its fair value. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of derivative financial instrument are determined in accordance with generally accepted pricing models.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

(c) *Capital risk 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 debt and equity balance. The group reviews and monitors the loan covenants at each reporting period. There is no breach of covenant as at end of the reporting period.

The capital structure of the group consists of debt, which includes the borrowings disclosed in Note 15 and equity attributable to owners of the company, comprising issued capital, reserve and accumulated profits.

The group's overall strategy remains unchanged from 2009.

5 ASSOCIATED COMPANIES AND RELATED COMPANIES TRANSACTIONS

Related companies in these financial statements refer to the company's subsidiary companies.

An associated company is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

Some of the group's transactions and arrangements are between members of the group and associated companies 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 related companies and associated companies, other than those disclosed elsewhere in the notes to the consolidated statements of comprehensive income are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Management fee earned from an associated company	(168)	(168)	–	–
Supervision fees paid to a Subsidiary company	–	–	–	60
Agency fees paid to a Subsidiary company	–	–	430	441

6 RELATED PARTIES TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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.

Some related parties transactions with entities with common direct or indirect shareholders, other than those disclosed elsewhere in the notes to the consolidated statements of comprehensive income are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Charter hire income earned [a]	(5,354)	(6,370)	(5,354)	(6,076)
Management fee earned	(183)	(221)	–	–
Rental paid	155	159	47	39
Sale of fixed asset	–	(9)	–	(9)

[a] This arises from charter contracts entered into with a related party, who acted as an agent with various third party charterers on behalf of the group and company. The related party earns an agency fee of 2% on the charter hire income for such services rendered, which is netted against revenue of the group and company.

Compensation of directors and key management personnel

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

	Group	
	2010 US$'000	2009 US$'000
Short-term benefits	978	987
Post-employment benefits	11	11
	989	998

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

7 CASH AND BANK BALANCES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Cash on hand	33	9	–	–
Cash at bank	4,474	729	4,136	579
Fixed deposits	13,843	18,288	13,467	17,846
	18,350	19,026	17,603	18,425

Cash and bank balances comprise cash on hand, cash at bank and fixed deposits with an original maturity of approximately five months or less. The carrying amounts of these assets approximate their fair values, given the short maturity period.

The fixed deposits bear interest at rates ranging from 0.05% to 8.2% (2009 : 0.06% to 8.5%) per annum.

The group and company's cash and bank balances that are not denominated in the functional currency of the respective entities are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Singapore Dollar	8,370	2,714	8,164	2,647
Indonesia Rupiah	101	86	101	84
Philippines Peso	299	227	–	–
Malaysian Ringgit	118	228	–	–
Australian Dollar	1,936	114	1,936	114

8 TRADE RECEIVABLES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Outside parties	22,164	6,887	22,007	6,839
Associated companies (Notes 5 and 12)	19	252	–	–
Related parties (Note 6)	–	1,486	–	1,487
Subsidiary companies (Notes 5 and 11)	–	–	929	–
	22,183	8,625	22,936	8,326

The average credit terms granted to customers ranged from 30 to 45 days (2009 : 30 to 45 days) upon receipt of invoice. No interest is charged on the overdue trade receivables. Total trade receivables past due but not impaired is US$13,708,800 (2009 : US$Nil) as at June 30, 2010 from a customer and the age of these receivables ranged from 30 to 180 days.

The group deals with customers who are mainly creditworthy oil majors or their preferred service providers. Of the trade receivables balance at the end of the year, US$18,187,000 (2009 : US$5,240,000) is due from the group's largest customer, which represents 82% (2009 : 61%) of group's total trade receivables.

8 TRADE RECEIVABLES (CONT'D)

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 reporting period. There is no significant change in credit quality and the amounts are still considered recoverable. Accordingly, the management believes that there is no credit provision required in allowance for doubtful debts.

The group and company's trade receivables that are not denominated in the functional currency of the respective entities are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Singapore Dollar	49	26	4	6
Philippines Peso	33	19	–	–
Malaysian Ringgit	43	64	–	–

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Subsidiary companies (Notes 5 and 11)	–	–	45,782	9,035
Prepayments	1,110	778	913	665
Others	56	65	38	50
	1,166	843	46,733	9,750

The company's other receivables due from subsidiaries are interest-free and repayable on demand. The company has not made any allowance as the management is of the view that these receivables are recoverable.

The group and company's other receivables that are not denominated in the functional currency of the respective entities are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Singapore Dollar	40	49	35	44
Indonesia Rupiah	32	7	–	–

10 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	Company
	US$'000	US$'000
Vessels		
Cost:		
Balance at July 1, 2008	8,128	5,384
Disposals	(8,128)	(5,384)
Balance at June 30, 2009	–	–
Transfer from fixed assets	11,204	11,204
Balance at June 30, 2010	11,204	11,204
Accumulated depreciation:		
Balance at July 1, 2008	7,971	5,384
Depreciation	32	–
Disposals	(8,003)	(5,384)
Balance at June 30, 2009	–	–
Transfer from fixed assets	3,760	3,760
Balance at June 30, 2010	3,760	3,760
Carrying amount:		
At June 30, 2010	7,444	7,444
At June 30, 2009	–	–

During the year, the group has entered into a Memorandum of Agreement with an associated company (Note 5 and 12) for sale of one vessel. The sale of the vessel is expected to be completed in the next financial year, with transfer of legal title of the vessel which is to be sold, upon full settlement of sales consideration from the associated company. As a result, the vessel was classified as non-current asset held for sale in accordance with FRS 105 as at June 30, 2010.

The proceeds of the disposal is expected to exceed the net carrying amount of the vessel. Accordingly, no impairment loss has been recognised on the vessel held for sale.

11 SUBSIDIARY COMPANIES

	Company 2010 US$'000	Company 2009 US$'000
Unquoted equity shares, at cost	8,751	8,751

	Country of incorporation	Proportion of ownership interest and voting power held 2010 %	Proportion of ownership interest and voting power held 2009 %	Cost of investment 2010 US$'000	Cost of investment 2009 US$'000	Principal activities
Held by the company						
Chuan Hup Agencies (Private) Limited	Singapore	100	100	48	48	Ship management
Delaware Marine Pte Ltd	Singapore	100	100	837	837	Investment holding
Sea Glory Private Limited	Singapore	100	100	*	*	Ship owning and chartering
Garo Pte Ltd	Singapore	100	100	3,060	3,060	Ship owning and chartering
Offshore Gold Shipping Pte Ltd	Singapore	100	100	2,304	2,304	Ship owning and chartering
Pembrooke Marine Pte Ltd	Singapore	100	100	2,502	2,502	Ship owning and chartering
Venture Offshore Pte. Ltd. [1]	Singapore	100	–	*	–	Inactive
				8,751	8,751	

* The cost of investment is less than US$1,000.

(1) The subsidiary company was incorporated on July 15, 2009 and acquired by the company on November 11, 2009. There is no significant impact to the group at the end of the reporting period.

All of the subsidiary companies are audited by Deloitte & Touche LLP, Singapore.

12 ASSOCIATED COMPANIES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Unquoted equity shares, at cost	278	278	278	278
Amounts receivable – non-trade [(i)]	5,148	4,450	5,148	4,450
Share of hedging reserve (Note 20)	(213)	–	–	–
Share of results of associated companies [(ii)]	1,911	1,456	–	–
	7,124	6,184	5,426	4,728

(i) The amounts receivable are unsecured, interest-free and repayable upon disposal 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 results of associated companies recognised in profit or loss includes:

	Group	
	2010 US$'000	2009 US$'000
Share of results of associated companies after income tax	455	650
Amortisation of deferred gain from sale of vessels to an associated company (Note 18)	82	81
	537	731

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

	Group	
	2010 US$'000	2009 US$'000
At the beginning of year	1,456	935
Current year share of results	455	650
Reversal of share of results on disposal of an associated company	–	(129)
At the end of year	1,911	1,456

12 ASSOCIATED COMPANIES (CONT'D)

Summarised financial information in respect of the group's associated companies is set out below:

	Group	
	2010 US$'000	2009 US$'000
Total assets	23,515	23,574
Total liabilities	(19,613)	(20,338)
Net assets	3,902	3,236
Group's share of associated companies' net assets	2,060	1,734
Revenue	7,071	7,370
Profit for the year	750	1,154
Group's share of associated companies' profit for the year	455	650

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 is US$148,000 (2009 : US$148,000).

	Country of incorporation	Proportion of ownership interest and voting power held		Cost of investment		Principal activities
		2010 %	2009 %	2010 US$'000	2009 US$'000	
Held by the company						
MarineCo Limited [a]	Malaysia	49	49	245	245	Ship owning and chartering
Gemini Sprint Sdn. Bhd. [a]	Malaysia	49	49	33	33	Ship chartering
Held by subsidiary company						
Held by Venture Offshore Pte. Ltd.:						
PT Bahtera Nusantara Indonesia [b]	Indonesia	49	–	–	–	Inactive
				278	278	

[a] The audited financial statements are for the financial year ended December 31, 2009. Accordingly, unaudited management accounts for the financial period from July 1, 2009 to June 30, 2010 were used for the purpose of equity accounting for MarineCo Limited and Gemini Sprint Sdn. Bhd.

[b] No audit was done as the associated company was newly incorporated in June 2010 and remained inactive as at June 30, 2010. Accordingly, unaudited management accounts for the financial period from the date of incorporation to June 30, 2010 were used for the purpose of equity accounting.

13 CLUB MEMBERSHIP

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Golf club membership, at cost	17	17	–	–

14 FIXED ASSETS

	Vessels	Drydocking expenditure	Furniture, fittings and equipment	Motor vehicles	Construction-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
Cost:						
Balance at July 1, 2008	120,291	–	555	103	23,445	144,394
Additions	9	–	50	138	41,825	42,022
Transfer from construction–in–progress	51,185	–	–	–	(51,185)	–
Disposals	–	–	(53)	(103)	–	(156)
Balance at June 30, 2009	171,485	–	552	138	14,085	186,260
Additions	26	2,100	3	–	41,384	43,513
Transfer from construction–in–progress	55,225	–	–	–	(55,225)	–
Disposals	–	–	(9)	–	–	(9)
Reclassified as non–current assets held for sale	(11,204)	–	–	–	–	(11,204)
Balance at June 30, 2010	215,532	2,100	546	138	244	218,560
Accumulated depreciation:						
Balance at July 1, 2008	11,538	–	434	55	–	12,027
Depreciation	6,193	–	45	22	–	6,260
Disposals	–	–	(53)	(68)	–	(121)
Balance at June 30, 2009	17,731	–	426	9	–	18,166
Depreciation	7,412	198	45	29	–	7,684
Disposals	–	–	(9)	–	–	(9)
Reclassified as non–current assets held for sale	(3,760)	–	–	–	–	(3,760)
Balance at June 30, 2010	21,383	198	462	38	–	22,081
Carrying amount:						
Balance at June 30, 2010	194,149	1,902	84	100	244	196,479
Balance at June 30, 2009	153,754	–	126	129	14,085	168,094

14 FIXED ASSETS (CONT'D)

	Vessels	Drydocking expenditure	Furniture, fittings and equipment	Motor vehicles	Construction-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Company						
Cost:						
Balance at July 1, 2008	102,813	–	101	103	23,445	126,462
Additions	8	–	12	138	24,046	24,204
Transfer from construction-in-progress	25,590	–	–	–	(25,590)	–
Transfer to a subsidiary company #	–	–	–	–	(7,816)	(7,816)
Disposals	–	–	(3)	(103)	–	(106)
Balance at June 30, 2009	128,411	–	110	138	14,085	142,744
Additions	26	2,100	3	–	41,140	43,269
Transfer to subsidiary companies #	–	–	–	–	(55,225)	(55,225)
Reclassified as non-current assets held for sale	(11,204)	–	–	–	–	(11,204)
Balance at June 30, 2010	117,233	2,100	113	138	–	119,584
Accumulated depreciation:						
Balance at July 1, 2008	9,585	–	84	55	–	9,724
Depreciation	4,899	–	6	22	–	4,927
Disposals	–	–	(3)	(68)	–	(71)
Balance at June 30, 2009	14,484	–	87	9	–	14,580
Depreciation	5,142	198	6	29	–	5,375
Reclassified as non-current assets held for sale	(3,760)	–	–	–	–	(3,760)
Balance at June 30, 2010	15,866	198	93	38	–	16,195
Carrying amount:						
Balance at June 30, 2010	101,367	1,902	20	100	–	103,389
Balance at June 30, 2009	113,927	–	23	129	14,085	128,164

Vessels were transferred from construction-in-progress to subsidiary companies at cost upon completion during the financial year.

Interest expense on bank loans obtained for the construction of vessels was capitalised as part of the cost of construction-in-progress and amounted to US$428,000 (2009 : US$421,000) for the group and US$Nil (2009 : US$333,000) for the company. Supervision fees paid to a subsidiary were capitalised and amounted to US$81,000 (2009 : US$87,000) for the group and US$Nil (2009 : US$60,000) for the company.

15 BANK LOANS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Bank loans – unsecured	23,750	3,000	23,750	3,000
Less: Amount due for settlement within 12 months	(9,000)	(3,000)	(9,000)	(3,000)
Amount due for settlement after 12 months	14,750	–	14,750	–

For the financial year ended June 30, 2009, the long term bank loans are unsecured, repayable quarterly in 20 equal installments of US$1 million commencing March 2005 to March 2010. Bank loans with remaining balances of US$1.5 million and US$1.5 million bear interest rate of 5.015% and 5.83% per annum respectively. During the financial year, the company has fully repaid these long term bank loans.

During the year, the company has obtained two long term loans of US$15 million and US$12 million. These two long term bank loans are unsecured, repayable quarterly in 12 equal installments of US$1.25 million commencing from February 2010 to February 2013 and US$1 million commencing from October 2009 to October 2012 respectively. Bank loans of US$15 million and US$12 million bear fixed interest rate of 3.14% and 4.00% per annum respectively.

The group is in compliance with the financing terms and conditions for the borrowings as at June 30, 2010 and 2009.

The fair values of the bank loans approximate their carrying amounts.

16 TRADE PAYABLES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Outside parties	6,529	5,563	4,504	2,863
Accrual for withholding taxes	3,628	4,828	2,971	3,903
Subsidiary companies (Notes 5 and 11)	–	–	11,346	11,942
Related parties (Note 6)	–	16	–	16
	10,157	10,407	18,821	18,724

The average credit terms granted by suppliers ranged from 30 to 90 days (2009 : 30 to 90 days). The group has financial risk management policies in place to ensure that all payables are within the credit time frame.

Accrual for withholding taxes represents foreign taxes imposed on the charter hire.

16 TRADE PAYABLES (CONT'D)

The group and company's trade payables that are not denominated in the functional currency of the respective entities are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Singapore Dollar	533	246	78	125
Indonesia Rupiah	24	24	4	–
Malaysian Ringgit	126	97	–	–
Euro	232	83	–	31

17 OTHER PAYABLES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Subsidiary companies (Notes 5 and 11)	–	–	8,772	16,916

The amount due from subsidiary companies are unsecured, interest-free and repayable on demand.

The group and company's other payables are denominated in the functional currency of the respective entities.

18 OTHER PAYABLES – DEFERRED GAIN

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Deferred gain	1,705	1,786	–	–
Amortisation during the year (Note 12)	(82)	(81)	–	–
	1,623	1,705	–	–
Current portion	(82)	(82)	–	–
Non-current portion	1,541	1,623	–	–

The deferred gain relates to the group's share of the unrealised profit resulting from the sale of vessels to an associated company. The deferred gain will be amortised over the remaining useful life of the vessels against the share of results of associated companies in the consolidated statements of comprehensive income.

19 ISSUED CAPITAL

	Company			
	2010 '000	2009 '000	2010 US$'000	2009 US$'000
	Number of ordinary shares			
Issued and paid-up capital:				
At the beginning and the end of the year	705,091	705,091	55,379	55,379

Fully paid ordinary shares 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.

20 HEDGING RESERVE

The hedging reserve recognised in the consolidated statements of comprehensive income represents the share of hedging reserve for the interest rate swaps entered by an associated company to hedge the interest rate risk arising from a bank loan.

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedge. The cumulative deferred gain or loss on the hedge recognised in the consolidated statements of comprehensive income and accumulated in hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

21 DIVIDENDS

During the financial year ended June 30, 2009, the company:

a) Paid a final dividend of S$0.015 per ordinary share of the company totalling S$10,576,358 (equivalent to US$7,568,597) for the financial year ended June 30, 2008.

b) declared and paid an interim dividend of S$0.005 per ordinary share of the company totalling S$3,525,453 (equivalent to US$2,530,263) for the financial year ended June 30, 2009.

During the financial year ended June 30, 2010, the company paid a final dividend of S$0.015 per ordinary share of the company totalling S$10,576,358 (equivalent to US$7,591,080) for the financial year ended June 30, 2009.

Subsequent to the financial year ended June 30, 2010, the directors recommended a final dividend of S$0.015 per ordinary share of the company totalling S$10,576,358 (equivalent to US$7,825,007) for the financial year ended June 30, 2010.

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

22 REVENUE

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Charter hire income earned	62,308	67,910	49,047	57,668
Rendering of services	83	88	–	–
Commission earned	90	158	–	–
Management and agency fee	390	390	–	–
Others	246	248	238	227
	63,117	68,794	49,285	57,895

23 COST OF SALES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Vessel operating expenses	11,528	11,035	9,794	10,058
Withholding taxes	3,414	3,805	2,851	2,906
Others	212	211	–	–
	15,154	15,051	12,645	12,964

The group considers withholding taxes paid or payable to the foreign tax authorities on the charter hire in the countries where the vessel operates as direct costs to derive the revenue earned. These costs are regarded as operating costs and classified as Cost of Sales in the financial statements.

24 OTHER INCOME

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Gain on disposal of an associated company	–	608	–	–
Foreign exchange adjustment gain	–	5	–	5
Net gain on disposal of fixed assets				
– related party	–	9	–	9
– third parties	–	10,862	–	7,298
	–	11,484	–	7,312

25 PROFIT BEFORE INCOME TAX

In addition to charges and credits disclosed elsewhere in the notes to the consolidated statements of comprehensive income, this item includes the following charges/(credits):

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Directors' fees	140	172	140	172
Staff Cost:				
Permanent staff (including directors' fees)	2,812	2,848	1,721	1,496
Contract based crew	3,429	3,078	2,399	2,337
	6,241	5,926	4,120	3,833
Cost of defined contribution plans included in staff costs	200	204	86	61
Net foreign exchange adjustment loss (gain)	54	(5)	53	(5)
Auditors' remuneration:				
Audit fee	46	50	21	24
Non-audit fee	3	2	–	–

26 INCOME TAX EXPENSE

a) Taxation charge comprises:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Current tax:				
Singapore	21	20	21	19
Foreign	2	2	1	2
Under provision in respect of prior year	–	2	–	–
	23	24	22	21

26 INCOME TAX EXPENSE (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% (2009 : 17%) to profit before income tax and results of associated companies as a result of the following differences:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Income tax expense at statutory rate	6,352	9,565	4,935	7,723
Tax exempt income [1]	(6,375)	(9,606)	(4,914)	(7,704)
Non–deductible items	–	4	–	–
Deferred tax benefit not recognised	44	124	–	–
Overseas tax	2	2	1	2
Effect of change in tax rate	–	(11)	–	–
Under provision in respect of prior year	–	2	–	–
Others	–	(56)	–	–
Income tax expense recognised in profit or loss	23	24	22	21

[1] This represents 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 and capital allowances estimated as follows:

	Group	
	2010 US$'000	2009 US$'000
Unutilised tax loss carryforwards	758	498
Capital allowances	185	224
	943	722
Deferred tax benefit on above:		
Unrecorded	149	105
Recorded	11	17

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 on certain of the above future income tax benefits are not recorded due to uncertainty of future taxable income stream.

27 EARNINGS PER SHARE

Earnings per share is calculated by dividing the group's net 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	
	2010	**2009**
Profit attributable to shareholders (US$'000)	37,339	56,239
Number of ordinary shares used to compute earnings per share ('000)	705,091	705,091
Basic and fully diluted:		
Earnings per share (US cents)	5.30	7.98

Group 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.

28 SEGMENTAL INFORMATION

As reported in prior years, the operations of the group are associated specifically with the support of offshore oil and gas industry which is the only operating segment of the group. The Chief Executive Officer ("CEO'), who is the group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance, focused only on the revenue generated based on the location of the customers. Such information is reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance.

Management is of the view that the operating segment reported in prior year is the same as the reportable segment for this year.

Geographical Information

The group's customers are located in Latin America, Indonesia, Middle East, Australia and other South East Asia countries.

The revenue by geographical segments is based on location of the customers. Segment assets (non-current assets) excluding investment in associates and club membership are based on geographical locations of the assets.

	Group	
	2010 US$'000	**2009 US$'000**
Revenue		
Indonesia	7,144	7,381
Middle East	8,552	10,859
Australia	17,896	17,996
Latin America	27,798	31,683
Others [(a)]	1,727	875
	63,117	68,794

(a) The revenue generated from other geographical location of customers individually contributed to less than 10% of the total revenue.

28 SEGMENTAL INFORMATION (CONT'D)

	Group	
	2010 US$'000	2009 US$'000
Non-current assets		
Indonesia	17,448	17,335
Middle East	22,706	30,515
Australia	41,047	67,643
Latin America	36,655	38,262
Japan	–	14,086
Vietnam	27,045	–
Singapore	51,578	253
	196,479	168,094

Information about major customers

Included in revenue of $63,117,000 (2009 : $68,794,000) are revenues of approximately $27,798,000 (2009 : $31,683,000) which arose from the sales to the group's largest customer.

29 CONTINGENT LIABILITIES

	Group and Company	
	2010 US$'000	2009 US$'000
Guarantees (unsecured)	8,772	8,517

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

	Group and Company	
	2010 US$'000	2009 US$'000
Related party [a]	787	622
Associated company [b]	7,860	7,860
Third parties	125	35
	8,772	8,517

[a] To indemnify a related party for any losses or liabilities that may result from the bankers' guarantee it has obtained for the bidding and performances of projects on behalf of the company through standby letter of credit.

[b] To provide corporate guarantee to an associated company to obtain a bank loan. The fair value of the financial guarantee is assessed to be insignificant, accordingly no fair value gain or loss is recorded in the consolidated statements of comprehensive income.

30 COMMITMENTS

a) Operating lease commitments with related party (Note 6)

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Minimum lease payments paid under operating leases included in the consolidated statements of comprehensive income	155	159	47	39

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		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Within one year	159	153	48	37
In the second to fifth year inclusive	159	–	48	–
	318	153	96	37

Operating lease payments represent rentals payable by the group and the company for certain of its office premises. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

b) Capital commitments

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Amounts contracted for construction of vessels but not accrued	–	41,061	–	41,061

31 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the financial year ended June 30, 2010, the company has:

i) Sold the vessel which was classified as held for sale (Note 10). The sale was completed on July 15, 2010, with transfer of legal title of the vessel, upon full settlement of sales consideration from the associated company (Note 12);

ii) Provided a corporate guarantee amounting to US$3,258,500 to a newly established associated company (Note 12) to obtain bank loan. The fair value of the financial guarantee is assessed to be insignificant; and

iii) Made an early settlement of US$9 million for a bank loan of US$12 million. Of the amount of US$9 million, US$6 million was included in the non-current portion of bank loans in the statements of financial position as at June 30, 2010.

Shareholder Information

As at September 13, 2010

SHARE CAPITAL

Total number of issued shares	:	705,090,514
Issued and Fully Paid-up Capital	:	S$95,251,166.00
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share
Treasury Shares	:	Nil

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	816	9.02	369,650	0.05
1,000 - 10,000	5,817	64.30	26,351,964	3.74
10,001 - 1,000,000	2,383	26.34	120,580,713	17.10
1,000,001 and above	31	0.34	557,788,187	79.11
TOTAL	9,047	100.00	705,090,514	100.00

TWENTY LARGEST SHAREHOLDERS

	Shareholder's Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LTD	373,451,026	52.96
2	MAYBAN NOMINEES (SINGAPORE) PTE LTD	22,810,000	3.24
3	PEH KWEE CHIM	21,874,666	3.10
4	PEH KWEE YONG	20,801,866	2.95
5	CITIBANK NOMINEES SINGAPORE PTE LTD	19,745,858	2.80
6	DBS NOMINEES PTE LTD	12,551,010	1.78
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,553,399	1.64
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	11,374,800	1.61
9	UOB KAY HIAN PTE LTD	9,506,000	1.35
10	LIM & TAN SECURITIES PTE LTD	7,311,000	1.04
11	HSBC (SINGAPORE) NOMINEES PTE LTD	5,818,000	0.83
12	OCBC SECURITIES PRIVATE LTD	4,626,700	0.66
13	DBSN SERVICES PTE LTD	4,194,192	0.59
14	MERRILL LYNCH (SINGAPORE) PTE LTD	3,225,000	0.46
15	OCBC NOMINEES SINGAPORE PTE LTD	2,794,270	0.40
16	KIM ENG SECURITIES PTE. LTD.	2,740,600	0.39
17	TEO JOO KIM	2,208,000	0.31
18	PRIMA PORTFOLIO PTE LTD	2,100,000	0.30
19	ONG KOK WAH	1,846,400	0.26
20	SING INVEST & FIN NOMINEES PTE LTD	1,811,000	0.26
	Total:	542,343,787	76.93

Shareholder Information

As at September 13, 2010

	Direct Interest		Deemed Interest	
Substantial Shareholder	No. of Shares	%	No. of Shares	%
Energian Pte. Ltd.	205,000,000[a]	29.07	-	-
Falcon Energy Group Limited	-	-	205,000,000[b]	29.07
Tan Pong Tyea	-	-	205,000,000[c]	29.07
Chuan Hup Holdings Limited	167,197,026[a]	23.71	-	-
Peh Kwee Chim	41,874,666[d]	5.94	167,197,026[e]	23.71

Notes:

(a) Held in the name of its nominee, Raffles Nominees (Pte) Ltd.

(b) Falcon Energy Group Limited has a deemed interest in 205,000,000 shares by virtue of Section 7(4) of the Singapore Companies Act, Cap 50.

(c) Mr Tan Pong Tyea has a deemed interest in 205,000,000 shares by virtue of Section 7(4) of the Singapore Companies Act, Cap 50.

(d) Includes shares held in the name of nominees.

(e) Mr Peh Kwee Chim has a deemed interest in 167,197,026 shares by virtue of Section 7(4) of the Singapore Companies Act, Cap 50.

(f) Based on information available to the Company as at September 13, 2010, approximately 37.84% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

CH OFFSHORE LTD

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

NOTICE IS HEREBY GIVEN that the Thirty-Fourth ANNUAL GENERAL MEETING of the Company will be held at The Board Room, 390 Jalan Ahmad Ibrahim, Singapore 629155 on October 19, 2010 at 10.30 a.m. to transact the following businesses:

Ordinary Business:

1. To receive and adopt the Audited Accounts for the Financial Year ended June 30, 2010 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.5 SGD cents per ordinary share (tax exempt) for the Financial Year ended June 30, 2010. **(Resolution 2)**

3. To re-elect Mr Tan Pong Tyea who retires in accordance with Article 88 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 3)**

4. To re-elect Mr Peh Kwee Chim who retires in accordance with Article 88 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 4)**

5. To re-elect Mr Neo Chin Lee who retires in accordance with Article 88 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 5)**
[See Explanatory Note 1]

6. To re-elect Mr Billy Lee Beng Cheng who retires by rotation in accordance with Article 89 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 6)**
[See Explanatory Note 2]

7. To re-elect Mdm Joanna Young Sau Kwan who retires by rotation in accordance with Article 89 of the Company's Articles of Association and who, being eligible, offers herself for re-election. **(Resolution 7)**
[See Explanatory Note 3]

8. To approve the payment of fees of S$195,397 for Directors for the Financial Year ended June 30, 2010 (FY2009: S$249,068). **(Resolution 8)**

9. To re-appoint Deloitte & Touche LLP as Auditors and to authorise Directors to fix their remuneration. **(Resolution 9)**

Special Business:

10. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

That authority be and is hereby given to the Directors of the Company to: **(Resolution 10)**

(a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) 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 for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

NOTICE IS ALSO HEREBY GIVEN that the Transfer Book and Register of Members of the Company will be closed on November 11, 2010 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) of 8 Cross Street #11-00, PWC Building, Singapore 048424, up to 5.00 p.m. on November 10, 2010 will be registered to determine members' entitlements to the proposed dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on November 10, 2010 will be entitled to the proposed dividend. The proposed dividend, if approved at the Thirty-Fourth Annual General Meeting, will be paid on November 25, 2010.

Dated this 1st day of October 2010

By Order of the Board

Valerie Tan May Wei
Company Secretary

Notes:

1. A member of the Company who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.

2. The instrument appointing a proxy must be lodged at the registered office of the Company at 388 Jalan Ahmad Ibrahim, Singapore 629157, not less than 48 hours before the time appointed for the Annual General Meeting.

Explanatory Notes:

1) Mr Neo Chin Lee, if re-elected, will continue as a member of the Audit Committee. Mr Neo is considered a non-independent director.

2) Mr Billy Lee Beng Cheng, if re-elected, will continue as the Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee. Mr Lee is considered an independent director.

3) Mdm Joanna Young Sau Kwan, if re-elected, will continue as the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. Mdm Young is considered an independent director.

For the convenience of shareholders, the Company will arrange for a bus to pick up shareholders attending the above meeting from SBS Bus Stop B23 Boon Lay Way (outside Lakeside MRT Station), on Tuesday, October 19, 2010. The bus will leave for CH Offshore Ltd at 9.45 a.m. sharp on that day.

CH OFFSHORE LTD

(Incorporated in the Republic of Singapore)
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PROXY FORM

IMPORTANT

1. For investors who have used their CPF moneys to buy shares in the capital of CH Offshore Ltd, this Annual Report 2010 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____

of ____

being a member/members of CH Offshore Ltd (the" Company") hereby appoint

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)
(a)			
and/or (delete as appropriate)			
(b)			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote on my/our behalf and, if necessary, to demand a poll, at the Thirty-Fourth Annual General Meeting of the Company to be held at The Board Room, 390 Jalan Ahmad Ibrahim, Singapore 629155 on October 19, 2010 at 10.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any matter arising at the Annual General Meeting).

NO	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business		
1	Adoption of Accounts and Reports		
2	Declaration of First and Final Dividend		
3	Re-election of Director – Mr Tan Pong Tyea		
4	Re-election of Director – Mr Peh Kwee Chim		
5	Re-election of Director – Mr Neo Chin Lee		
6	Re-election of Director – Mr Billy Lee Beng Cheng		
7	Re-election of Director – Mdm Joanna Young Sau Kwan		
8	Payment of Fees to Directors		
9	Re-appointment of Deloitte & Touche LLP as Auditors		
	Special Business		
10	Approval of Proposed Share Issue Mandate		

Signed this __________ day of __________ 2010

Total Number of Shares held	

____

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. 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 entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. Such proxy need not be a member of the Company.

3. Where a member appoints two 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. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 388 Jalan Ahmad Ibrahim, Singapore 629157 not less than 48 hours before the time appointed for the Thirty-Fourth Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 an officer or attorney duly authorised.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Thirty-Fourth Annual General Meeting, in accordance with Section 179 of the Companies Act, Cap 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Thirty-Fourth Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CH OFFSHORE LTD

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