



Securities Investors Association (Singapore)

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Issuer: CH Offshore Ltd.

Stock code: C13

Meeting details:

Date: 22 April 2022

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the chairman's statement, the higher oil prices in 2021 have led to increased vessel activity and improved utilisation and day rates in the vessel chartering market although the levels are still below historical averages.

In the larger higher capacity Anchor Handling Tugs ("AHTS") segment, demand is expected to come from floating offshore wind developments especially in China in addition to the usual rig activity and floating production storage and offloading (FPSO) projects. The group will likely benefit if offshore exploration and production (E&P) programs in Asian countries (e.g. Malaysia, Australia and India) resume.

However, despite the increase in demand, the chairman states that the market is still persistently oversupplied with almost twice as many units in total as the market requires as at 31 December 2021. If, as expected, the vessels which are currently cold stacked are scrapped rather than activated for the market, the supply-demand gap should hopefully close.

- (i) **Can the chairman/management help shareholders better understand the dynamics of the AHTS markets? What is management's rationale to believe that cold-stacked vessels would be scrapped instead of being activated when the demand is recovering?**

The group's revenue decreased by 18% from US\$18.9 million in FY2020 to US\$15.5 million in FY2021, due to lower utilisation rate (61% → 59%) of owned vessels and lower revenue generated from third-party chartered vessels.

- (ii) **What are the reasons for the decline in the utilisation rates of the owned vessels even as the market had broadly recovered?**
- (iii) **Would the board include an operational review in the annual report so that shareholders can be better informed of the group's achievements, milestones and challenges in its operations?**
- (iv) **For shareholders' benefit, please provide such an overview of the group's operations during the AGM on 22 April 2022.**

Even as the utilisation rate decreased by 2% from 61% to 59%, the group recognised charter hire revenue of just US\$5.37 million in FY2021, a decrease of 45% from US\$9.70 million in FY2020 (page 109 – Note 16 Revenue).

- (v) **Please disclose the vessel employment profile and the charter rates of the group's fleet of six 12,240 BHP AHTS.**
- (vi) **Can management also disclose where the fleet is deployed, the counterparty and the demand-supply dynamics in these markets?**

Q2. As disclosed in Note 5 (page 97 – Trade and other receivables: Amounts due from related parties), as at 31 December 2021, the group has made cumulative allowances for doubtful debts for other receivables due from Falcon Energy Group Limited and its related companies amounting to US\$8.56 million out of gross amounts amounting to US\$8.56 million.

Falcon Energy Group Limited (FEG) is a substantial shareholder of the company and the former ultimate holding company.

In particular, an amount of US\$4.1 million bears interest at 4.3% per annum. In view of uncertainties in collectability, the group did not recognise this interest income in the financial years ended 31 December 2021 and 2020.

- (i) **Can the board/management provide, for the benefit of shareholders, an update of the financial status of FEG?**
- (ii) **What are the dealings with FEG, if any, in FY2021?**
- (iii) **What were the efforts by management and by the board in collecting the long overdue receivables from FEG so as to protect the interests of the company as well as its minority shareholders?**
- (iv) **Has the board explored the option of FEG paying back the company with shares of the company which can then be cancelled?**
- (v) **Has the board carried out an independent review of the board approval process which led to the grant of a loan of \$1 million and \$3 million to FEG on 6 October 2016 and 10 October 2016 respectively?**

In addition, the group has recognised US\$5.88 million in loss allowance on trade receivables due from third parties that are past due by more than 12 months.

- (vi) **Similarly, what are the efforts by management in collecting the long outstanding debt?**
- (vii) **What are the profiles of the third parties with long outstanding debt?**

Q3. In the sustainability report, the group reported the following injury rates in the past three years:

REGULATION	FY2019	FY2020	FY2021
Man-Hours	903,365	636,862	495,855
First-Aid Case	0	6	0
Recordable Injury	2	1	1
Lost Time Injury	0	1	1
Fatalities	0	0	0
Total Recordable Injury Frequency Rate (TRIFR)	2.2	0.31	0.40
Lost Time Injury Frequency Rate (LTIFR)	0.00	1.57	2.02

As at 31 December 2021, the group achieved 234 Loss Time Injury Free Days (period covering 12 May 2021 until 31 December 2021) with zero cases of recordable injury and first-aid cases. There was one Lost Time work-related injury sustained by one crew member on 11 May 2021.

- (i) **What were the reasons for the spike in first-aid cases (to 6) in FY2020? How did management get the number of first-aid cases back to 0 in FY2021?**

In each of the past two years, the group experienced one case of recordable injury and one lost time injury. Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) increased from 0.31 to 0.4 and 1.57 to 2.02 respectively. This was despite the reduction of man-hours from 636,862 to 495,855 in FY2021.

- (ii) **What are the findings following the investigation of the injuries in 2020 and in 2021?**
- (iii) **How is the board/management driving greater awareness and reinforcing workplace safety?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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