

**FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2013**

**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS**

**1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>The GROUP</b>						
	<b>3Q 2014</b>	<b>3Q 2013</b>	<b>Increase/ (Decrease)</b>	<b>9M 2014</b>	<b>9M 2013</b>	<b>Increase/ (Decrease)</b>	
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>Note</b>	<b>%</b>
<b>Revenue</b>	44,794	24,384	83.7%	254,466	58,664	(A)	333.8%
Cost of sales	(32,779)	(12,263)	167.3%	(151,519)	(36,862)		311.0%
<b>Gross profit</b>	<u>12,015</u>	<u>12,121</u>	-0.9%	<u>102,947</u>	<u>21,802</u>	(B)	372.2%
Other operating income	314	192	63.5%	2,332	1,602		45.6%
Administrative expenses	(5,506)	(4,360)	26.3%	(13,951)	(12,248)		13.9%
Finance costs	(1,203)	(1,442)	-16.6%	(3,760)	(4,388)		-14.3%
Share of net profit/(loss) of associates	1,346	(1,374)	NM	(6,755)	2,623		NM
Share of net loss of a joint venture	-	-	NM	(13)	-		NM
<b>Profit before income tax</b>	<u>6,966</u>	<u>5,137</u>	35.6%	<u>80,800</u>	<u>9,391</u>		760.4%
Income tax expense	(306)	50	NM	(1,662)	(156)		965.4%
<b>Profit for the period</b>	<u><u>6,660</u></u>	<u><u>5,187</u></u>	28.4%	<u><u>79,138</u></u>	<u><u>9,235</u></u>		756.9%
Profit for the period attributable to:							
Owners of the Company	6,068	5,320	14.1%	40,428	9,242		337.4%
Non-controlling interests	592	(133)	NM	38,710	(7)		NM
<b>Profit for the period</b>	<u><u>6,660</u></u>	<u><u>5,187</u></u>	28.4%	<u><u>79,138</u></u>	<u><u>9,235</u></u>		756.9%

**(a) (ii) Statement of Comprehensive income**

<b>Profit for the period</b>	6,660	5,187	28.4%	79,138	9,235		756.9%
Other comprehensive income :							
Foreign currency translation of foreign entities	(30)	(5)	500.0%	(47)	(10)		370.0%
<b>Total comprehensive income for the period</b>	<u><u>6,630</u></u>	<u><u>5,182</u></u>	27.9%	<u><u>79,091</u></u>	<u><u>9,225</u></u>		757.4%
Total comprehensive income attributable to :							
Owners of the company	6,050	5,317	13.8%	40,399	9,247		336.9%
Non-controlling interests	580	(135)	NM	38,692	(22)		NM
<b>Total comprehensive income for the period</b>	<u><u>6,630</u></u>	<u><u>5,182</u></u>	27.9%	<u><u>79,091</u></u>	<u><u>9,225</u></u>		757.4%

NM: Note meaningful

Note:

(A) The Drilling Division contributed US\$127.80 million which was the income derived from the disposal of two jack-up rigs.

(B) Excluding the contribution from Drilling Division, the Group's gross profit would have been US\$31.43 million for 9M 2014.



**1(a)(ii) Profit before income tax is arrived at after charging / (crediting):-**

	<b>THE GROUP</b>			
	<b>3Q 2014</b>	<b>3Q 2013</b>	<b>9M 2014</b>	<b>9M 2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Depreciation	3,611	2,866	10,224	8,656
Exchange (gain) loss - net	212	71	(37)	482
Interest expense	1,211	936	3,791	3,987
Interest income	(17)	(8)	(26)	(24)
Trade debts written off	-	1	412	1
Gain on bargain purchase	(7)	-	(7)	-
Loss on sale of a joint venture	(3)	-	(3)	-
Loss/(gain) on disposal of property, plant and equipment	-	(3)	575	(1)
Change in fair value of derivative financial instrument	(9)	(17)	(32)	(46)

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

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>31/12/2013</b>	<b>31/3/2013</b>	<b>31/12/2013</b>	<b>31/3/2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	58,563	15,890	4,320	833
Trade receivables	91,051	24,571	-	-
Deposits and other receivables	123,150	51,575	189,379	172,925
Inventories	1,408	1,024	-	-
<b>Total current assets</b>	<b>274,172</b>	<b>93,060</b>	<b>193,699</b>	<b>173,758</b>
<b>Non-current assets</b>				
Deposits and other receivables	1,812	8,511	-	6,342
Property, plant and equipment	245,021	186,010	6,481	6,708
Investment in subsidiaries	-	-	184,563	190,274
Investment in associates	101,981	111,218	-	-
Investment in joint venture	-	16	-	-
Other intangible assets	2,240	2,022	-	-
<b>Total non-current assets</b>	<b>351,054</b>	<b>307,777</b>	<b>191,044</b>	<b>203,324</b>
<b>Total assets</b>	<b>625,226</b>	<b>400,837</b>	<b>384,743</b>	<b>377,082</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade payables	63,850	7,890	-	-
Other payables	107,447	16,215	103,614	91,888
Finance leases	159	124	-	-
Borrowings	50,805	49,444	645	1,107
Derivative financial liability	14	46	-	-
Income tax payable	2,017	1,024	2	24
<b>Total current liabilities</b>	<b>224,292</b>	<b>74,743</b>	<b>104,261</b>	<b>93,019</b>
<b>Non-current liabilities</b>				
Finance leases	376	297	-	-
Borrowings	114,680	97,601	2,709	3,307
Other payables	74	20,115	-	-
<b>Total non-current liabilities</b>	<b>115,130</b>	<b>118,013</b>	<b>2,709</b>	<b>3,307</b>
<b>Capital, reserves and non-controlling interests</b>				
Share capital	229,519	225,844	229,519	225,844
Treasury shares	(1,135)	-	(1,135)	-
Warrants reserve	11,824	12,534	11,824	12,534
Share-based payments	639	639	639	639
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	(332)	(303)	-	-
Accumulated profits	149,206	111,976	36,926	41,739
<b>Equity attributable to owners of the Company</b>	<b>238,029</b>	<b>198,998</b>	<b>277,773</b>	<b>280,756</b>
Non-controlling interests	47,775	9,083	-	-
<b>Total equity</b>	<b>285,804</b>	<b>208,081</b>	<b>277,773</b>	<b>280,756</b>
<b>Total liabilities and equity</b>	<b>625,226</b>	<b>400,837</b>	<b>384,743</b>	<b>377,082</b>

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

	<b>THE GROUP</b>			
	<b>As at 31/12/2013</b>		<b>As at 31/3/2013</b>	
	<b>Secured US\$'000</b>	<b>Unsecured US\$'000</b>	<b>Secured US\$'000</b>	<b>Unsecured US\$'000</b>
Amount repayable in one year or less, or on demand	50,552	412	48,054	1,514
Amount repayable after one year	115,056	-	97,730	168
<b>Total</b>	<b>165,608</b>	<b>412</b>	<b>145,784</b>	<b>1,682</b>

**Details of any collateral:**

- 1) The Group's borrowings are secured by:
  - i) corporate guarantee from Company and certain subsidiary;
  - ii) legal mortgages over the relevant property;
  - iii) legal mortgages over certain vessels of the Group;
  - iv) certain fixed deposits and bank balances;
  - v) assignment of certain vessels' charter- hire- income and insurance policies; and
  - vi) pledge of certain associates' shares.
  
- 2) Obligations under finance lease are secured by the lessor's charge over the leased assets.

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

	<b>THE GROUP</b>	
	<b>9M 2014</b>	<b>9M 2013</b>
<b>Note</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	80,800	9,391
Adjustments for:		
Depreciation of property, plant and equipment	10,224	8,656
Interest expense	3,791	3,987
Interest income	(26)	(24)
Share of net loss/(profit) of associates	6,755	(2,623)
Share of net loss/(profit) of a joint venture	13	-
Trade debts written-off	412	1
Changes in fair value of derivative financial instrument	(32)	(46)
Loss/(gain) on disposal of property, plant and equipment	575	(1)
Loss on disposal of a joint venture	3	-
Gain on bargain purchase	(7)	-
Exchange difference	(104)	282
Operating cash flows before movements in working capital	<u>102,404</u>	<u>19,623</u>
Inventories	(384)	(16,812)
Trade receivables	(63,133)	(1,262)
Other receivables	(64,831)	(3,761)
Trade payables	52,484	(1,969)
Other payables	32,325	2,610
Cash generated from operations	<u>58,865</u>	<u>(1,571)</u>
Income tax paid	(669)	(1,123)
<b>Net cash generated from/(used in) operating activities</b>	<u><b>58,196</b></u>	<u><b>(2,694)</b></u>
<b>Cash flows from investing activities</b>		
Interest received	26	24
Dividends received from associates	2,482	6,722
Purchases of property, plant and equipment	(70,258)	(33,457)
Payments for intangible assets	(218)	(128)
Proceeds from disposal of property, plant and equipment	800	5
Net cash inflow from acquisition of a subsidiary	A 66	-
<b>Net cash used in investing activities</b>	<u><b>(67,102)</b></u>	<u><b>(26,834)</b></u>
<b>Cash flows from financing activities</b>		
Interest paid	(3,791)	(3,998)
Dividends paid	(3,198)	-
Fixed deposits and bank balances pledged	(1,041)	180
Repayment of finance lease obligation	(130)	(93)
Advances from related parties	38,436	7,480
Share buy-back	(1,135)	-
Repayment from borrowings	(32,957)	(73,796)
Exercise of warrants	51,397	99,450
	2,965	1
<b>Net cash generated from financing activities</b>	<u><b>50,546</b></u>	<u><b>29,224</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	41,640	(304)
Effect of exchange rate changes	(8)	289
Cash and cash equivalents at beginning of period	12,896	14,320
<b>Cash and cash equivalents at end of period</b>	<u><b>54,528</b></u>	<u><b>14,305</b></u>

<b>THE GROUP</b>	
<b>9M 2014</b>	<b>9M 2013</b>
<b>US\$'000</b>	<b>US\$'000</b>
57,629	15,035
934	1,097
<u>58,563</u>	<u>16,132</u>
(4,035)	(1,827)
<u><u>54,528</u></u>	<u><u>14,305</u></u>

**Cash and cash equivalents represent:**

Bank and cash balance

Fixed deposits

Less : fixed deposits and bank balances pledged

**Note A : Acquisition of a subsidiary**

The Group completed the acquisition of the interest in Aset Marine Pte Ltd in October 2013. The net assets acquired in the transaction based on unaudited management accounts for the financial period ended 30 September 2013 are as follows:

	<b>US\$'000</b>
Property, plant and equipment	43
Trade receivables	3,759
Other receivables	45
Cash and cash equivalents	66
Trade payables	(3,476)
Other payables	(430)
	<u>7</u>
Gain on bargain purchase	(7)
Total consideration, satisfied by cash	<u>*</u>
Net cash inflow from acquisition	<u><u>66</u></u>

\* amount less than US\$1,000

**FALCON ENERGY GROUP LIMITED**

Registration No. 200403817G



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

	Share capital	Treasury shares	Warrants reserve	Share option reserve	Merger reserve	Foreign currency translation reserve	Accumulated profits	Total attributable to equity holders of the parent	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>										
<b>Balance as at 1 April 2013</b>	225,844	-	12,534	639	(151,692)	(303)	111,976	198,998	9,083	208,081
Total comprehensive income for the period	-	-	-	-	-	(29)	40,428	40,399	38,692	79,091
Exercise of warrants	2,965	-	-	-	-	-	-	2,965	-	2,965
Transfer to share capital pursuant to the exercise of warrants	710	-	(710)	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(3,198)	(3,198)	-	(3,198)
Share buy-back	-	(1,135)	-	-	-	-	-	(1,135)	-	(1,135)
<b>Balance as at 31 December 2013</b>	<b>229,519</b>	<b>(1,135)</b>	<b>11,824</b>	<b>639</b>	<b>(151,692)</b>	<b>(332)</b>	<b>149,206</b>	<b>238,029</b>	<b>47,775</b>	<b>285,804</b>
<b>Balance as at 1 April 2012</b>	225,826	-	12,535	639	(151,692)	(346)	103,371	190,333	8,707	199,040
Total comprehensive income for the period	-	-	-	-	-	5	9,242	9,247	(22)	9,225
Exercise of warrants	1	-	(*)	-	-	-	-	1	-	1
<b>Balance as at 31 December 2012</b>	<b>225,827</b>	<b>-</b>	<b>12,535</b>	<b>639</b>	<b>(151,692)</b>	<b>(341)</b>	<b>112,613</b>	<b>199,581</b>	<b>8,685</b>	<b>208,266</b>

\* amount less than US\$1,000



	Share capital US\$'000	Treasury shares US\$'000	Warrants reserve US\$'000	Share option reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
<b>THE COMPANY</b>						
<b>Balance as at 1 April 2013</b>	225,844	-	12,534	639	41,739	280,756
Total comprehensive income for the period	-	-	-	-	(1,615)	(1,615)
Exercise of warrants	2,965	-	-	-	-	2,965
Transfer to share capital pursuant to exercise of warrants	710	-	(710)	-	-	-
Dividends paid	-	-	-	-	(3,198)	(3,198)
Share buy-back	-	(1,135)	-	-	-	(1,135)
<b>Balance as at 31 December 2013</b>	<b>229,519</b>	<b>(1,135)</b>	<b>11,824</b>	<b>639</b>	<b>36,926</b>	<b>277,773</b>
<b>Balance as at 1 April 2012</b>	225,826	-	12,535	639	44,117	283,117
Total comprehensive income for the period	-	-	-	-	(3,239)	(3,239)
Exercise of warrants	1	-	(*)	-	-	1
<b>Balance as at 31 December 2012</b>	<b>225,827</b>	<b>-</b>	<b>12,535</b>	<b>639</b>	<b>40,878</b>	<b>279,879</b>

\* amount less than US\$1,000



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

	No of shares	
	31.12.13	31.12.12
<b>Issued and fully paid ordinary shares</b>		
Balance at the beginning of the financial period	814,193,170	814,140,170
Exercise of warrants	9,222,339	3,000
Balance at the end of the financial period	823,415,509	814,143,170

The Company has 81,998,638 numbers of outstanding bonus warrants as at 31 December 2013 which was issued during the financial period. Each bonus warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.43 per share.

**Share buy-backs**

Pursuant to a share purchase mandate ("Share Purchase Mandate") approved by shareholders on 30 July 2013, the Company purchased a total of 4,220,000 shares by way of on-market purchase for the period ended 31 December 2013. The repurchased shares are held as "Treasury Shares".

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

The total number of issued shares excluding treasury shares as at 31 December 2013 was 819,195,509 (31 March 2013: 814,193,170).

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

The movement of treasury shares is as follows:

	No of shares
Balance as at 1 April 2013	-
Purchase of treasury shares	4,220,000
Balance as at 31 December 2013	4,220,000

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

The figures have neither been audited nor reviewed by the Company's auditors.

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

Not applicable.

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

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs"), Interpretations of FRS ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after April 1, 2013. The adoption of the new/revised FRSs, INT FRSs and amendments to FRSs has no material effect on the financial statements.

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

Not applicable.



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

	THE GROUP			
	3Q 2014 US cents	3Q 2013 US cents	9M 2014 US cents	9M 2013 US cents
<b>Earnings per ordinary share ("EPS") for the period</b>				
(a) Basic EPS	0.74	0.65	4.96	1.14
(b) On a fully diluted EPS **	# 0.74	0.65	4.96	1.14

**Notes:**

- (i) Basic EPS for the three months ended 31 December 2013 was computed by dividing the Group's net profit attributable to equity shareholders by the weighted average number of 820,035,500 (31.12.2012: 814,141,420) shares issued.
- (ii) Basic EPS for the nine months ended 31 December 2013 was computed by dividing the Group's net profit attributable to equity shareholders by the weighted average number of 814,821,561 (31.12.2012: 814,142,832) shares issued.
- (iii) Diluted EPS for the three months ended 31 December 2013 was computed by dividing the Group's net profit attributable to equity shareholders by the weighted average number of 820,035,500 (31.12.2012: 814,141,420) shares issued.
- (iv) Diluted EPS for the nine months ended 31 December 2013 was computed by dividing the Group's net profit attributable to equity shareholders by the weighted average number of 814,821,561 (31.12.2012: 814,142,832) shares issued.

# the option the warrants were "out-of-money" as at 31 December 2012 and 31 December 2013

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

	THE GROUP		THE COMPANY	
	As at 31/12/2013 US cents	As at 31/3/2013 US cents	As at 31/12/2013 US cents	As at 31/3/2013 US cents
<b>Net asset value ("NAV") per ordinary share based on issued share capital excluding treasury shares as at end of the period reported on</b>	29.06	24.44	33.91	34.48

**Notes:**

The Group's and the Company's NAV per ordinary share as at 31 December 2013 and 31 March 2013 have been computed based on the share capital of 819,195,509 and 814,193,170 shares respectively.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **9M 2014 vs 9M 2013**

The Group recorded an increase in revenue by 333.8% or approximately US\$195.80 million from US\$58.66 million for the nine months ended 31 December 2012 ("**9M 2013**") to US\$ 254.47 million for the nine months ended 31 December 2013 ("**9M 2014**"). Revenues from Marine, Oilfield Services, Oilfield Projects and Drilling Division were US\$53.44 million (21.0%), US\$67.17 million (26.4%), US\$6.05 million (2.4%) and US\$127.81 million (50.2%) respectively.

Revenue from Marine Division increased by US\$17.44 million from US\$36.0 million in 9M 2013 to US\$53.44 million in 9M 2014 due mainly to more vessels being deployed as compared to 9M 2013.

Revenue from Oilfield Services Division increased by US\$51.89 million from US\$15.28 million to US\$67.17 million and was attributed mainly to the contracts secured in 2Q 2014 and the increase in the provision of sundry services rendered.

Revenue from Oilfield Projects Division decreased from US\$7.38 million in 9M 2013 to US\$6.05 million in 9M 2014.

Revenue from Drilling Division amounting to US\$127.81 million was mainly the income derived from the disposal of two jack-up rigs in 2Q 2014.

As a result of the additional revenue contribution from Drilling Division, the Group's gross profit increased substantially by US\$81.15million from US\$21.80 million in 9M 2013to US\$102.95 million in 9M 2014.

Gross profit margin for Marine Division decreased from 40.3% to 34.4% due mainly to the mobilization costs incurred for the three vessels in 3Q 2014. Gross profit margin for Oilfield Services Division declined from 26.5% to 16.5% and was due primarily to the lower margin of the one-off short term contract secured in 2Q 2014. The gross profit margin for Oilfield Projects Division decreased from 43.7% in 6M 2013 to 31.8% in 9M 2014. The gross profit margin for Drilling Division was approximately 56.0%.

As a result of the above, the Group's overall average gross profit margin improved marginally from 37.2% to 40.5% in 9M 2014.

Other operating income increased by US\$0.73 million from US\$1.60 million in 9M 2013 to US\$2.33 million in 9M 2014 due mainly to the increase in the provision of vessels sundry services.

Administrative costs increased by US\$1.70 million from US\$12.25 million to US\$13.95 million in 9M 2014 due mainly to the loss on disposal of fixed assets, trade debts written off and allowance for doubtful trade debts.

Finance costs decreased from US\$4.39 million in 9M 2013 to US\$3.76 million in 9M 2014 due mainly to lower interest rates.

The decrease in the Group's share of profit from associates was due mainly to the Company's 29.07% associate, CH Offshore Ltd, making an allowance of doubtful trade debts of US\$43.95 million in its financial year ended 30 June 2013. This resulted in the Group recording a share of net loss of US\$12.77 million. The Group's resultant contribution from associates was a net loss of US\$6.76 million in 9M 2014.

Due to the foregoing, the Group generated a profit before tax of approximately US\$80.80 million in 9M 2014.

The income tax of approximately US\$1.66 million was the provision of tax expenses for Oilfield Services Division. No provision for tax expense had been made in respect of the income in the Marine, Oilfield Projects and Drilling Division as such income derived from outside Singapore was tax exempt.

### **3Q 2014 vs 3Q 2013**

The performance of the Group's business segments varied from time to time according to market conditions. As such, the quarter to quarter results may not be a good indication of the overall trend of the Group's results for the whole financial year.

For the three months ended 31 December 2013 ("**3Q 2014**"), the Group's revenue increased by 83.7% or approximately US\$20.41 million as compared to the previous corresponding period last year ("**3Q 2013**"). Revenues from Marine, Oilfield Services, Oilfield Projects and Drilling Division were US\$18.62 million (41.6%), US\$24.14 million (53.9%), US\$2.02 million (4.5%) million and US\$0.01 million respectively.

Revenue from Marine Division increased by US\$2.59 million to US\$18.62 million as a result of more vessels being deployed. Revenue from Oilfield Services Division increased from US\$6.33 million to US\$24.14 million and was due mainly to the

procurement of the contracts in 2Q 2014 as well as the increase in the provision of sundry services rendered. Revenue from Oilfield Projects Division was US\$2.01 million in 3Q 2014 and which was the same amount as 3Q 2013.

Gross profit margin for Marine Division decreased from 59.9% to 31.5% due mainly to the mobilization costs incurred for the three vessels. Gross profit margin for Oilfield Services Division decreased from 29.5% to 22.5% due mainly to the lower margin of the procurement contracts secured in 2Q 2014. The gross profit margin for Oilfield Projects division increased marginally from 31.8% to 33.8%.

As a result of the above, the Group's overall gross profit margin decreased from 49.7% in 3Q 2013 to 26.8% in 3Q 2014.

Other operating income increased by from US\$0.19 million to US\$0.31 million 3Q 2014.

Administrative expenses increased from US\$4.36 million in 3Q 2013 to US\$5.51 million in 3Q 2014.

Finance costs decreased from US\$1.44 million in 3Q 2013 to US\$1.20 million in 3Q 2014 due mainly to lower interest rates.

The increase in the Group's share of net profit from associates was due mainly to higher profit from our associate, CH Offshore Ltd.

In view of the foregoing, the Group generated a profit before tax of approximately US\$6.97million in 3Q 2014.

The income tax of approximately US\$0.31 million was the provision of tax expenses for Oilfield Services Division. No provision for tax expense had been made in respect of the charter income in the Marine, Oilfield Projects and Drilling Division as such income derived from outside Singapore was tax exempt.

#### **Statement of financial position and Statement of cash flow:**

Non-current assets increased by approximately US\$43.27 million from US\$307.78 million as at 31 March 2013 to US\$351.05 million as at 31 December 2013. The increase was due mainly to the increase in property, plant and equipment after partial off-set by the decrease in investments in associates and other receivables. The increase in property, plant and equipment was due mainly to the purchase of new vessels and office premises as well as the capitalization of the vessel's modification costs.

Current assets increased by US\$181.11 million from US\$93.06 million as at 31 March 2013 to US\$274.17 million as at 31 December 2013. The increase was due mainly to the higher trade and other receivables and cash and bank balances. The increase in other receivables was attributable to installments paid for the rigs and amount due from related parties.

Current liabilities increased by US\$149.55 million from US\$74.74 million as at 31 March 2013 to US\$224.29 million in 31 December 2013. The increase was due mainly to higher trade and other payables and borrowings.

The increase in other payables was due primarily to the advances from related parties and deposits received from customers.

During the period under review, the Group procured new term loans for the expansion of business activities. This accounted for an increase in the total bank borrowings of approximately US\$18.44 million as at 31 December 2013.

The Group generated an approximate net cash flow of US\$58.20 million from operating activities. Net cash flow used in investing activities amounting to US\$67.10 million was mainly for the acquisition of property, plant and equipment after partially off-set against the dividends received from associates. Net cash flow generated from financing activities of US\$50.55 million was mainly from the draw-down of new term loans and advance from related parties after partially set-off against the repayment of existing term loans, interest expense and dividends to shareholders.

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

Not applicable.

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

Stable oil prices conducive to rising levels of exploration and production activities are expected to be maintained, and the Group is optimistic on the business prospects.

The Marine Division is expected to benefit from firm charter rates, higher utilization and longer term contracts for its diversified fleet of work accommodation barges and production support vessels. The Group has taken delivery of two new multifunctional support vessels, which was ordered in October 2011. Their state-of-the-art design and technology as well as capability to work in shallow as well as deep water fulfil the requirements for many offshore projects.

The Drilling Division is being further developed as the demand for newer rigs equipped with the latest technology and safety features is strong. Through a consortium which the group owns 25% beneficiary interest, it has to date, placed an order for 5 jack-up rigs. These include one Super B Class jack-up rig from Keppel Corporation and four GustoMSC CJ50 jack-up rigs from China Shipbuilding Industry Corporation. The expected date of delivery of the 5 jack-up rigs above is from mid-2015 to mid-2016.

Oilfield Services and the Oilfield Projects Divisions are expected to continue to generate stable income. The Resources Division will complement the Group's energy-related businesses. The Division has accumulated substantial coal reserves and is expected to start production this year.

The Group continues to lay the foundation for long term sustainable growth by focusing on its core Marine businesses while expanding actively in other business segments.

Barring any unforeseen circumstances, the Group expects to be profitable in the current financial year.

**11. Dividend**

**(a) Current financial period reported on**

**Any dividend declared for the current financial period reported on?**

No

**(b) Corresponding period of the immediately preceding financial year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

No.

**(c) Date payable**

Not applicable

**(d) Book closure date**

Not applicable

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

Not applicable

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

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

**Interested Person Transactions**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	US\$'000	US\$'000
<b>CDS International Forwarding (TianJin) Co Ltd <sup>(1)</sup></b>	113	
- sales of services		-
<b>Cai Wenxing <sup>(2)</sup></b>	224	
- rental of premises		-

Note :

- (1) *Cai Wenxing is a Director of the Company. He holds 70% of the equity interest in CDS International Forwarding (TianJin) Co Ltd.*
- (2) *Cai Wenxing is a director of the Company.*

**14. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5)**

The Board of Directors has confirmed that, to the best of their knowledge, nothing material has come to their attention which may render these financial results for the 9-month-period ended 31 December 2013 to be false or misleading.

**Tan Pong Tyea**

**Cai Wenxing**

**BY ORDER OF THE BOARD**

**Tan Pong Tyea**  
**Chairman and Chief Executive Officer**  
 11 February 2014