

**DISPOSAL OF SHARES IN CH OFFSHORE LTD.**

---

**1. INTRODUCTION**

- 1.1. The Board of Directors ("**Board**") of Falcon Energy Group Limited ("**Company**") and together with its subsidiaries, "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Energian Pte. Ltd. ("**Vendor**"), has as at the date of this announcement ("**Announcement Date**") entered into a sale and purchase agreement ("**SPA**") with BT Investment Pte. Ltd. ("**Purchaser**"), a wholly-owned subsidiary of Baker Technology Limited ("**BTL**"), pursuant to which the Vendor has agreed to, *inter alia*, dispose of 217,800,000 shares ("**Sale Shares**") out of its stake of 457,560,131 shares in the issued and paid-up share capital of CH Offshore Ltd. ("**CHO**"), a 64.91%-owned subsidiary of the Vendor, to the Purchaser ("**Disposal**"). The Sale Shares represent approximately 30.90%<sup>1</sup> of the issued and paid-up share capital of CHO ("**CHO Shares**").
- 1.2. The Board is pleased to announce that the SPA is unconditional and has been completed as at the Announcement Date by way of a married deal pursuant to the rules and regulations of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and The Central Depository (Pte) Limited. Upon the completion of the Disposal, CHO has ceased to be a subsidiary of the Company.

**2. THE DISPOSAL**

**2.1. Consideration**

The consideration for the Sale Shares is S\$25,047,000 ("**Consideration**"), based on a price of S\$0.115 per Sale Share.

The Consideration was arrived at by agreement between the Vendor and the Purchaser at arm's length, on a "willing-buyer, willing-vendor" basis after taking into account, *inter alia*, the historical and prevailing market price of the CHO Shares and the historical financial position and performance of CHO. The consideration per Sale Share represents a 30.30% discount to the weighted average price for CHO Shares transacted for the six-month period ending on 25 July 2018, being the market day immediately preceding the Announcement Date. The market value of the Sale Shares on the market day immediately preceding the Announcement Date is approximately S\$28.31 million.

**2.2. Irrevocable Undertaking**

In connection with the SPA, the Vendor has executed a deed of undertaking ("**Deed of Undertaking**"), pursuant to which the Vendor has, *inter alia*, undertaken, represented and warranted to the Purchaser that it shall not accept the pre-conditional mandatory cash offer to be made by or on behalf of the Purchaser and/or parties acting in concert with the Purchaser for the CHO Shares pursuant to the Singapore Code on Take-overs and Mergers, in respect of the remaining CHO Shares owned by the Vendor following the completion of the Disposal.

---

<sup>1</sup> In this announcement, all percentages with respect to the CHO Shares are based on CHO's total issued ordinary shares of 704,892,514 shares (excluding treasury shares) as at the Announcement Date. Any discrepancies between the listed percentages and the totals shown thereof are due to rounding. Accordingly, figures shown as totals in this announcement may not be an arithmetic aggregation of figures that precede them.

### **3. INFORMATION ON CHO AND THE PURCHASER**

#### **3.1. CHO**

CHO is a company incorporated in Singapore on 31 March 1976 and its shares are listed on the Main Board of the SGX-ST. CHO is an established offshore support service provider in the marine, and oil and gas sectors, and *inter alia*, operates a fleet of one Offshore Support Vessel (OSV) vessel and 15 Anchor Handling Tug Supply (AHTS) vessels as well as provides marine support services in Southeast Asia and internationally, including offshore construction support; support services to offshore drilling rigs and installations, such as towing, anchor-handling, supply of deck, liquid and dry bulk cargoes and supply of dangerous goods; and field support services comprising emergency response, rescue, fire-fighting and anti-pollution.

#### **3.2. The Purchaser**

The Purchaser is the wholly-owned subsidiary of BTL, a public company incorporated in Singapore and which shares are listed on the Main Board of the SGX-ST. BTL is a provider of specialised marine offshore equipment and services focused mainly on the offshore oil and gas industry.

### **4. RATIONALE FOR THE DISPOSAL AND USE OF NET PROCEEDS**

#### **4.1 Rationale**

In light of the current global trend of decreasing oil prices and CHO's dependency on the oil and gas industry for its revenue, the Company considers the Disposal to be a strategic decision for the benefit of the Group as it will allow the Company to partially repay an outstanding loan of S\$43,608,698.87 (excluding interest) ("**Repayment Sum**") to CIMB Bank Berhad, Singapore Branch ("**CIMB**"), which was due and payable on 27 June 2018.

#### **4.2 Use of Proceeds**

The net proceeds from the Disposal are intended to be used to repay part of the Repayment Sum and to cover the transaction costs in relation to the Disposal.

### **5. FINANCIAL INFORMATION**

#### **5.1. Book Value**

Based on the Group's unaudited consolidated financial statements for the third quarter ended 31 March 2018 ("**FEG 3QFY2018 Financial Statements**"), the book value attributable to the Sale Shares is approximately US\$40.34 million (equivalent to approximately S\$54.99 million)<sup>2</sup>.

#### **5.2. Net Tangible Assets ("NTA")**

Based on CHO's unaudited consolidated financial statements for the third quarter ended 31 March 2018 ("**CHO 3QFY2018 Financial Statements**"), the NTA attributable to the Sale Shares as at 31 March 2018 is approximately US\$35.93 million.

---

<sup>2</sup> Unless expressly stated to the contrary, any reference to the Singapore dollar equivalent of a United States dollar amount is based on an exchange rate of S\$1.3632 to US\$1.00, being the exchange rate for 25 July 2018 (being the market day preceding this announcement) extracted from the Business Times dated 26 July 2018.

### 5.3. Latest Available Open Market Value

The latest available open market value of the Sale Shares, being the weighted average price attributable to the Sale Shares transacted on 25 July 2018, being the last market day preceding the Announcement Date, is approximately S\$28.31 million.

### 5.4. Deficit of Consideration over Book Value

Based on the book value of the Sale Shares as set out in paragraph 5.1 above, the amount of deficit of the Consideration over the said book value is approximately US\$21.96 million (equivalent to approximately S\$29.94 million).

### 5.5. Loss on Disposal

Based on the CHO 3QFY2018 Financial Statements, the net asset value of the Sale Shares is approximately US\$35.93 million (equivalent to approximately S\$48.97 million). The amount of loss on disposal is approximately US\$17.55 million (equivalent to approximately S\$23.92 million). The net loss attributable to the Sale Shares is approximately US\$1.53 million.

## 6. FINANCIAL EFFECTS

### 6.1. Illustrative Nature of Financial Effects

The financial effects of the Disposal on the NTA per share and earnings per share ("**EPS**") of the Group, prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2017 ("**FY2017**") are set out below. The financial effects are purely for illustrative purposes only and are therefore not necessarily indicative of the actual financial position of the Group after completion of the Disposal.

### 6.2. NTA

Assuming the Disposal had been completed on 30 June 2017, being the end of the most recently completed financial year of the Group, the financial effects on the NTA per share of the Group would be as follows:

	Before the Disposal	After the Disposal
NTA (US\$ million)	130.19	39.74
No. of issued ordinary shares ('000)	806,631	806,631
NTA per share (US cents)	16.14	4.93

### 6.3. EPS

Assuming the Disposal had been completed on 1 July 2016, being the beginning of the most recently completed financial year of the Group, the profit attributable to the shareholders of the Company ("**Shareholders**") and the financial effects on the EPS of the Group for FY2017 would be as follows:

	Before the Disposal	After the Disposal
Profit/(Loss) attributable to the Shareholders (US\$ million)	(121.84)	(112.93)

Weighted average no. of ordinary shares – Basic ('000)	806,854	806,854
EPS/(Loss Per Share) (US cents) – Basic	(15.10)	(14.00)

## 7. CHAPTER 10 OF THE LISTING MANUAL

### 7.1 Major Transaction

Rule 1014 of the Listing Manual of the SGX-ST (“**Listing Manual**”) provides that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the transaction is classified as a major transaction and requires the approval of the Shareholders.

### 7.2 Relative Figures

The relative figures in relation to the Disposal, computed on the applicable bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006	Bases	Percentage (%) <sup>(1)</sup>
(a)	The net asset value of the assets to be disposed of (i.e. the Sale Shares), compared with the Group’s net asset value	21.22% <sup>(2)</sup>
(b)	The net profits attributable to the assets disposed of (i.e. the Sale Shares), compared with the Group’s net profits	7.76% <sup>(3)</sup>
(c)	The aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	77.22% <sup>(4)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable

#### Notes:

- (1) The relative figures set out in this column are calculated based on comparing CHO 3QFY2018 Financial Statements against the FEG 3QFY2018 Financial Statements.
- (2) Computed based on the net asset value of the Sale Shares of US\$35.93 million, compared to the Company’s net asset value of US\$169.27 million.
- (3) Computed based on the net loss attributable to the Sale Shares of US\$1.53 million, compared to the Company’s net loss of US\$19.69 million.
- (4) Computed based on the Consideration, compared to the market capitalisation of the Company on 25 July 2018, being the last market day preceding the Announcement Date, of approximately S\$32.44 million. The market capitalisation is calculated on the basis of a total number of 876,631,475 the Company’s shares in issue multiplied by the weighted average price of such shares transacted on 25 July 2018, being the last market day preceding the Announcement Date.

### 7.3 Shareholder Approval Required

As the relative figures computed on the bases set out in Rules 1006 (a) and (c) of the Listing Manual exceed 20%, the Disposal constitutes a major transaction under Chapter 10 of the Listing Manual and is therefore subject to the approval of the Shareholders at an extraordinary general meeting (or any adjournment thereof) (“**EGM**”), unless waived or exempted by the SGX-ST.

## 8. WAIVER APPLICATION

### 8.1. Waiver of Rule 1014(2) of the Listing Manual

The Company made an application to the SGX-ST to seek a waiver (“**Waiver**”) from the requirement to convene an EGM to seek Shareholders’ prior approval under Rule 1014(2) of the Listing Manual in connection with the Disposal, and sought the SGX-ST’s approval for the Company to seek Shareholders’ ratification of the Disposal at an EGM following completion of the Disposal (“**Ratification EGM**”).

### 8.2. Reasons for the Waiver Application

The Company sought the Waiver for the following reasons:

- (a) the Company has sought approval for the Disposal from its controlling Shareholder, Mr. Tan Pong Tyea, who, as at the date of the Waiver application and the Announcement Date, has a direct and deemed shareholding interest of approximately 57.76% in the Company. Mr. Tan Pong Tyea had agreed to undertake to vote in favour of the resolution at the Ratification EGM to approve the Disposal;
- (b) with such undertaking to vote by Mr. Tan Pong Tyea, minority Shareholders will not be prejudiced if the Company does not seek Shareholders’ prior approval to effect the Disposal as the result of the Shareholders’ votes will be the same whether the Shareholders’ approval is sought before or after the completion of the Disposal. In addition, as the Company will ratify the Disposal after the completion of the Disposal, the minority Shareholders would not be denied of an opportunity to discuss their views of the Disposal; and
- (c) as some of the Company’s outstanding bank borrowings have become due and payable, the Company requires the Disposal to complete as soon as possible so as to have the necessary funds to meet its pressing loan repayment obligations. In particular, one of the Company’s lenders, CIMB, has demanded repayment of the Repayment Sum from the Company. The loan from CIMB is secured by 412,180,175 CHO Shares charged to CIMB (“**Share Charge**”). In this regard, CIMB may enforce its rights under the Share Charge if the Repayment Sum is not repaid in a timely manner. If this occurs, there will be a knock-on impact on the other financial facilities of the Company and a major loss of value to the minority shareholders of the Company.

### 8.3. SGX-ST Waiver

On 4 July 2018, SGX-ST advised that it has no objection to the Company’s application for the Waiver, subject to the following conditions (“**Waiver Conditions**”):

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver Conditions have been satisfied. If the Waiver Conditions have not been met on the Announcement Date, the Company must make an update announcement when the Waiver Conditions have all been met;

- (b) the Company seeking Shareholders' ratification of the Disposal at an EGM to be held by 30 October 2018; and
- (c) the submission of an irrevocable undertaking ("**TPT Undertaking**") from the Company's controlling Shareholder, Chairman and Chief Executive Officer, Mr. Tan Pong Tyea, who holds approximately 57.76% of the Company's shares to:
  - (i) vote in favour of approving the Disposal by the Company at the Ratification EGM; and
  - (ii) maintain a shareholding of more than 50% in the Company from the date of the grant of the Waiver by the SGX-ST until after the Ratification EGM.

#### **8.4. Fulfillment of Waiver Conditions**

Pursuant to the above, the Company wishes to announce that:

- (a) the Company has submitted the TPT Undertaking to the SGX-ST; and
- (b) the Company intends to convene the Ratification EGM to seek Shareholders' ratification of the Disposal by 30 October 2018.

#### **9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors or the controlling Shareholders of the Company has any interest, direct or indirect, in the Disposal, apart from through their shareholdings in the Company.

#### **10. DIRECTORS' SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the SPA and the Deed of Undertaking will be available for inspection during normal business hours at the registered office of the Company at 10 Anson Road, #33-15 International Plaza, Singapore 079903 for a period of three (3) months from the Announcement Date.

#### **BY ORDER OF THE BOARD**

Tan Pong Tyea  
Chairman and Chief Executive Officer  
26 July 2018