

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2015

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.

	THE GROUP		
	1Q 2016	1Q 2015	Increase/ (Decrease)
	US\$'000	US\$'000	%
Revenue	60,745	92,724	-34.5%
Cost of sales	(50,169)	(79,970)	-37.3%
Gross profit	<u>10,576</u>	<u>12,754</u>	-17.1%
Other operating income	55,287	961	NM
Administrative expenses	(10,570)	(5,101)	107.2%
Finance costs	(3,516)	(1,175)	199.2%
Share of net profit of associates	536	1,289	-58.4%
Share of net profit of joint ventures	1,168	1,299	-10.1%
Profit before income tax	<u>53,481</u>	<u>10,027</u>	433.4%
Income tax (expense)/credit	(146)	12	NM
Profit for the period	<u><u>53,335</u></u>	<u><u>10,039</u></u>	431.3%
Profit for the period attributable to:			
Owners of the Company	44,778	8,066	455.1%
Non-controlling interests	8,557	1,973	333.7%
Profit for the period	<u><u>53,335</u></u>	<u><u>10,039</u></u>	431.3%
(a) (ii) Statement of Comprehensive income			
Profit for the period	53,335	10,039	431.3%
Other comprehensive income :			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of foreign entities	(29)	3	NM
Total comprehensive income for the period	<u><u>53,306</u></u>	<u><u>10,042</u></u>	430.8%
Total comprehensive income attributable to :			
Owners of the company	44,762	8,068	454.8%
Non-controlling interests	8,544	1,974	332.8%
Total comprehensive income for the period	<u><u>53,306</u></u>	<u><u>10,042</u></u>	430.8%

NM=: Not meaningful



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

	THE GROUP	
	1Q 2016	1Q 2015
	US\$'000	US\$'000
Depreciation	5,976	3,543
Exchange loss - net	2,602	200
Interest expense	3,516	1,180
Interest income	(268)	(7)
Settlement income, net of related expenses	(53,581)	-
Allowance for doubtful trade debts	212	146
Loss on disposal of property, plant and equipment	-	2
Change in fair value of derivative financial instrument	-	(5)

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.

	THE GROUP		THE COMPANY	
	30/6/2015	31/3/2015	30/6/2015	31/3/2015
	US\$'000	US\$'000	US\$'000	US\$'000
<u>ASSETS</u>				
Current assets				
Cash and bank balances	192,355	134,947	35,288	35,528
Trade receivables	113,272	105,599	-	-
Other receivables	51,294	86,754	377,458	376,623
Inventories	759	440	-	-
Total current assets	357,680	327,740	412,746	412,151
Non-current assets				
Other receivables	23,688	23,591	22,183	22,183
Property, plant and equipment	433,310	436,497	6,467	6,518
Subsidiaries	-	-	179,679	179,358
Associates	43,238	42,802	-	-
Joint venture	4,201	3,348	-	-
Available-for-sale investments	2,098	2,098	2,098	2,098
Other intangible assets	2,937	2,937	-	-
Deferred tax assets	355	362	-	-
Goodwill on consolidation	6,376	6,376	-	-
Total non-current assets	516,203	518,011	210,427	210,157
Total assets	873,883	845,751	623,173	622,308
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	49,187	57,095	-	-
Other payables	77,012	50,445	120,215	120,382
Finance leases	162	163	17	17
Borrowings	176,320	176,934	130,183	124,131
Income tax payable	3,709	3,810	55	55
Total current liabilities	306,390	288,447	250,470	244,585
Non-current liabilities				
Notes payables	36,935	36,064	36,935	36,064
Finance leases	246	285	46	49
Borrowings	129,408	166,670	52,138	50,719
Other payables	28,813	29,228	-	-
Deferred tax liabilities	14,929	14,929	-	-
Total non-current liabilities	210,331	247,176	89,119	86,832
Capital and reserves				
Share capital	229,528	229,528	229,528	229,528
Treasury shares	(3,757)	(3,757)	(3,757)	(3,757)
Capital reserve	11,824	11,824	11,824	11,824
Share-based payments	639	639	639	639
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	(183)	(167)	-	-
Accumulated profits	211,368	166,590	45,350	52,657
Equity attributable to owners of the Company	297,727	252,965	283,584	290,891
Non-controlling interests	59,435	57,163	-	-
Total equity	357,162	310,128	283,584	290,891
Total liabilities and equity	873,883	845,751	623,173	622,308



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

	THE GROUP			
	As at 30/6/2015		As at 31/3/2015	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	176,482	-	176,754	343
Amount repayable after one year	166,589	-	203,019	-
Total	343,071	-	379,773	343

Details of any collateral:

- 1) The Group's borrowings are secured by:
 - i) corporate guarantee from Company and certain subsidiaries;
 - 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 a subsidiary's 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.

	THE GROUP	
	1Q 2016	1Q 2015
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before income tax	53,481	10,027
Adjustments for:		
Depreciation of property, plant and equipment	5,976	3,543
Interest expense	3,516	1,180
Interest income	(268)	(7)
Allowance for doubtful trade debts	212	146
Share of net profit of associates	(536)	(1,289)
Share of net profit of joint ventures	(1,168)	(1,299)
Changes in fair value of derivative financial instrument	-	(5)
Loss on disposal of property, plant and equipment	-	2
Settlement income	(60,000)	-
Exchange difference	3,508	(221)
Operating cash flows before movements in working capital	<u>4,721</u>	<u>12,077</u>
Inventories	(319)	721
Trade receivables	36,065	(22,691)
Other receivables	35,363	(20,141)
Trade payables	(7,908)	(4,285)
Other payables	19,880	36,645
Cash generated from operations	<u>87,802</u>	<u>2,326</u>
Settlement income - other	16,050	-
Income tax paid	(240)	(117)
Net cash generated from operating activities	<u>103,612</u>	<u>2,209</u>
Cash flows from investing activities		
Interest received	268	7
Purchases of property, plant and equipment	(2,789)	(21,020)
Payments for intangible assets	-	(20)
Net cash used in investing activities	<u>(2,521)</u>	<u>(21,033)</u>
Cash flows from financing activities		
Interest paid	(3,516)	(1,180)
Fixed deposit and bank balances pledged	-	354
Repayment of finance lease obligations	(40)	(40)
(Repayment to)/advance from related parties	-	24,669
Repayment of borrowings	(45,357)	(36,484)
Proceeds of borrowings	4,019	22,750
Net cash (used in)/generated from financing activities	<u>(44,894)</u>	<u>10,069</u>
Net (decrease)/increase in cash and cash equivalents	56,197	(8,755)
Effect of exchange rate changes	1,554	*
Cash and cash equivalents at beginning of the year	97,119	40,600
Cash and cash equivalents at end of the year	<u>154,870</u>	<u>31,845</u>
Cash and cash equivalents represent:		
Bank and cash balance	98,957	36,883
Fixed deposits	93,398	936
	<u>192,355</u>	<u>37,819</u>
Less : fixed deposits and bank balances pledged	(37,485)	(5,974)
Cash and cash equivalents in statement of cash flows	<u>154,870</u>	<u>31,845</u>

* 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

	Share capital	Treasury shares	Warrant reserve	Capital 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	US\$'000
THE GROUP											
Balance as at 1 April 2015	229,528	(3,757)	-	11,824	639	(151,692)	(167)	166,590	252,965	57,163	310,128
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	44,778	44,778	8,557	53,335
Other comprehensive income for the period	-	-	-	-	-	-	(16)	-	(16)	(13)	(29)
Total	-	-	-	-	-	-	(16)	44,778	44,762	8,544	53,306
Transaction with owners of the Company, recognised directly in equity											
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,272)	(6,272)
Balance as at 30 June 2015	229,528	(3,757)	-	11,824	639	(151,692)	(183)	211,368	297,727	59,435	357,162
Balance as at 1 April 2014	229,519	(1,727)	11,824	-	639	(151,692)	(327)	153,529	241,765	17,462	259,227
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	8,066	8,066	1,973	10,039
Other comprehensive income for the period	-	-	-	-	-	-	2	-	2	1	3
Total	-	-	-	-	-	-	2	8,066	8,068	1,974	10,042
Balance as at 30 June 2014	229,519	(1,727)	11,824	-	639	(151,692)	(325)	161,595	249,833	19,436	269,269



	Share capital US\$'000	Treasury shares US\$000	Capital reserve US\$000	Warrants Reserve US\$'000	Share option reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
THE COMPANY							
Balance as at 1 April 2015	229,528	(3,757)	11,824	-	639	52,657	290,891
Loss for the period representing total comprehensive income for the period	-	-	-	-	-	(7,307)	(7,307)
Balance as at 30 June 2015	229,528	(3,757)	11,824	-	639	45,350	283,584
Balance as at 1 April 2014	229,519	(1,727)	-	11,824	639	61,522	301,777
Loss for the period representing total comprehensive income for the period	-	-	-	-	-	(360)	(360)
Balance as at 30 June 2014	229,519	(1,727)	-	11,824	639	61,162	301,417



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.

The Company did not issue any shares for the financial period ended 30 June 2015.

The Company has 81,971,772 numbers of outstanding bonus warrants as at 30 June 2015. 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.

The number of share options outstanding as at 30 June 2015 was 4,350,000 shares (30 June 2014: 4,550,000 shares).

The number of issued shares less treasury shares as at 30 June 2015 was 809,496,775 shares (823,442,375 issued shares less 13,945,600 treasury shares). The number of issued shares less treasury shares as at 30 Jun 2014 was 817,595,509 shares (823,415,509 issued shares less 5,820,000 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 30 June 2015 was 809,496,775 (30 June 2014: 817,595,509).

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 2015	13,945,600
Purchase of treasury shares	-
Transfer of treasury share	-
Balance as at 30 June 2015	<u>13,945,600</u>

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, 2015. 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	
	1Q 2016	1Q 2015
Net profit attributable to Owners of the Company (US\$'000)	44,778	8,066
Weighted average number of ordinary shares ('000)	809,497	817,596
Earnings per ordinary share ("EPS") for the period/year		
(a) Basic EPS (US cents)	5.53	0.99
(b) On a fully diluted EPS (US cents) #	5.53	0.99

The outstanding options and the warrants were "out-of-money".

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 30/06/2015 US cents	As at 31/03/2015 US cents	As at 30/06/2015 US cents	As at 31/03/2015 US cents
Net asset value ("NAV") per ordinary share based on issued share capital excluding treasury shares as at end of the period reported on	36.78	31.25	35.03	35.93

Notes:

The Group's and the Company's NAV per ordinary share as at 30 June 2015 and 31 March 2015 have been computed based on the number of 809,496,775 ordinary shares issued.



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.

In February 2015, the Group acquired an additional 57.64% of the equity interest in CH Offshore Ltd ("**CHO**"), which was previously a 29.07% associate of the Group. As a result, the current financial period ended 30 June 2015 included the 3-month contribution from CHO as 86.71% subsidiary as compared to the financial period ended 30 June 2014 as an associate.

The Group recorded a US\$31.98 million or 34.5% decrease in revenue from US\$92.72 million for the financial period ended 30 June 2014 ("**1Q 2015**") to US\$60.75 million for the financial period ended 30 June 2015 ("**1Q 2016**"). This was contributed by:

- (a) Marine Division of US\$17.02 million (28.0%), a decrease of US\$2.06 million from 1Q 2015 of US\$19.08 million due mainly to lesser chartering contracts secured for Q1 2016. The decrease was despite with the inclusion of CHO's revenue contribution of US\$6.68 million in 1Q 2016;
- (b) Oilfield Services Division of US\$41.73 million (68.7%), a decrease of US\$29.91 million from 1Q 2015 of US\$71.64 million due mainly to lesser Engineering, Procurement, Construction & Commissioning ("**EPCC**") contracts completed in 1Q 2016;
- (c) Oilfield Projects Division of US\$2.00 million (3.3%)

The Group's average gross profit margin improved from 13.8% to 17.4% in 1Q 2016 mainly due to an improved gross profit margin of the Marine Division from 17.5% to 27.6% contributed by the higher margin earned by CHO group; and better profits margin projects of 36.4% undertaken by the Oilfield Projects Division in 1Q 2016 as against a margin of 31.8% in 1Q 2015.

Other operating income increased by US\$54.33 million and was due primarily to the one-off settlement income, net of related expenses, of US\$53.5 million which was in relation to the CHO's claim relating to outstanding charter-hire.

Administrative expenses increased from US\$5.10 million in 1Q 2015 to US\$10.57 million in 1Q 2016. The increase was due mainly to the US\$2.4 million increase in the exchange loss during 1Q 2016 as the US dollar depreciated against Singapore dollars on the mostly denominated Singapore dollars borrowings. Other increase included accounting CHO administrative expenses in 1Q 2016 of US\$1.5 million as a subsidiary and higher staff costs in general.

Finance costs increased by approximately US\$2.34 million from US\$1.18 million in 1Q 2015 to US\$3.52 million in 1Q 2016 and was due mainly to the increase in borrowings to finance the purchase of the additional equity interest in CHO in February 2015.

The decrease in the share of profit from associates by US\$0.75 million and was due mainly to the absence of the share of profit from CHO for 1Q 2016 as it was an associate for 1Q 2015.

With the mentioned factors above, the Group generated a profit before tax of approximately US\$53.34 million in 1Q 2016.



Statement of financial position

Non-current assets decreased by approximately US\$1.81 million from US\$518.01 million as at 31 March 2015 to US\$516.20 million as at 30 June 2015. The decrease was due mainly to the routine depreciation of property, plant and equipment.

Current assets increased by US\$29.94 million from US\$327.74 million as at 31 March 2015 to US\$357.68 million as at 30 June 2015. The increase was mainly attributed to (i) the increase in cash and bank balances of US\$57.41 million contributed mainly by the settlement income, net of related expenses, of approximately US\$53.58 million and (ii) decrease in other receivables, mainly from joint-ventures and related parties, amounting to US\$35.46 million.

Non-current liabilities decreased by US\$36.85 from US\$247.18 million as at 31 March 2015 to US\$210.33 million as at 30 June 2015. This was due mainly to the US\$36.39 million decrease in borrowings during this quarter in relation to the management's effort to contain the cost of borrowing.

Current liabilities increased by US\$17.94 million from US\$288.45 million as at 31 March 2015 to US\$306.39 million. The increase was due primarily to the increase in financing through trust receipts (part of "other payables") for working capital purposes.

During the period under review, which is after the acquisition of CHO, the Group reduced its borrowings by US\$37.01 million from US\$379.67 million as at 31 March 2015 to US\$342.66 million as at June 30, 2015.

The Group generated an approximate net cash flow of US\$103.61 million from operating activities. The inflows are mainly due to the receipt of the US\$60 million settlement income as well as the collection of US\$38.57 million from a joint-venture company. Net cash flow used in investing activities amounting to US\$2.52 million was mainly for the acquisition of property, plant and equipment. Net cash flow used in financing activities of approximately US\$44.89 million was mainly for repayment of existing loans after setting off against the draw-down of new term loans.

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

Not applicable.

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

The offshore support services industry remains challenging. The extended low crude oil price has significantly impacted offshore oil and gas activities worldwide. As a result, contract opportunities for offshore support vessels and oilfield services are increasingly competitive. The turndown in the industry has resulted in oil majors and contractors renegotiating for lower vessel charter rates and other oilfield services.

The Group will continue to improve on efficiency of its operations to maintain its competitive edge. The operational integration of FEG fleet and subsidiary CH Offshore fleet is expected to yield synergies between the two Groups and increase the productivity of the enlarged Group.

Save as disclosed herein, there are no known material factors or events which may affect the Group in the next period and the next 12 months.

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

NA

(d) Book closure date

NA

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

No interim dividend has been declared for the financial period ended 30 June 2015.

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
CDS International Forwarding (TianJin) Co Ltd ⁽¹⁾		
- sale of services	354	-
- purchase of services	2,436	-

Note:

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



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 3-month-period ended 30 June 2015 to be false or misleading.

Tan Pong Tyea

Cai Wenxing

BY ORDER OF THE BOARD

Tan Pong Tyea
Chairman and Chief Executive Officer

13 August 2015