

**FALCON ENERGY GROUP LIMITED**  
(Company Registration No.: 200403817G)  
(Incorporated in the Republic of Singapore)

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

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**1. Introduction**

The Board of Directors of Falcon Energy Group Limited ("**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that both the Company and its subsidiary Energian Pte. Ltd. ("**Vendor**") have on 4 April 2017 entered into a sale and purchase agreement (as amended by a letter agreement dated 7 April 2017) (collectively, "**SPA**") with SZ Offshore Investment Pte. Ltd. ("**Purchaser**") in relation to the sale of 153,846,150 shares in CH Offshore Ltd. ("**Sale Shares**") by the Vendor to the Purchaser for an aggregate consideration of S\$19,999,999.50 ("**Disposal**"). The Sale Shares represent 21.83% of the total shares in CH Offshore Ltd. ("**CHO**").

The Disposal was completed on 7 April 2017. Following the completion of the Disposal, the Vendor continues to hold 457,560,131 shares in CHO, representing 64.91% of the total shares in CHO ("**Remaining Energian Shares**").

The Company is a party to the SPA in its capacity as a guarantor of the Vendor's obligations under the SPA.

**2. Information on the Purchaser**

The Purchaser is SZ Offshore Investment Pte. Ltd., an entity incorporated in Singapore.

**3. Consideration**

The aggregate consideration was arrived at on a willing buyer-willing seller basis, after taking into account, *inter alia*, the adjusted net asset value of CHO of approximately US\$197.45 million as at 31 December 2016.

The adjusted net asset value, adjusted for the uplift of vessels valuation, is US\$57.79 million recorded in the Group accounts in Financial Year 2014/2015.

**4. Value of the Sale Shares and Loss Attributable to the Sale Shares**

Based on the latest unaudited financial statements of CHO as at 31 December 2016, the adjusted net asset value of the Sale Shares and the net loss before income tax attributable to the Sale Shares were US\$49.68 million and US\$63,080 respectively.

No formal valuation was commissioned in respect of the **Sale Shares**.

The Company's management has accounted for the loss on Disposal of approximately US\$35.37 million from the Disposal in the Statement of Changes in Equity - "Transactions with Owners of the **Company**".

## 5. Material Conditions under the SPA

### Conditions Precedent

Completion of the Disposal is conditional upon, *inter alia*, following conditions precedent having been fulfilled or waived:

- (i) there not having been at any time hereafter any Material Adverse Change (as defined in the SPA);
- (ii) (a) in respect of the Vendor Warranties which are not qualified by materiality (other than the Fundamental Warranties), such representations and warranties being true, accurate and not misleading in all material respects, (b) in respect of the Fundamental Warranties, such representations and warranties being true, accurate and not misleading in all respects, and (c) in respect of the Vendor Warranties which are qualified by materiality, such representations and warranties being true, accurate and not misleading in all respects, in each case as at the date of the SPA and as at the Completion Date (the foregoing defined terms, each as defined in the SPA);
- (iii) all covenants and undertakings of the Vendor under the SPA having been complied with as at the Completion Date;
- (iv) the approval of the board of directors and the shareholders of the Company for the disposal of the Sale Shares by the Vendor (or an appropriate waiver from the SGX-ST in respect of shareholders' approval);
- (v) the Shares continuing to be listed on the Mainboard of the SGX-ST, and no suspension or halt in trading having occurred;
- (vi) the execution, performance and delivery of the Agreement, including (a) the sale and purchase and transfer of the Sale Shares upon the terms and conditions of the Agreement, and (b) any other transactions contemplated under the Agreement and the rights and obligations of the respective parties thereunder, not being prohibited or restricted by, and not being in violation or conflict with, any statute, law, bye-law, directive, circular, notice, order, rule or regulation, ruling guideline or request (whether or not having the force of law) promulgated by any legislative, executive, governmental or regulatory authority, court of law or any other authority of Singapore and any other relevant jurisdictions;
- (vii) all approvals, consents, licences, permits, waivers and exemptions (collectively, "**Approvals**") for the sale and purchase of the Sale Shares and its Completion and the transactions contemplated under the SPA being granted by third parties, and such Approvals remaining in full force and effect;
- (viii) CIMB Bank Berhad, Singapore Branch ("**CIMB**") undertaking to release its security over the Shares that comprise part of the Sale Shares upon receipt of S\$15.67 million out of the Consideration; and
- (ix) United Overseas Bank Limited agreeing in writing to maintain the UOB Facility post-Completion subject to the terms of the aforesaid facility.

### Completion Date

Completion shall take place on a date agreed between the Vendor and the Purchaser (the eventual date being 7 April 2017).

## 6. Rationale for the Disposal

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 sale of CHO to be a strategic decision for the benefit of the Group due to the following consideration:

- (i) The disposal of the Sale Shares is to meet the Group's pressing obligation to repay the CIMB term loan instalment which is due, and thereafter will provide the Group a remainder of S\$4.32 million for its working capital purposes. The term loan is secured by the CHO shares charged to CIMB. After repayment of S\$15.67 million to CIMB, there are 412 million CHO shares remaining as collateral pledged with the bank against S\$40.20 million outstanding loan.

## 7. Use of Sale Proceeds

The Disposal will result in cash proceeds of S\$19,999,999.50 which will be used for repayment of existing borrowings, working capital and other general funding requirements of the Group.

## 8. Financial Effects of the Disposal

The financial effects of the Disposal on the Company set out below are:

- (i) purely for illustrative purposes only and do not reflect the future actual financial position of the Company or the Group after completion of the Disposal.
- (ii) based on (a) the audited consolidated financial statements of the Company for the financial year ended 30 June 2016 and (b) audited financial statements of CHO as of the period ended 30 June 2016.

### Net Asset Value (NAV)

The effect of the Disposal on the audited NAV per share of the Group for the financial year ended 30 June 2016, assuming that the Disposal had been effected at the end of financial year ended 30 June 2016, is as follows:

	Before the Disposal	After the Disposal
NAV (US\$'000)	282,122	246,684
NAV per share (US cents)*	34.94	30.55

\*Calculated based on the issued and paid-up share capital of the Company of 807,441,575 ordinary shares excluding treasury shares.

### Earnings per Share (EPS)

The effect of the Disposal on the audited EPS of the Group for financial year ended 30 June 2016, assuming that the Disposal had been effected at the beginning of financial year ended 30 June 2016, is as follows:

	Before the Disposal	After the Disposal
Profit attributable to owners of the Company (US\$'000)	39,821	39,821
Earnings per Share (US cents)*	4.92	4.92

\*Calculated based on the weighted average number of the Company of 809,460,000 ordinary shares.

**9. Relative Figures computed based on Rule 1006 of the Listing Manual**

The relative figures for the Disposal computed on the relevant bases set out in Rule 1006 of the Listing Manual are as follows:

1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Net asset value of CHO (being US\$35.14 million) is approximately 10.35% of the Group's net asset value (being US\$339.50 million) as at 31 December 2016
1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	The unaudited net loss before income tax attributable to CHO for the financial year ended 31 December 2016 of approximately US\$63,080 is approximately (9.13%) of the Group's audited net profit before income tax of approximately US\$691,000.
1006(c)	The aggregate value of the consideration received, compared with FEG's market capitalisation based on the total number of issued shares excluding treasury shares (which as at 3 April 2017, being the market day preceding the date on which the SPA was executed, was approximately S\$100.02 million)  (Under Rule 1003(1)(b) of the SGX-ST Listing Manual, in a disposal of listed shares, the value will be assessed by reference to the market value represented by such shares)	The current market value represented by such shares of aggregate consideration of S\$42.31 million represents approximately 42.30% of the Company's current market capitalisation of approximately S\$100.02 million (as at 3 April 2017, being the market day preceding the date on which the SPA was executed).
1006(d)	The number of equity securities issued by the group as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable.
1006(e)	Aggregate volume or amount of proved and probable reserved to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable.

Based on the relative figures computation pursuant to Rule 1006 of the Listing Manual, the relative figure for Rule 1006(a) exceeds 5% and the relative figure for Rule 1006(c) exceeds 20%, while the relative figure for Rule 1006(b) is negative. Under Rule 1014(1) and Rule 1014(2) of the Listing Manual, where any of the Rule 1006 relative figure exceeds 20%, the transaction is classified as a major transaction, and must be made conditional upon approval by shareholders in general meeting.

The Company has sought clarifications with the Singapore Exchange Securities Trading Limited ("SGX-ST") regarding the application of Chapter 10 of the Listing Manual, and the SGX-ST has, on 6 April 2017, informed the Company that the SGX-ST has no objection to the Company's application for waiver of compliance with Rule 1014(2) of the Listing Manual in relation to the Disposal, subject to the following conditions:

- (a) unanimous approval of the directors of the Company for the Company to undertake the Disposal for a cash consideration of S\$19,999,999.50;
- (b) submission of:
  - (i) a written undertaking from the Company that it will seek shareholders' ratification of the Disposal at an extraordinary general meeting ("EGM"); and
  - (ii) a written confirmation from the Company that the waiver of Rule 1014(2) of the Listing Manual does not contravene any laws and regulations governing the Company and the Articles of Association of the Company;
- (c) the Company procuring written irrevocable undertakings from shareholders holding more than 50% of the Company's share capital to vote in favour of approving the Disposal by the Company at the EGM to be convened;
- (d) the Company procuring written irrevocable undertakings from shareholders holding more than 50% of the Company's share capital that they will not dispose of their equity stake in the Company before and up to the date of EGM; and
- (e) announcement via SGXNET of:
  - (i) the grant of waiver of Rule 1014(2) of the Listing Manual (in compliance with Rule 107 of the Listing Manual), stating the reasons for the Company's application and the conditions attached to the waiver;
  - (ii) full details of the Disposal, including information required under Rule 1010 of the Listing Manual; and
  - (iii) unanimous approval of the directors of the Company for the Disposal for a cash consideration of S\$19,999,999.50.

The reasons for the Company's application for waiver of compliance with Rule 1014(2) of the Listing Manual are as follows:

- (a) the Company, as with the rest of the players in the offshore marine, and oil and gas sectors, is facing an extremely challenging business environment;
- (b) the Company's current outstanding bank borrowings amount to approximately US\$147 million;
- (c) it is difficult to obtain suitable refinancing of the loans on terms favourable to the Company in the current economic climate. If the Company were to accept unfavourable refinancing terms, its shareholders' interests would be prejudiced;
- (d) the Disposal will provide the Company with immediate funds to meet its pressing loan repayment obligations. This would improve the cash flow position of the Company. In addition, the resultant reduction in the Company's gearing will be in its shareholders' interests; and
- (e) the Purchaser has represented to the Company that it is a serious buyer with the necessary financial resources to carry out the transaction as soon as practicable.

**10. Unanimous Approval by Board of Directors**

The Board of Directors of the Company has unanimously approved the Disposal for a cash consideration of S\$19,999,999.50.

**11. Interest of Directors and Controlling Shareholders**

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Disposal. None of the Directors or substantial shareholders of the Company is related to the Purchaser.

**12. Purchaser's Entitlement to Appoint Nominee to CHO Board of Directors**

In connection with the Disposal, the Purchaser will be entitled to appoint a nominee to the board of directors of CHO.

**13. Documents for Inspection**

A copy of the SPA is available for inspection at the Company's registered office at 10 Anson Road #33-15 International Plaza, Singapore 079903 for three months from the date of this announcement.

BY ORDER OF THE BOARD

Tan Pong Tyea  
Chairman and Chief Executive Officer  
7 April 2017