

INCORPORATION OF JOINT VENTURE COMPANIES

Introduction

The Board of Directors of Falcon Energy Group Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) is pleased to announce the incorporation of several joint venture companies in the British Virgin Islands as described below.

FTSG Co. Limited

The first joint venture company is FTSG Co. Limited (“**FTSG**”), the particulars of which are set forth below:

Name of the company	:	FTSG Co. Limited
Issued and paid up share capital	:	US\$1,000.00
Percentage of shareholding held by the Company	:	50% comprising 500 shares of par value US\$1.00 per share
Principal activities	:	Investment holding, Rigs owner and operator

The remaining 50% which comprise 500 shares of par value of US\$1.00 per share are held by:

- (i) Oak Points Offshore Ltd., a company incorporated in the British Virgin Islands which is wholly-owned by Mr Tan Pong Tyea (a director of the Company) (as to 17.5%); and
- (ii) Crystal Height Holdings Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr Cai Wenxing (a director of the Company) (as to 32.5%).

The Company, Oak Points Offshore Ltd. and Crystal Height Holdings Limited have subscribed for, and were allotted and issued, the said shares in FTSG at the same time.

The current shareholding structure of FTSG is as follows:

Name of shareholder in FTSG	Percentage of shareholding	No. of shares
The Company	50%	500

Oak Points Offshore Ltd.	17.5%	175
Crystal Height Holdings Limited	32.5%	325

For the purposes of Rule 916(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is hereby stated that:

- (a) The Audit Committee of the Company is of the view that:
- (i) the risks and rewards of the joint venture in FTSG will be in proportion to the equity of each joint venture partner; and
 - (ii) the terms of the joint venture in FTSG are not prejudicial to the interests of the Company and its minority shareholders.
- (b) Neither Mr Tan Pong Tyea nor Mr Cai Wenxing has any existing equity interest in the joint venture in FTSG prior to the participation by the Company in the said joint venture.

The incorporation of FTSG was funded by internal resources.

The incorporation of FTSG is not expected to have any material impact on the earnings per share or the net tangible assets of the Group for financial year ending 31 March 2014.

TS Drilling Holdings Limited

The second joint venture company is TS Drilling Holdings Limited (“**TSD**”), the particulars of TSD are as follows:

Name of the company	:	TS Drilling Holdings Limited
Issued and paid up share capital	:	US\$1,000.00
Percentage of shareholding held by FTSG	:	50% comprising 500 shares of par value US\$1.00 per share
Principal activities	:	Investment holding, Rigs owner and operator

The remaining 50% which comprise 500 shares of par value of US\$1.00 per share are held by Great Heritage Developments Limited (“**GHDL**”), which is a wholly-owned subsidiary of Guangdong Zhenrong (Hongkong) Company Limited (廣東振戎(香港)有限公司) (“**GDZRHK**”), a company incorporated in Hong Kong. GDZRHK is, in turn, a wholly-owned subsidiary of GDZR (广东振戎能源有限公司) (“**GDZR**”).

The current shareholding structure of TSD is as follows:

Name of shareholder in TSD	Percentage of shareholding	No. of shares
FTSG	50%	500
GHDL	50%	500

TS Coral Limited, TS Emerald Limited, TS Jade Limited, TS Opal Limited and TS Topaz Limited

TSD has since incorporated five wholly-owned subsidiaries in the British Virgin Islands. The particulars of these five companies are as set forth below:

Name of the company	TS Coral Limited	TS Emerald Limited	TS Jade Limited	TS Opal Limited	TS Topaz Limited
Issued and paid up share capital	US\$1,000.00	US\$1,000.00	US\$1,000.00	US\$1,000.00	US\$1,000.00
Percentage of shareholding	100%	100%	100%	100%	100%
Principal activities	Rig owner and operator	Rig owner and operator	Rig owner and operator	Rig owner and operator	Rig owner and operator

By Order of the Board

Peh Lei Eng
Company Secretary

20 February 2014