

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

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 2017	2Q 2016	Increase/ (Decrease)
	US\$'000	US\$'000	%
Revenue	34,825	35,971	-3.2%
Cost of sales	(30,129)	(27,995)	7.6%
Gross profit	<u>4,696</u>	<u>7,976</u>	-41.1%
Other operating income	1,783	9,622	-81.5%
Administrative expenses	(2,915)	(6,284)	-53.6%
Finance costs	(2,459)	(3,103)	-20.8%
Share of net profit of associates and joint ventures	246	2,221	-88.9%
Profit before income tax	<u>1,351</u>	<u>10,432</u>	-87.0%
Income tax credit	163	254	-35.8%
Profit for the period	<u><u>1,514</u></u>	<u><u>10,686</u></u>	-85.8%
Profit for the period attributable to:			
Owners of the Company	1,611	10,086	-84.0%
Non-controlling interests	(97)	600	NM
Profit for the period	<u><u>1,514</u></u>	<u><u>10,686</u></u>	-85.8%
1(a)(ii) Statement of Comprehensive income			
Profit for the period	1,514	10,686	-85.8%
Other comprehensive income :			
Foreign currency translation of foreign entities	(11)	(163)	-93.3%
Total comprehensive income for the period	<u><u>1,503</u></u>	<u><u>10,523</u></u>	-85.7%
Total comprehensive income attributable to:			
Owners of the company	1,600	9,983	-84.0%
Non-controlling interests	(97)	540	NM
Total comprehensive income for the period	<u><u>1,503</u></u>	<u><u>10,523</u></u>	-85.7%

Notes:

- (1) NM = Not meaningful
- (2) In FY2016, the Company has changed its financial year end from 31 March to 30 June (please refer to the announcement reference no SG150916OTHRX3J dated 16 September 2015). The comparative results in this announcement covered the period from 1 July 2016 to 30 September 2016 ("1Q 2017") against 1 July 2015 to 30 September 2015 ("2Q 2016").



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

	THE GROUP	
	1Q 2017	2Q 2016
	US\$'000	US\$'000
Depreciation of property, plant and equipment	6,336	6,343
Exchange gain - net	(1,247)	(9,032)
Interest income	(18)	(278)
Interest expense	2,459	3,103
Property, plant and equipment written off	8	-
Loss on disposal of property, plant and equipment	7	4
Allowance for doubtful trade debts	-	170

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	
	30/9/2016 US\$'000	30/6/2016 US\$'000	30/9/2016 US\$'000	30/6/2016 US\$'000
ASSETS				
Current assets				
Cash and bank balances	30,741	26,484	2,413	3,326
Trade receivables	69,504	84,987	-	-
Other receivables	62,533	49,602	296,490	271,347
Inventories	534	393	-	-
Total current assets	163,312	161,466	298,903	274,673
Non-current assets				
Other receivables	15,378	26,374	12,501	25,003
Property, plant and equipment	400,399	406,575	6,256	6,316
Subsidiaries	-	-	143,596	157,065
Associates	39,120	39,576	*	*
Joint venture	8,232	7,944	*	*
Available-for-sale investments	2,098	2,098	2,098	2,098
Other intangible assets	2,941	2,934	-	-
Deferred tax assets	361	354	-	-
Goodwill on consolidation	5,050	5,050	-	-
Total non-current assets	473,579	490,905	164,451	190,482
Total assets	636,891	652,371	463,354	465,155
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	17,936	29,175	-	-
Other payables	29,922	28,876	126,399	126,257
Finance leases	274	264	17	17
Bank overdraft and borrowings	74,665	85,187	23,201	23,099
Notes payables	36,650	-	36,650	-
Income tax payable	3,698	3,572	25	25
Total current liabilities	163,145	147,074	186,292	149,398
Non-current liabilities				
Notes payables	-	37,059	-	37,059
Finance leases	768	771	24	29
Borrowings	87,512	82,934	31,204	31,472
Other payables	28,287	27,315	-	-
Deferred tax liabilities	17,352	18,791	-	-
Total non-current liabilities	133,919	166,870	31,228	68,560
Capital and reserves				
Share capital	229,528	229,528	229,528	229,528
Treasury shares	(4,110)	(4,017)	(4,082)	(4,017)
Capital reserve	10,163	10,173	11,824	11,824
Share-based payments	639	639	639	639
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	(383)	(372)	-	-
Accumulated profits	199,474	197,863	7,925	9,223
Equity attributable to owners of the Company	283,619	282,122	245,834	247,197
Non-controlling interests	56,208	56,305	-	-
Total equity	339,827	338,427	245,834	247,197
Total liabilities and equity	636,891	652,371	463,354	465,155

Notes:

* Amount less than US\$1,000



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

THE GROUP				
	As at 30/9/2016		As at 30/6/2016	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	111,589	-	85,451	-
Amount repayable after one year	88,280	-	120,764	-
Total	199,869	-	206,215	-

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 properties;
 - 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 2017	2Q 2016
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before income tax	1,351	10,432
Adjustments for:		
Depreciation of property, plant and equipment	6,336	6,343
Interest expense	2,459	3,103
Interest income	(18)	(278)
Share of net profit of associates and joint ventures	(246)	(2,221)
Exchange difference	(489)	(8,451)
Property, plant and equipment written off	8	-
Loss on disposal of property, plant and equipment	7	4
Allowance for doubtful trade debts	-	170
Operating cash flows before movements in working capital	<u>9,408</u>	<u>9,102</u>
Inventories	(141)	(2,669)
Trade receivables	14,022	32,862
Other receivables	(1,936)	2,782
Trade payables	(11,239)	(19,272)
Other payables	2,668	2,810
Cash generated from operations	<u>12,782</u>	<u>25,615</u>
Income tax paid	-	(236)
Net cash generated from operating activities	<u>12,782</u>	<u>25,379</u>
Cash flows from investing activities		
Interest received	18	278
Purchases of property, plant and equipment	(111)	(8,449)
Proceeds from disposal of property, plant and equipment	33	16
Net cash used in investing activities	<u>(60)</u>	<u>(8,155)</u>
Cash flows from financing activities		
Interest paid	(2,400)	(3,103)
Repayment of finance lease obligations	(98)	(61)
Repayment of borrowings	(6,369)	(52,058)
Proceeds of borrowings	373	6,673
Share buy-back	(93)	-
Dividend paid	-	(6,265)
Fixed deposit and bank balances pledged	-	2,851
Net cash used in financing activities	<u>(8,587)</u>	<u>(51,963)</u>
Net increase/(decrease) in cash and cash equivalents	4,135	(34,739)
Effect of exchange rate changes	81	(3,492)
Cash and cash equivalents at beginning of the year	24,361	154,870
Cash and cash equivalents at end of the year	<u>28,577</u>	<u>116,639</u>
Cash and cash equivalents represent:		
Bank and cash balance	22,298	40,162
Fixed deposits	8,443	111,454
	<u>30,741</u>	<u>151,616</u>
Less:		
Bank overdraft	(308)	-
Fixed deposits and bank balances pledged	(1,856)	(34,977)
Cash and cash equivalents in statement of cash flows	<u>28,577</u>	<u>116,639</u>

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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 US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits US\$'000	Total attributable to equity holders of the parent US\$'000	Non-controlling interests US\$'000	Total US\$'000
THE GROUP										
Balance as at 1 July 2016	229,528	(4,017)	10,173	639	(151,692)	(372)	197,863	282,122	56,305	338,427
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	1,611	1,611	(97)	1,514
Other comprehensive income for the period	-	-	-	-	-	(11)	-	(11)	-	(11)
Total	-	-	-	-	-	(11)	1,611	1,600	(97)	1,503
Transaction with owners of the Company, recognised directly in equity										
Share buy-back	-	(93)	(10)	-	-	-	-	(103)	-	(103)
Balance as at 30 September 2016	229,528	(4,110)	10,163	639	(151,692)	(383)	199,474	283,619	56,208	339,827
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	-	-	-	-	-	-	54,864	54,864	9,157	64,021
Other comprehensive income for the period	-	-	-	-	-	(123)	-	(123)	(156)	(279)
Total	-	-	-	-	-	(123)	54,864	54,741	9,001	63,742
Transaction with owners of the Company, recognised directly in equity										
Dividends paid	-	-	-	-	-	-	-	-	(16,043)	(16,043)
Balance as at 30 September 2015	229,528	(3,757)	11,824	639	(151,692)	(290)	221,454	307,706	50,121	357,827

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	Share capital US\$'000	Treasury shares US\$000	Capital reserve US\$000	Share option reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
THE COMPANY						
Balance as at 1 July 2016	229,528	(4,017)	11,824	639	9,223	247,197
Share buy-back	-	(65)	-	-	-	(65)
Loss for the period representing total comprehensive income for the period	-	-	-	-	(1,298)	(1,298)
Balance as at 30 September 2016	229,528	(4,082)	11,824	639	7,925	245,834
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	-	-	-	-	(1,680)	(1,680)
Balance as at 30 September 2015	229,528	(3,757)	11,824	639	50,977	289,211

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	
	30 Sept 2016	30 Jun 2016
Issued ordinary shares		
Balance at the beginning of the financial period	823,442,375	823,442,375
Less: Treasury shares	(16,545,300)	(16,000,800)
Total issued shares excluding treasury shares	<u>806,897,075</u>	<u>807,441,575</u>
Outstanding share options	<u>2,280,000</u>	<u>2,280,000</u>

The Company has a share option scheme known as Falcon Energy Group Employee Share Option Scheme ("the Scheme") which was adopted on 28 October 2004 and had lapsed on 27 October 2014. As the Scheme had been discontinued, no further share options may be offered by the Company. The discontinuance of the Scheme however does not affect share options which have been granted and accepted. Such outstanding share options remain exercisable until they lapse and become null and void.

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.

As above.

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.

	No of shares
Balance as at 1 July 2016	16,000,800
Purchase of treasury shares	544,500
Balance as at 30 Sept 2016	<u>16,545,300</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 accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial year ended 30 June 2016.

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.

There is no change in the accounting policies and methods of computation.

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 2017	2Q 2016
Net profit attributable to Owners of the Company (US\$'000)	1,611	10,086
Weighted average number of ordinary shares ('000)	806,944	809,497
Earnings per ordinary share ("EPS") for the period/year		
(a) Basic EPS (US cents)	0.20	1.25
(b) On a fully diluted EPS (US cents)#	0.20	1.25

the outstanding options 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 30/09/2016 US cents	As at 30/06/2016 US cents	As at 30/09/2016 US cents	As at 30/06/2016 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	35.15	34.94	30.47	30.62

Notes:

The Group's and the Company's NAV (represented as equity attributable to owners of the Company) per ordinary share as at 30 September 2016 and 30 June 2016 have been computed based on the number of 806,897,075 and 807,441,575 ordinary shares issued excluding treasury 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.

The Group recorded a US\$1.14 million or 3.2% decrease in revenue from US\$35.97 million for the financial period 3 months ended 30 September 2015 ("**2Q 2016**") to US\$34.83 million for the financial period 3 months ended 30 September 2016 ("**1Q 2017**"). This was made up of:

- (a) Marine Division's revenue decreased by US\$3.89 million due to lower deployment rate of the vessels.
- (b) Oilfield Service Division's revenue increased by US\$2.75 million due to an increase in the provision of project sundry services.

The Group's average gross profit margin reduced from 22.2% to 13.5% in 1Q 2017 primarily due to a lower gross profit contributed by the Marine Division.

Other operating income decreased by US\$7.84 million, mainly due to a lower gain on exchange difference on reduced Singapore dollars denominated borrowings.

Administrative expenses decreased from US\$6.28 million in 2Q 2016 to US\$2.92 million in 1Q 2017 mainly due to a reversal of overprovision of overhead cost for \$1.5million, coupled with decreased in the headcount and on the back of cost reduction initiatives.

Finance costs decreased by US\$0.64 million from US\$3.10 million in 2Q 2016 to US\$2.46 million in 1Q 2017 due to lower interest expenses incurred on reduced bank borrowings.

The share of profit from associates and joint ventures decreased by US\$1.97 million, attributable mainly to decrease in the contribution by the associates in 1Q 2017.

With the mentioned factors above, the Group generated a profit before income tax of approximately US\$1.35 million in 1Q 2017.

Statement of financial position and Statement of cash flow:

Current assets increased by US\$1.84 million from US\$161.47 million as at 30 June 2016 to US\$163.31 million as at 30 September 2016. The increase was mainly attributed to increase in cash and bank balance resulted from the collection of trade receivables during 1Q 2017.

Non-current assets decreased by approximately US\$17.33 million from US\$490.91 million as at 30 June 2016 to US\$473.58 million as at 30 September 2016. This was mainly due to US\$10.9 million of other receivables has become current and due to a decrease of US\$6.18 million in property, plant and equipment resulted from routine depreciation.

Current liabilities increased by US\$16.08 million from US\$147.07 million as at 30 June 2016 to US\$163.15 million as at 30 September 2016. This was due mainly to US\$36.65 million of notes payables has become current and offset a decrease in trade payable of approximately US\$11.24 million.

Non-current liabilities decreased by US\$32.95 million as at 30 September 2016 compared to 30 June 2016. This was primarily due to US\$36.65 million of notes payables has become current which will mature in September 2017.

The Group generated a net cash flow of US\$12.78 million from operating activities, mainly due to the collection of trade receivables. Net cash flow used in investing activities amounting to US\$0.06 million was primarily for the acquisition of property, plant and equipment. Net cash flow used in financing activities of approximately US\$8.59 million was mainly for the repayment of existing loans and interest after setting off against the draw-down of others bank facilities.

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 business environment will continue to be challenging for the next reporting period and the next twelve months due to the volatility of crude oil price and the reduction of Capex and Opex by the oil companies. This has resulted in intensified competition and reduced margins for fewer jobs.

Oilfield services and OSV companies will have to adjust to the new normal by being more efficient in their operations as well as cost management.

The Group will seek to improve on its gross profit margin by continually reviewing and improving the operational efficiency of its fleet and by exercising strict financial discipline.

The Group will also intensify its business development and marketing activities to explore new business opportunities and provide services to a wider network of customers.

Save as disclosed herein, there are no known material factors or events which may affect the Group in the next reporting period and the next twelve 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?

Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount	S\$0.005 per ordinary share
Tax Rate	One-tier tax exempt

(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
Cai Wenxing ⁽¹⁾		
- rental of premises	69	-
CDS International Forwarding (TianJin) Co Ltd ⁽²⁾		
- purchase of services	108	-

Note:

(1) Mr Cai Wenxing is a Director of the Company.

(2) Mr Cai Wenxing holds 70% of the equity interest in CDS International Forwarding (TianJin) Co Ltd.

14. CONFIRMATION PURSUANT TO RULE 720(1) OF THE SGX LISTING MANUAL

The Company confirms that it has procured the undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

15. 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 September 2016 to be false or misleading.

Tan Pong Tyea

Cai Wenxing

BY ORDER OF THE BOARD

Tan Pong Tyea
 Chairman and Chief Executive Officer

8 November 2016