

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 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						
	Q2 2017	Q3 2016	Increase/ (Decrease)	6M 2017	6M 2016	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	22,788	59,201	-61.5%	57,613	95,172	-39.5%
Cost of sales	(19,155)	(51,328)	-62.7%	(49,284)	(79,323)	-37.9%
Gross profit	<u>3,633</u>	<u>7,873</u>	-53.9%	<u>8,329</u>	<u>15,849</u>	-47.4%
Other operating income/(expenses)	5,399	(2,511)	NM	7,182	7,111	1.0%
Administrative expenses	(8,905)	(6,614)	34.6%	(11,820)	(12,898)	-8.4%
Finance costs	(2,357)	(2,864)	-17.7%	(4,816)	(5,967)	-19.3%
Share of net profit of associates and joint ventures	515	1,848	-72.1%	761	4,069	-81.3%
(Loss)/Profit before income tax	<u>(1,715)</u>	<u>(2,268)</u>	-24.4%	<u>(364)</u>	<u>8,164</u>	NM
Income tax credit	1,440	107	NM	1,603	361	NM
(Loss)/Profit for the period	<u>(275)</u>	<u>(2,161)</u>	-87.3%	<u>1,239</u>	<u>8,525</u>	-85.5%
Profit/(Loss) for the period attributable to:						
Owners of the Company	683	(3,218)	NM	2,294	6,868	-66.6%
Non-controlling interests	(958)	1,057	NM	(1,055)	1,657	NM
(Loss)/Profit for the period	<u>(275)</u>	<u>(2,161)</u>	-87.3%	<u>1,239</u>	<u>8,525</u>	-85.5%
1(a)(ii) Statement of Comprehensive income						
(Loss)/Profit for the period	(275)	(2,161)	-87.3%	1,239	8,525	-85.5%
Other comprehensive income :						
Foreign currency translation of foreign entities	(31)	(38)	-18.4%	(42)	(201)	-79.1%
Total comprehensive income for the period	<u>(306)</u>	<u>(2,199)</u>	-86.1%	<u>1,197</u>	<u>8,324</u>	-85.6%
Total comprehensive income attributable to:						
Owners of the company	652	(3,245)	NM	2,252	6,738	-66.6%
Non-controlling interests	(958)	1,046	NM	(1,055)	1,586	NM
Total comprehensive income for the period	<u>(306)</u>	<u>(2,199)</u>	-86.1%	<u>1,197</u>	<u>8,324</u>	-85.6%

Notes:

- (1) NM = Not meaningful
- (2) In FY2015/16, the Company has changed its financial year end from 31 March to 30 June (please refer to the announcement reference no SG150916OTHRCX3J dated 16 September 2015). The comparative results in this announcement covered the period from 1 October 2016 to 31 December 2016 ("Q2 2017") against 1 October 2015 to 31 December 2015 ("Q3 2016") and the period from 1 July 2016 to 31 December 2016 ("6M 2017") against 1 July 2015 to 31 December 2015 ("6M 2016").



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

	THE GROUP			
	Q2 2017	Q3 2016	6M 2017	6M 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation and amortisation expenses	7,358	6,430	13,694	12,773
Exchange (gain) loss - net	(4,120)	3,697	(5,367)	(5,335)
Interest expense	2,357	2,864	4,816	5,967
Interest income	(32)	(196)	(50)	(474)
(Gain)/Loss on disposal of property, plant and equipment	-	(104)	7	(100)
Write back doubtful trade debts	-	(586)	-	(416)
Property, plant and equipment written off	-	-	8	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>



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	
	31/12/2016 US\$'000	30/6/2016 US\$'000	31/12/2016 US\$'000	30/6/2016 US\$'000
ASSETS				
Current assets				
Cash and bank balances	21,036	26,484	673	3,326
Trade receivables	71,015	84,987	-	-
Other receivables	66,587	49,602	299,860	271,347
Inventories	1,292	393	-	-
Total current assets	159,930	161,466	300,533	274,673
Non-current assets				
Other receivables	12,551	26,374	11,282	25,003
Property, plant and equipment	393,148	406,575	6,197	6,316
Subsidiaries	-	-	143,596	157,065
Associates	38,947	39,576	*	*
Joint venture	8,490	7,944	*	*
Available-for-sale investments	2,098	2,098	2,098	2,098
Other intangible assets	2,941	2,934	-	-
Deferred tax assets	350	354	-	-
Goodwill on consolidation	5,050	5,050	-	-
Total non-current assets	463,575	490,905	163,173	190,482
Total assets	623,505	652,371	463,706	465,155
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	18,731	29,175	-	-
Other payables	36,743	28,876	137,767	126,257
Finance leases	248	264	16	17
Borrowings	62,604	85,187	13,467	23,099
Notes payable	34,715	-	34,715	-
Income tax payable	3,636	3,572	25	25
Total current liabilities	156,677	147,074	185,990	149,398
Non-current liabilities				
Notes payable	-	37,059	-	37,059
Finance leases	680	771	19	29
Borrowings	80,864	82,934	29,616	31,472
Other payables	28,555	27,315	-	-
Deferred tax liabilities	17,227	18,791	-	-
Total non-current liabilities	127,326	166,870	29,635	68,560
Capital and reserves				
Share capital	229,528	229,528	229,528	229,528
Treasury shares	(4,093)	(4,017)	(4,093)	(4,017)
Capital reserve	10,133	10,173	11,824	11,824
Share-based payments	639	639	639	639
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	(414)	(372)	-	-
Accumulated profits	200,157	197,863	10,183	9,223
Equity attributable to owners of the Company	284,258	282,122	248,081	247,197
Non-controlling interests	55,244	56,305	-	-
Total equity	339,502	338,427	248,081	247,197
Total liabilities and equity	623,505	652,371	463,706	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 31/12/2016		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	97,567	-	85,451	-
Amount repayable after one year	81,544	-	120,764	-
Total	179,111	-	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	
	6M 2017	6M 2016
	US\$'000	US\$'000
Cash flows from operating activities		
(Loss)/Profit before income tax	(364)	8,164
Adjustments for:		
Depreciation of property, plant and equipment	13,694	12,773
Interest expense	4,816	5,967
Interest income	(50)	(474)
Share of net profit of associates and joint ventures	(761)	(4,069)
Exchange difference	(2,967)	(5,575)
Loss/(Gain) on disposal of property, plant and equipment	7	(100)
Property, plant and equipment written off	8	-
Write back for doubtful trade debts	-	(416)
Operating cash flows before movements in working capital	<u>14,383</u>	<u>16,270</u>
Inventories	(899)	(1,828)
Trade receivables	13,972	26,590
Other receivables	(3,161)	(7,234)
Trade payables	(10,444)	(6,077)
Other payables	9,261	(10,551)
Cash generated from operations	<u>23,112</u>	<u>17,170</u>
Income tax paid	-	(567)
Net cash generated from operating activities	<u>23,112</u>	<u>16,603</u>
Cash flows from investing activities		
Interest received	50	474
Purchases of property, plant and equipment	(216)	(5,466)
Proceeds from disposal of property, plant and equipment	33	110
Proceeds from disposal of club membership	-	3
Net cash used in investing activities	<u>(133)</u>	<u>(4,879)</u>
Cash flows from financing activities		
Interest paid	(4,066)	(5,967)
Repayment of finance lease obligations	(187)	(65)
Repayment of borrowings	(27,224)	(103,781)
Proceeds of borrowings	2,826	7,381
Fixed deposit and bank balances pledged	1,384	4,212
Share buy-back	(76)	-
Dividend paid	-	(21,716)
Net cash used in financing activities	<u>(27,343)</u>	<u>(119,936)</u>
Net decrease in cash and cash equivalents	(4,364)	(108,212)
Effect of exchange rate changes	555	(2,958)
Cash and cash equivalents at beginning of the year	<u>24,361</u>	<u>154,870</u>
Cash and cash equivalents at end of the year	<u>20,552</u>	<u>43,700</u>
Cash and cash equivalents represent:		
Bank and cash balance	19,358	33,296
Fixed deposits	1,678	44,020
	<u>21,036</u>	<u>77,316</u>
Less:		
Fixed deposits and bank balances pledged	(484)	(33,616)
Cash and cash equivalents in statement of cash flows	<u>20,552</u>	<u>43,700</u>

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 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	-	-	-	-	-	-	2,294	2,294	(1,055)	1,239
Other comprehensive income for the period	-	-	-	-	-	(42)	-	(42)	-	(42)
Total	-	-	-	-	-	(42)	2,294	2,252	(1,055)	1,197
Share buy-back representing transaction with owners of the Company, recognised directly in equity	-	(76)	(40)	-	-	-	-	(116)	(6)	(122)
Balance as at 31 December 2016	229,528	(4,093)	10,133	639	(151,692)	(414)	200,157	284,258	55,244	339,502
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	-	-	-	-	-	-	51,646	51,646	10,214	61,860
Other comprehensive income for the period	-	-	-	-	-	(150)	-	(150)	(167)	(317)
Total	-	-	-	-	-	(150)	51,646	51,496	10,047	61,543
Transaction with owners of the Company, recognised directly in equity										
Dividends paid	-	-	-	-	-	-	(9,728)	(9,728)	-	(9,728)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(16,043)	(16,043)
Total	-	-	-	-	-	-	(9,728)	(9,728)	(16,043)	(25,771)
Balance as at 31 December 2015	229,528	(3,757)	11,824	639	(151,692)	(317)	208,508	294,733	51,167	345,900



	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
Profit for the period representing total comprehensive income for the period	-	-	-	-	960	960
Share buy-back representing transaction with owners of the Company recognised directly in equity	-	(76)	-	-	-	(76)
Balance as at 31 December 2016	229,528	(4,093)	11,824	639	10,183	248,081
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	-	-	-	-	(4,517)	(4,517)
Dividend paid representing transaction with owners of the Company recognised directly in equity	-	-	-	-	(9,728)	(9,728)
Balance as at 31 December 2015	229,528	(3,757)	11,824	639	38,412	276,646

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	
	31 Dec 2016	30 Jun 2016
Issued ordinary shares		
Balance at the beginning of the financial period	823,442,375	823,442,375
Less: Treasury shares	(16,580,900)	(16,000,800)
Total issued shares excluding treasury shares	<u>806,861,475</u>	<u>807,441,575</u>
Outstanding share options	<u>2,260,000</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	580,100
Balance as at 31 December 2016	<u>16,580,900</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			
	Q2 2017	Q3 2016	6M 2017	6M 2016
Net profit/(loss) attributable to Owners of the Company (US\$'000)	<u>683</u>	<u>(3,218)</u>	<u>2,294</u>	<u>6,868</u>
Weighted average number of ordinary shares ('000)	<u>806,923</u>	<u>809,497</u>	<u>806,923</u>	<u>809,497</u>
Earnings per ordinary share ("EPS") for the period/year				
(a) Basic EPS (US cents)	0.08	(0.40)	0.28	0.85
(b) On a fully diluted EPS (US cents)#	0.08	(0.40)	0.28	0.85

Notes:

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	As at	As at	As at
	31/12/2016	30/06/2016	31/12/2016	30/06/2016
	US cents	US cents	US cents	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	35.23	34.94	30.78	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 31 December 2016 and 30 June 2016 have been computed based on the number of 806,861,475 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.

6M 2017 vs 6M 2016

The Group recorded a US\$37.56 million or 39.5% decrease in revenue from US\$95.17 million for the six months ended 31 December 2015 ("6M 2016") to US\$57.61 million for the six months ended 31 December 2016 ("6M 2017"). The decrease is made up of:

- (a) Marine Division's revenue decreased by US\$7.43 million due to lower deployment rate of the vessels.
- (b) Oilfield & Drilling Services Division's revenue decreased by US\$30.13 million due to lesser completed contracts of Engineering, Procurement, Construction & Commissioning and offset against increase in the provision of project sundry services.

The Group's average gross profit margin reduced from 16.7% to 14.5% in 6M 2017 primarily due to a lower gross profit contributed by the Marine Division and Oilfield & Drilling Services Division.

Administrative expenses decreased by approximately US\$1.08 million mainly due to shrink in the headcount and on the back of cost reduction initiatives.

Finance costs decreased by US\$1.15 million from US\$5.97 million in 6M 2016 to US\$4.82 million in 6M 2017 due to lower interest expenses incurred on reduced bank borrowings.

The share of profit from associates and joint ventures decreased by US\$3.31 million, mainly due to decrease in the contribution by the associates in 6M 2017.

With the mentioned factors above, the Group generated a loss before tax of approximately US\$0.36 million in 6M 2017.

Q2 2017 vs Q3 2016

For the three months ended 31 December 2016 ("Q2 2017"), the Group's revenue is US\$22.79 million, being US\$36.41 million lower than that of for three months ended 31 December 2015 ("Q3 2016"). The decrease was mainly attributable to the decline in revenue of the Oilfield & Drilling Service Division of US\$32.9 million for the current period under review.

Other operating income increased by US\$7.91 million was mainly consist of gain on exchange difference as US dollars appreciated against Singapore dollars denominated borrowings.

Administrative expenses increased from US\$6.61 million in Q3 2016 to US\$8.91 million in Q2 2017 mainly due to reclassification of other operating expenses into administrative expenses.

Finance costs decreased by US\$0.50 million from US\$2.86 million in Q3 2016 to US\$2.36 million in Q2 2017 due to lower interest expenses incurred on reduced bank borrowings.



The share of profit from associates and joint ventures decreased by US\$1.33 million, attributable mainly to decrease in the contribution by the associates in Q2 2017.

With the mentioned factors above, the Group generated a loss before income tax of approximately US\$1.72 million in Q2 2017.

Statement of financial position and Statement of cash flow:

Current assets decreased by US\$1.54 million from US\$161.47 million as at 30 June 2016 to US\$159.93 million as at 31 December 2016. The decrease was mainly attributed to decrease in trade receivables due to lower revenue generated during Q2 2017 partially offset by increase in other receivables.

Non-current assets decreased by approximately US\$27.33 million from US\$490.91 million as at 30 June 2016 to US\$463.58 million as at 31 December 2016. This was mainly due to part of the other receivables amounting to US\$11.28 million has become current and due to a decrease of US\$13.69 million in property, plant and equipment resulted from routine depreciation.

Current liabilities increased by US\$9.61 million from US\$147.07 million as at 30 June 2016 to US\$156.68 million as at 31 December 2016. This was due mainly to US\$37.06 million of notes payables has become current which offset a decrease in in the current portion of bank borrowings for amount of US\$22.58 million after loan repayments made during the financial period.

Non-current liabilities decreased by US\$39.54 million as at 31 December 2016 compared to 30 June 2016. This was primarily due to US\$37.06 million of notes payables has become current as mentioned above which will mature in September 2017.

The Group generated a net cash flow of US\$23.11 million from operating activities, mainly due to the collection of trade receivables. Net cash flow used in investing activities amounting to US\$0.13 million was primarily for the acquisition of property, plant and equipment. Net cash flow used in financing activities of approximately US\$27.34 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 as global political and economic uncertainties remain at a high level.

While the crude oil price has rebounded slightly towards the end of 2016, the oil majors will not increase their capital expenditure (capex) on drilling, exploration and production until the price rise is seen to be sustainable. The offshore oilfield support services industry has seen reduced margins as a result of intensified competition due to fewer jobs being available.

The Group will continue to trim operating and overhead costs and focus on maintaining and gaining fleet utilization in 2017.

The Group will also intensify its business development activities, cross-sell services across its subsidiaries, and provide customers with more value-add services.

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?

No.

(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 interim dividend has been declared for the financial period ended 31 December 2016.

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	136	-
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 6-month-period ended 31 December 2016 to be false or misleading.

Tan Pong Tyea

Cai Wenxing

BY ORDER OF THE BOARD

Tan Pong Tyea
Chairman and Chief Executive Officer

13 February 2017