

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

ANNOUNCEMENT PURSUANT TO RULE 704(6) OF THE LISTING MANUAL IN RELATION TO MATERIAL DIFFERENCE BETWEEN UNAUDITED FINANCIAL STATEMENTS (“PRELIMINARY RESULTS”) AND AUDITED FINANCIAL STATEMENTS (“AUDITED FINANCIAL STATEMENTS”) FOR THE YEAR ENDED 30 JUNE 2018 (“FY2018”)

Pursuant to Rule 704(6) of the Listing Manual of the SGX-ST (“**Listing Manual**”), the Board of Directors (“**Board**”) of Falcon Energy Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) refers to the Preliminary Results announcement released on 26 August 2018 and wishes to announce and clarify the difference between the Preliminary Results and the Audited Financial Statements.

The variances in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Statements of Financial Position and Consolidated Statement of Cash Flows of the Group as compared to the Preliminary Results are set out in the Appendix to this announcement.

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.

BY ORDER OF THE BOARD

Tan Pong Tyea
Chairman and Chief Executive Officer
9 October 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	GROUP			
	Audited financial	Preliminary results	Variance	Notes
	statements			
	US\$'000	US\$'000	US\$'000	
Revenue	44,537	45,465	(928)	(i)
Cost of sales	(24,572)	(23,947)	(625)	(i)
Gross profit before direct depreciation	19,965	21,518	(1,553)	
Direct depreciation	(29,501)	(21,544)	(7,957)	(i)
Gross loss after direct depreciation	(9,536)	(26)	(9,510)	
Other operating income	2,209	2,266	(57)	IM
Other expenses	(52,629)	(58,709)	6,080	(ii)
Administrative expenses	(19,213)	(19,124)	(89)	IM
Finance costs	(10,050)	(9,751)	(299)	IM
Share of net loss of associates and joint ventures	(4,234)	(4,600)	366	(iii)
Loss before income tax	(93,453)	(89,944)	(3,509)	
Income tax credit/(expense)	9	(9)	18	IM
Loss for the year	(93,444)	(89,953)	(3,491)	
Loss for the year attributable to:				
Owners of the Company	(76,437)	(80,882)	4,445	
Non-controlling interests	(17,007)	(9,071)	(7,936)	
Loss for the year	(93,444)	(89,953)	(3,491)	
1(a)(ii) Statement of Comprehensive income				
Loss for the year	(93,444)	(89,953)	(3,491)	
Other comprehensive income :				
Foreign currency translation of foreign entities	65	64	1	IM
Total comprehensive loss for the year	(93,379)	(89,889)	(3,490)	
Total comprehensive loss attributable to:				
Owners of the company	(76,395)	(80,840)	4,445	
Non-controlling interests	(16,984)	(9,049)	(7,935)	
Total comprehensive loss for the year	(93,379)	(89,889)	(3,490)	

Notes:

- (1) IM = Immaterial
(2) * Amount less than US\$1,000

Statements of Financial Position

	GROUP				COMPANY			
	Audited financial statements	Preliminary results	Variance	Notes	Audited financial statements	Preliminary results	Variance	Notes
	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000	US\$'000	
<u>ASSETS</u>								
Current assets								
Cash and bank balances	4,576	4,615	(39)	IM	37	37	-	
Trade receivables	48,859	48,512	347	(iv)	-	-	-	
Other receivables	26,745	17,514	9,231	(v)	272	272	-	
Inventories	282	505	(223)	IM	-	-	-	
	80,462	71,146	9,316		309	309	-	
Assets held for sale	114,846	117,527	(2,681)	(vi)	-	-	-	
Total current assets	195,308	188,673	6,635		309	309	-	
Non-current assets								
Other receivables	1,193	1,223	(30)		-	-	-	
Property, plant and equipment	151,168	167,653	(16,485)	(vii)	63	63	-	
Subsidiaries	-	-	-		42,140	92,231	(50,091)	(xiii)
Associates	4,683	4,683	-		*	*	-	
Joint venture	3,751	3,219	532	(viii)	*	*	-	
Available-for-sale investments	2,098	2,098	-		2,098	2,098	-	
Other intangible assets	186	186	-		-	-	-	
Deferred tax assets	541	527	14	IM	-	-	-	
	163,620	179,589	(15,969)		44,301	94,392	(50,091)	
Assets held for sale	7,581	-	7,581	(vi)	-	-	-	
Total non-current assets	171,201	179,589	(8,388)		44,301	94,392	(50,091)	
Total assets	366,509	368,262	(1,753)		44,610	94,701	(50,091)	
<u>LIABILITIES AND EQUITY</u>								
Current liabilities								
Trade payables	13,342	14,019	(677)	(iv)	-	-	-	
Other payables	44,678	41,544	3,134	(iv)(ix)(xii)	141,469	140,374	1,095	(ix)
Current portion of finance leases	106	106	-		11	11	-	
Borrowings	114,192	121,057	(6,865)	(x)	39,454	39,453	1	IM
Income tax payable	3,366	3,595	(229)	IM	-	-	-	
	175,684	180,321	(4,637)		180,934	179,838	1,096	
Liabilities associated with assets held for sale	31,021	24,157	6,864	(x)	-	-	-	
Total current liabilities	206,705	204,478	2,227		180,934	179,838	1,096	
Non-current liabilities								
Deferred tax liabilities	5,100	5,081	19	IM	-	-	-	
Other payables	14,011	20,256	(6,245)	(xii)	-	-	-	
Finance leases	191	191	-		-	-	-	
Notes payables	36,657	37,752	(1,095)	(ix)	36,657	37,752	(1,095)	(ix)
	55,959	63,280	(7,321)		36,657	37,752	(1,095)	
Liabilities associated with assets held for sale	6,831	-	6,831	(xi)	-	-	-	
Total non-current liabilities	62,790	63,280	(490)		36,657	37,752	(1,095)	

	GROUP				COMPANY			
	Audited financial statements	Preliminary results	Variance	Notes	Audited financial statements	Preliminary results	Variance	Notes
	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000	US\$'000	
Capital and reserves								
Share capital	231,009	231,009	-		231,009	231,009	-	
Treasury shares	(4,114)	(4,114)	-		(4,114)	(4,114)	-	
Capital reserve	(19,608)	(19,608)	-		11,824	11,824	-	
Share-based payments	639	639	-		639	639	-	
Merger reserve	(151,692)	(151,692)	-		-	-	-	
Foreign currency translation reserve	(362)	(362)	-		-	-	-	
Accumulated losses	(412)	(4,857)	4,445	(xiv)	(412,339)	(362,247)	(50,092)	(xiii)
Equity attributable to owners of the Company	55,460	51,015	4,445		(172,981)	(122,889)	(50,092)	(xiii)
Non-controlling interests	41,554	49,489	(7,935)	(i)	-	-	-	
Total equity	97,014	100,504	(3,490)		(172,981)	(122,889)	(50,092)	
Total liabilities and equity	366,509	368,262	(1,753)		44,610	94,701	(50,091)	

Notes:

(1) *IM = Immaterial*

(2) ** Amount less than US\$1,000*

Consolidated Statement of Cash Flows

	GROUP			
	Audited financial statements	Preliminary results	Variance	Notes
	US\$ '000	US\$ '000	US\$ '000	
Cash flows from operating activities				
Loss before income tax	(93,453)	(89,944)	(3,509)	(xiv)
Adjustments for:				
Allowance for doubtful trade receivables	2,904	1,977	927	(i)
Allowance for other receivables	7,252	29,413	(22,161)	(xv)
Allowance for impairment in investment in joint venture	-	6,605	(6,605)	(iii)
Allowance for impairment of property, plant and equipment	24,636	15,740	8,896	(vii)
Trade receivables written back	(261)	(261)	-	
Depreciation of property, plant and equipment	30,442	22,481	7,961	(vii)
Exchange difference	2,343	6,723	(4,380)	(xv)
Interest expense	10,050	9,751	299	IM
Interest income	(196)	(375)	179	IM
(Gain)/Loss on disposal of property, plant and equipment	11	(39)	50	IM
Property, plant and equipment written off	6	145	(139)	IM
Share of net loss of associates and joint ventures	4,234	4,600	(366)	(iii)
Trade debts written off	-	4,974	(4,974)	(xv)
Write off of other receivables	11,355	-	11,355	(xv)
Allowance of impairment in investment in joint venture	6,243	-	6,243	(xv)
Allowance for impairment in associated companies	239	-	239	IM
Operating cash flows before movements in working capital	5,805	11,790	(5,985)	
Inventories	590	368	222	IM
Trade receivables	87	(6,946)	7,033	(i)
Other receivables	(291)	(5,558)	5,267	(xvi)
Trade payables	(1,797)	(1,120)	(677)	(i)
Other payables	774	5,824	(5,050)	(xvi)
Cash generated from operations	5,168	4,358	810	
Income tax refund	-	-	-	
Net cash generated from operating activities	5,168	4,358	810	
Cash flows from investing activities				
Interest received	196	375	(179)	IM
Proceeds from assets held for sale	5,449	-	5,449	(xv)
Purchases of property, plant and equipment	(4,156)	(3,862)	(294)	IM
Fixed deposits and bank balances pledged	1,140	-	1,140	(xvii)
Proceeds from disposal of property, plant and equipment	310	5,570	(5,260)	(xv)
Net cash generated from investing activities	2,939	2,083	856	

	GROUP			Notes
	Audited financial	Preliminary results	Variance	
	statements	US\$'000	US\$'000	
	US\$'000	US\$'000	US\$'000	
Cash flows from financing activities				
Interest paid	(5,375)	(5,375)	-	
Repayment of finance lease obligations	(191)	(191)	-	
Repayment of borrowings	(6,974)	(8,612)	1,638 (xviii)	
Repayment of liabilities associated with assets held for sale	(3,465)	-	(3,465) (xv)	
Advance from related parties	2,500	2,500	-	
Proceeds of borrowings	2,951	2,951	-	
Proceeds from issuance of shares	1,481	1,481	-	
Net cash used in financing activities	(9,073)	(7,246)	(1,827)	
Net decrease in cash and cash equivalents	(966)	(805)	(161) IM	
Effect of exchange rate changes	83	(49)	132 IM	
Cash and cash equivalents at beginning of the year	9,518	9,518	-	
Cash and cash equivalents at end of the year	8,635	8,664	(29)	
Cash and cash equivalents represent:				
Bank and cash balance	7,626	7,665	(39) IM	
Fixed deposits	1,199	1,199	-	
	8,825	8,864	(39)	
Less : fixed deposits and bank balances pledged	(190)	(200)	10 IM	
Cash and cash equivalents in statement of cash flows	8,635	8,664	(29)	
Note:				
Cash and bank balances	4,386	4,615	(229) IM	
Cash and bank balances included in assets held for sale	4,249	4,249	-	
Cash and cash equivalents at end of year	8,635	8,864	(229)	

Notes:

- (1) IM = Immaterial
(2) * Amount less than US\$1,000

Notes of explanation on material variances:

- (i) Due to amendments made to the financial statements of the Company's subsidiaries, Longzhu Oilfield Services (S) Pte Ltd ("Longzhu") and PT Bayu Maritim Berkah ("PT BMB"). During the announcement of the Preliminary Results, the Company had relied on Longzhu's and PT BMB's management accounts to derive the consolidated financial statements, as the audits for both subsidiaries were still in progress. The additional depreciation is due to revision of residual value of the vessels of the Group.
- (ii) Due to additional impairment loss provided for the property, plant and equipment of the Group after finalising the audit of the subsidiaries.
- (iii) Due to amendments made to the financial statements of the Company's joint venture, Dictamismo S De R.L. De. C.V. ("Dicta") and Maritim Indah Sdn. Bhd. ("MISB"). The Company has relied on their management accounts submitted to the Company before the release of the Preliminary Results.
- (iv) Due to amendments made to PT BMB's financial statements after finalising the audit. During the announcement of the Preliminary Results, the Company had relied on PT BMB's management accounts to derive the consolidated financial statements.
- (v) Due to reversal of allowance for other receivables. The Company has relied on MISB's management accounts submitted to the Company before the release of the Preliminary Results to assess the impairment. The allowance was subsequently reversed after the revision of MISB management accounts.
- (vi) Due to reclassification from current to non-current and the identification of additional non-current assets held for sales.
- (vii) Due to additional impairment loss and additional depreciation made to property, plant and equipment of subsidiaries after revision of subsidiaries' management accounts.
- (viii) Due to revision of Dicta's and MISB's management accounts.
- (ix) Due to reclassification interest payable from Notes payables to Other payables.
- (x) Due to reclassification of borrowings to Liabilities associated with assets held for sale.
- (xi) Due to identification of additional liabilities associated with assets held for sale.
- (xii) Due to reclassification from non-current to current.
- (xiii) Due to additional impairment made after finalisation of audit.
- (xiv) Due to adjustments made in relation to the revision of subsidiaries' financial statements.
- (xv) Due to reclassification to other disclosure line for more meaningful disclosure.
- (xvi) Due to offset of other receivables and other payables balances.
- (xvii) Due to amendment made in fixed deposit and bank balances pledged.
- (xviii) Due to finalisation of borrowings movement for FY2018.