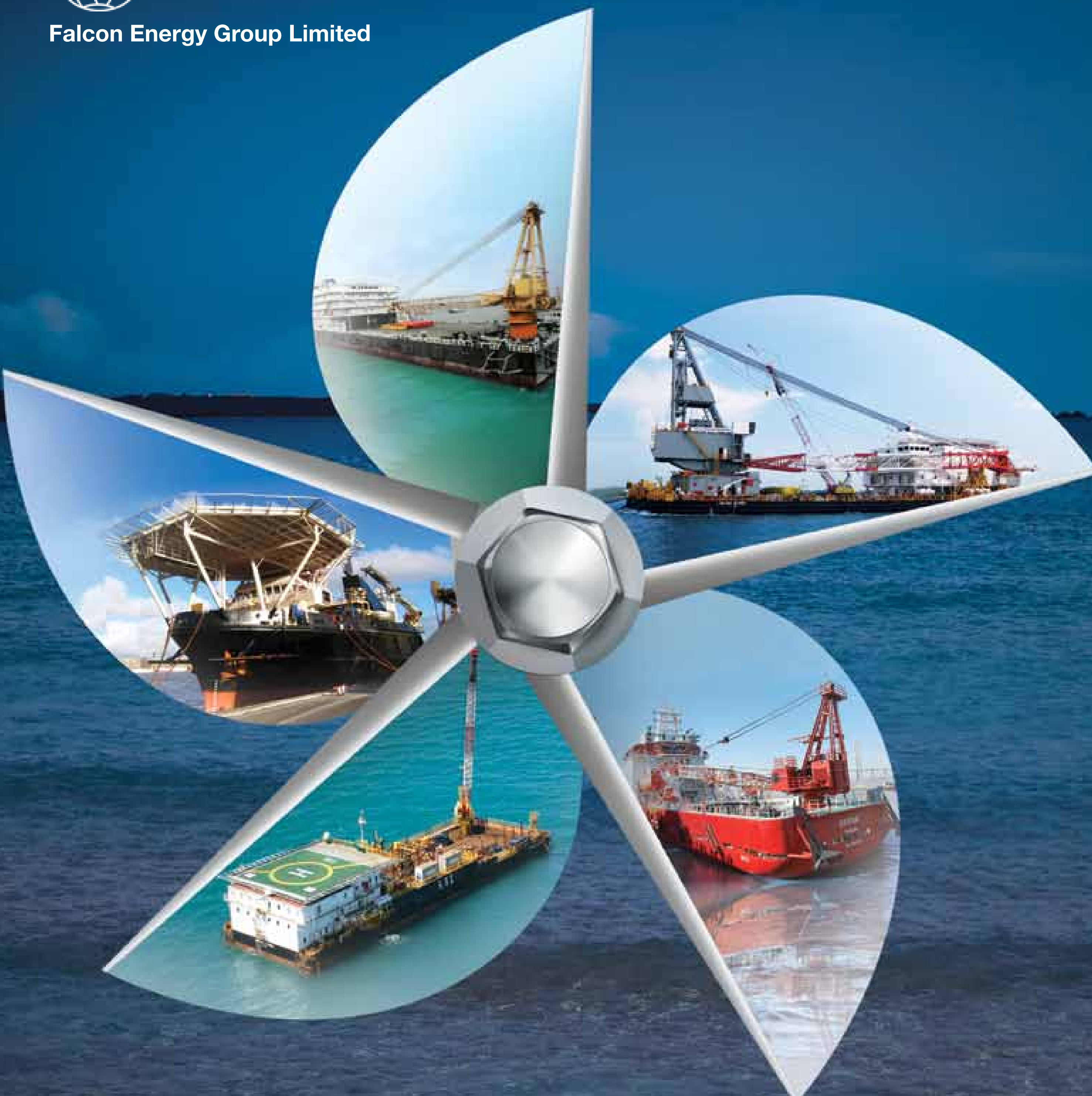
Falcon Energy Group Limited



LOOKING AHEAD TO UPTURN

ANNUAL REPORT 2018

CONTENTS

OUR OBJECTIVE

To be a renowned international provider of offshore oil & gas products and services, and to enhance shareholder value in all our business activities in the energy industry.

Falcon Energy Group Limited

OUR COMPANY

Falcon Energy Group Limited (FEG) is an established player in the oil and gas industry, providing a spectrum of services to global oil companies and contractors, from the initial exploration stage to production and postproduction stage. The Marine Division operates a fleet of offshore support vessels and accommodation work barges, mainly for the production phase of oil and gas projects. The Oilfield and Drilling Services Division complements the Marine Division by providing agencies, logistics, procurement, general support and drilling services to a wide customer base. The Oilfield Projects Division executes various projects for oil companies. The Resources Division taps into the energy resource sector to carry out coal mining and other resources-related businesses.

CHAIRMAN'S MESSAGE AND BUSINESS REVIEW

> **The operating environment for the offshore support vessels and oilfield services business will continue to be challenging. The offshore support vessel ("OSV") market continues to suffer from low rates due to intense competition and low margins. The oilfield services market remains lacklustre due to reductions in CAPEX and OPEX by the oil and gas companies. This new normal is expected to persist for the near term, despite crude oil prices having risen above 2014 lows. However, the Group continues to work towards its objective to be a leaner, nimbler, and more resilient entity that will be able to respond and adapt to fast-changing market conditions in the protracted oil and gas industry downturn.**

DEAR SHAREHOLDERS,

I am pleased to present to you, the Annual Report of Falcon Energy Group Limited ("the Group", "the Company", or "FEG") for the financial year ended June 30, 2018 ("FY2018").

The operating environment for the offshore support vessels and oilfield services business will continue to be challenging. The offshore support vessel ("OSV") market continues to suffer from low rates due to intense competition and low margins. The oilfield services market remains lacklustre due to reductions in CAPEX and OPEX by the oil and gas companies. This new normal is expected to persist for the near term, despite crude oil prices having risen above 2014 lows. However, the Group continues to work towards its objective to be a leaner, nimbler, and more resilient entity that will be able to respond and adapt to fast-changing market conditions in the protracted oil and gas industry downturn.

During FY2018, there were several corporate developments which, in the opinion of the Board, will help to strengthen the financial position of the Company and enhance its resilience. The corporate developments are detailed under "Corporate Developments" section in the latter part of my Chairman's Message. In the meanwhile, the Group continues to work with its principal lenders in relation to the restructuring of its debt obligations and expects to complete the restructuring exercise in the near future.

The Group will continue to exercise strict financial discipline and seek additional ways to maximize the operational efficiency of its fleet and increase the utilization rate. Business development activities will be focused on geographical areas and niches in the OSV and oilfield services markets which have shown increased activities, and in which the Group has competitive advantage.

FINANCIAL PERFORMANCE

REVENUE AND INCOME

The Group recorded a decrease in revenue of US$62.28 million or 58.3% from US$106.82 million in FY2017 to US$44.54 million in FY2018. The Marine Division's revenue decreased by US$14.62 million to US$29.86 million in FY2018, mainly as a result of lower deployment rate of the vessels as well as decrease in charter rates. Oilfield & Drilling Services Division's revenue decreased by US$45.47 million to US$8.67 million in FY2018, due to a lower volume of works. The Group's average gross profit margin reduced from 10.4% in FY2017 to a gross loss margin of 21.4% in FY2018 mainly due to low vessel deployment rate in Marine Division during the financial year.

CHAIRMAN'S MESSAGE AND BUSINESS REVIEW

Taking into consideration the challenging business environment, the Group made a provision of US$24.64 million for impairment of property, plant and equipment. Administrative expenses decreased by US$4.69 million from US$23.90 million in FY2017 to US$19.21 million in FY2018, due mainly to cost reduction initiatives. Finance costs increased by US$0.14 million from US$9.91 million in FY2017 to US$10.05 million in FY2018 due to higher interest expenses incurred on bank borrowings.

The Group generated a net loss attributable to shareholders of approximately US$76.44 million. Accordingly, loss per share decreased from 15.10 US cents in FY2017 to 9.18 US cents in FY2018.

FINANCIAL POSITION AND CASH FLOW

Net asset value per share decreased from 16.16 US cents as of June 30, 2017, to 6.33 US cents as at June 30, 2018. Current assets increased by US$82.93 million from US$112.38 million as at FY2017 to US$195.31 million as at FY2018 while non-current assets decreased by US$177.13 million from US$348.33 million as at FY2017 to US$171.20 million as at FY2018. Current liabilities decreased by US$21.79 million from US$228.50 million as at FY2017 to US$206.71 million as at FY2018 while non-current liabilities increased by US$19.50 million from US$43.29mil as at FY2017 to US$62.79 as at FY2018. As a result, the Group has a negative working capital of US$11.40mil.

The Group generated net cash flow of US$5.17 million from operating activities mainly due to working capital changes. Net cash flow generated from investing activities amounting to US$2.94 million was mainly derived from the proceeds from disposal of property, plant and equipment. Negative cash flow from financing activities amounting to US$9.07 million was mainly for repayment of existing loans and interest after setting off against the proceeds from issuance of new shares and drawdown of bank borrowings and advances from related parties.

CORPORATE DEVELOPMENTS

There are several notable corporate developments of the Company which are highlighted below.

DEBT RESTRUCTURING

In the light of the severe and protracted downturn in the global oil and gas industry which depressed offshore marine and subsea industry, the Company has taken steps to review its options to restructure its business operations and balance sheet, in order to preserve the value of the Company for its stakeholders, which include discussions with the Group's principal lenders to address various debt obligations owed to financial lenders. The Group remains committed to the restructuring of its other debt obligations and will continue to engage with its principal lenders and other key stakeholders.

SALE AND LEASEBACK OF NON-CORE ASSETS

In conjunction with the objective to reduce liabilities and increase liquidity, the Company, on October 3, 2017, disposed its non-core assets, namely the Group's two office premises. Subsequently, the Company entered into leaseback agreements of the properties for a lease term of three years. Although there was loss incurred on the transaction, the Board is of the view that the disposal of the properties benefited the Group, as the majority of the proceeds from the disposal was applied towards settlement of outstanding amounts under credit facilities. This reduced the Group's current financial liabilities and borrowings and is aligned with the objectives of the Group's ongoing financial restructuring.

ISSUANCE OF 70,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY

On May 9, 2018, the Board announced that the Company agreed to allot and issue an aggregate of 70,000,000 new ordinary shares to Mr Wong Fong Fui, a well-known and established investor, who agreed to subscribe for the shares at the price of approximately S$0.028 per share for an aggregate consideration of S$1,960,000. The Board views the issuance and subscription of the news shares as beneficial to the Company as it resulted in an injection of funds into the Company, increasing its working capital and cash flow and allowing it to pursue acquisition and/or business opportunities as part of its strategic objectives as and when they arise.

TERMINATION OF CONTRACT WITH KEPPEL FELS LTD IN RELATION TO THE CONSTRUCTION OF A JACK-UP RIG

On May 23, 2018, the Board announced that Keppel FELS Ltd ("the Builder") had served termination notice to FTS Derricks in relation to the construction contract for the building of its jack-up rig. The rig is one of the five jack-up rigs being sold to Borr Drilling Limited. The rig is different from the other four rigs and is of a higher technical specification. The Company is reviewing the situation and is in discussion with the Builder to bring the matter to a conclusion. The Company has an effective interest of 25% in the rig and for the financial year ended June 30, 2018, it is expected to write off the US$11.36 million in deposit that was paid to the Builder.

DISPOSAL OF SHARES IN CH OFFSHORE LTD

On July 26, 2018, the Board announced that the Company's wholly-owned subsidiary, Energian Pte. Ltd., entered into a sale and purchase agreement with BT Investment Pte. Ltd., a wholly-owned subsidiary of Baker Technology Limited, to dispose of 217,800,000 shares out of its stake of 457,560,131 shares of CH Offshore Ltd. ("CHO"). The total consideration for the disposal is S$25,047,000 based on a price of S$0.115 per share. Upon the completion of the disposal, CHO ceases to be a subsidiary of the Company. In light of depressed conditions in the OSV business environment, the Company considers the disposal to be a strategic decision for the benefit of the Group as it allowed the Company to partially repay an outstanding loan to CIMB Bank Berhad.

LOOKING AHEAD

While the outlook for the industry remains cloudy and fraught with uncertainties, the Board and the Management of the Company will spare no effort in strengthening the financial position of the Company, while simultaneously intensifying its business development efforts. The Board will keep shareholders abreast of any material corporate developments through announcements on SGXNET.

ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to our shareholders, business associates and partners for their support and to thank the Board for steering the Company to weather the protracted headwinds in the offshore marine sector.

Last but not least, I would like to thank the Management and Staff for their dedication and hard work through these difficult times.

TAN PONG TYEA
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

US$'000	FY2018[1]	FY2017[1]	FY2016[2]	FY2015[1]	FY2014[1]
Revenue	**44,537**	106,824	303,293	342,441	350,788
Gross (Loss)/Profit	**(9,536)**	11,085	60,199	51,398	117,015
(Loss)/Profit Before Tax	**(93,453)**	(173,788)	59,805	30,860	108,241
(Loss)/Profit After Tax	**(93,444)**	(163,681)	55,209	27,830	102,121
(Loss)/Profit After Tax (after Non-controlling interests)	**(76,437)**	(121,838)	39,821	22,687	60,768
Gross (Loss)/Profit Margin	**(21.4)%**	10.4%	19.9%	15.0%	33.4%
(Loss)/Profit Before Tax Margin	**(209.8)%**	(162.7)%	19.7%	9.0%	30.9%
(Loss)/Profit After Tax Margin	**(209.8)%**	(153.2)%	18.2%	8.1%	29.1%
(Loss)/Profit After Tax Margin (after Non-controlling interests)	**(171.6)%**	(114.1)%	13.1%	6.6%	17.3%
(LPS)/EPS Basic (US cents)	**(9.18)**	(15.10)	4.92	2.77	7.45
(LPS)/EPS Diluted (US cents)	**(9.18)**	(15.10)	4.92	2.77	7.45
Weighted Average Number of Shares for EPS ('000)	**832,289**	806,854	809,460	820,248	815,581
Weighted Average Number of Shares for LPS ('000)	**832,289**	806,854	809,460	820,248	815,581

Notes:
(1) FY2018, FY2017, FY2015 and FY2014: 12 months audited
(2) FY2016: 15 months audited (1 April 2015 to June 30 2016)

STATEMENT OF FINANCIAL POSITION

US$'000 (As at)	30-Jun-18	30-Jun-17	30-Jun-16	31-Mar-15	31-Mar-14
Current Assets	**195,308**	112,383	161,466	327,740	216,968
Non-Current Assets	**171,201**	348,325	490,905	518,011	358,232
Total Assets	**366,509**	460,708	652,371	845,751	575,200
Current Liabilities	**206,705**	228,504	147,074	288,447	179,412
Non-Current Liabilities	**62,790**	43,292	166,870	247,176	136,561
Total Liabilities	**269,495**	271,796	313,944	535,623	315,973
Net Current (Liabilities)/Assets	**(11,397)**	(116,121)	14,392	39,293	37,556
Net Assets	**97,014**	188,912	338,427	310,128	259,227
Equity attributable to owners of the Company	**55,460**	130,374	282,122	252,965	241,765
NAV Per Share (US Cents)	**6.33**	16.16	34.95	31.25	29.57
Total Debt	**167,174**	172,608	206,215	380,116	178,170
Total Cash and Cash Equivalents	**4,576**	10,848	26,484	134,947	46,928
Total Number of Shares ('000)	**876,631**	806,631	807,442	809,497	817,596

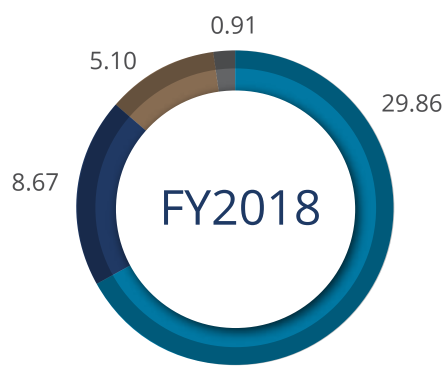
FINANCIAL HIGHLIGHTS

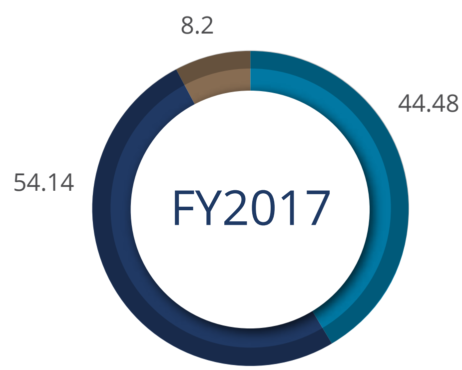
SEGMENTAL REVENUE

By Business (US$'m)	FY2018	FY2017
Marine	29.86	44.48
Oilfield and Drilling Services	8.67	54.14
Oilfield Projects	5.10	8.2
Resources	0.91	-
Total	**44.54**	**106.82**

By Geographical (US$'m)	FY2018	FY2017
China	1.08	49.91
Indonesia	20.39	28.28
Singapore	15.34	11.82
Middle East	1.24	8.43
Mexico	0.67	0.70
Rest of the World	5.82	7.68
Total	**44.54**	**106.82**

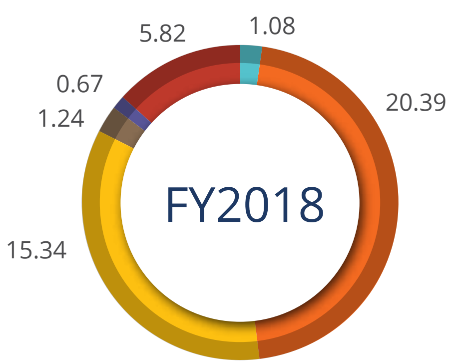
BY BUSINESS (US$'M)

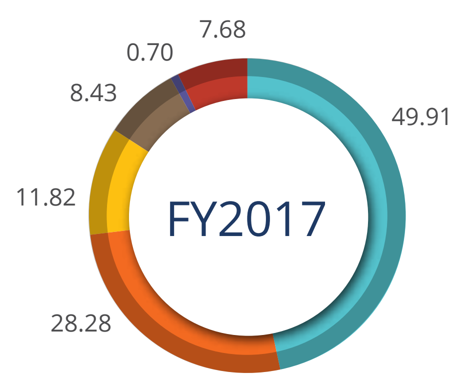




Marine | Oilfield and Drilling Services | Oilfield Projects | Resources

BY GEOGRAPHICAL (US$'M)





China | Indonesia | Mexico
Singapore | Middle East | Rest of the World

BOARD OF DIRECTORS

TAN PONG TYEA

Chairman and Chief Executive Officer

Mr Tan Pong Tyea became the Chairman and CEO of Falcon Energy Group Limited in May 2006 after Ruben Capital Ventures Limited bought over the majority stake in the company. He was last re-elected on December 29, 2017. Currently, he is also the Managing Director of Oilfield Services Company Ltd (OSCL).His focus now is to explore and develop potential businesses related to the oil and gas industry in order to further the Group's business objectives. He was the founder of the OSCL Group, which originated in 1983 when he ventured into the offshore marine services industry, particularly the business of owning, managing, operating and chartering out offshore support vessels to customers in the oil and gas industry. Mr Tan is also the Non-Executive Director of CH Offshore Ltd. He has more than 30 years' experiences servicing the oil companies and major contractors throughout the region.

He holds a Master in Management Studies from Durham University, United Kingdom.

LIEN KAIT LONG

Non-Executive and Lead Independent Director

Mr Lien Kait Long was appointed as an Independent Director of Falcon Energy Group Limited in October 2004 and was last re-elected on October 27, 2016. He has extensive experience in accounting and finance, corporate management and business investments. He has held a number of senior management positions and executive directorships in various public and private corporations in Singapore, Hong Kong and China. Currently, he serves as an independent director on the boards of several Singapore and Chinese companies listed on the Singapore Exchange. These listed companies are from diverse industries including manufacturing, offshore and marine, property, textile and paper packaging. He holds a Bachelor of Commerce from Nanyang University, and is a Fellow member of the Institute of Singapore Chartered Accountants and CPA Australia.

MAK YEN-CHEN ANDREW

Non-Executive and Independent Director

Mr Mak Yen-Chen Andrew was appointed a Non-Executive and Independent Director of Falcon Energy Group Limited in March 2014 and was last re-elected on October 27, 2016. He is a practising lawyer with more than 22 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation. Mr Mak is an independent director of Leader Environmental Technologies Limited (a company listed on the Main Board of the SGX-ST), Far East Group Limited (a company listed on the Catalist Board of the SGX-ST) and China Jishan Holdings Limited (a company listed on the Main Board of the SGX-ST). He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list. Mr Mak graduated from the National University of Singapore in 1994 with a Bachelor of Laws (Second Class Honours Upper Division).

BOARD OF DIRECTORS

CAI WENXING

Executive Director

Mr Cai Wenxing was appointed as Executive Director in July 2006 and was last re-elected on December 29, 2017. He is responsible for overseeing the business operations of the Oilfield Services, Oilfield Projects and Drilling Services Divisions for Falcon Energy Group Limited. His role includes the exploration of new business opportunities and expansion worldwide. He is currently CEO of Terasa-Star International Shipping Pte Ltd, Longzhu Oilfield Services (S) Pte Ltd and CDS Oilfield Services Pte Ltd. With more than 20 years of experience in the oil and gas industry, he holds a Bachelor Degree from the South China Normal University.

TAN SOOH WHYE

Alternate Director

Ms Tan Sooh Whye was appointed as Alternate Director to Mr Tan Pong Tyea in July 2006. She is currently a director of Energian Pte Ltd and Ruben Capital Venture Ltd. She is responsible for the treasury, administrative and human resource for FEG group of Companies and has been with the Group for over 10 years. She graduated with a Bachelor of Arts in Economics and also holds a Diploma in Business Administration from Wilfrid Laurier University in Waterloo, Canada.

CAI WENTING

Alternate Director

Ms Cai Wenting was appointed as Alternate Director to Mr Cai Wenxing in July 2006. She is currently a director of Terasa-Star International Shipping Pte Ltd and Longzhu Oilfield Services (S) Pte Ltd, where she is responsible for the business operations and profitability. She graduated with a Master of Business Administration from the University of South Australia, Adelaide.

SENIOR MANAGEMENT

CORPORATE OFFICE

TAN PONG TYEA
Chairman and Chief Executive Officer

CAI WENXING
Executive Director

TAN SOOH WHYE
Alternate Director

CAI WENTING
Alternate Director

LAM MAY YIH
Chief Financial Officer

OILFIELD SERVICES DIVISION

TANG NEE CHIANG
General Manager
Longzhu Oilfield Services (S) Pte Ltd

ERIC SHAO LEI
Deputy General Manager
Terasa-Star International
Shipping Pte Ltd

RESOURCES DIVISION

STEVE LAU TAT HOONG
Director
Falcon Resources Management Pte Ltd

JIMMY WONG CHEUNG CHAI
Director
Falcon Resources Management Pte Ltd

OUR SERVICES

EXPLORATION

- Seismic survey
- Transportation of essential supplies & personnel
- Towing of rigs & other vessels
- Accommodation facilities
- Refuelling & re-supply
- Storage facilities
- Well testing

DEVELOPMENT

- Topside & subsea repair & maintenance
- Work-over of oil wells
- Cranage & workshop services
- Accommodation facilities
- Transportation of cargo, essential supplies, equipment & personnel
- Towing & mooring & anchor handling of facilities
- Standby duties

PRODUCTION

- Towing & mooring of work barges & other construction vessels
- Transportation of cargo, essential supplies, equipment & personnel
- Construction & erection of production facilities
- Cranage & workshop services
- Warehousing & storage
- Pipe laying

POST-PRODUCTION

- De-commissioning of platforms & other production facilities
- Transportation of cargo, essential supplies, & personnel
- Demobilisation of equipment

CORPORATE STRUCTURE

CORPORATE STRUCTURE

GROUP LIMITED

- 100% **Capital Guardian Limited**
  - 100% CGL Resources Ltd
  - 65% FLZ Oil and Gas Ltd
- 100% **Radford Holdings Limited**
  - 100% Falcon Resources Management Pte Ltd
  - 100% Quick Link Holdings Limited
  - 100% Krameria Limited
    - 99.80% PT. Majujasa Sumber
    - 99.60% PT. Majujasa Tenaga
    - 99.60% PT. Ganindo Sentosa Makmur
    - 99.60% PT. Falindo Sukses Abadi
  - 0.20% PT. Majujasa Sumber
  - 0.40% PT. Majujasa Tenaga
  - 0.40% PT. Ganindo Sentosa Makmur
  - 0.40% PT. Falindo Sukses Abadi
- 50% **FTS Derricks Pte. Ltd.**
  - 70% TS Drilling Pte Ltd
    - 100% TS Amber Limited
    - 100% TS Pearl Limited
- 50% **FTSG Co. Limited**
  - 50% TS Drilling Holdings Limited
    - 100% TS Coral Limited
    - 100% TS Emeraldd Limited
    - 100% TS Jade Limited
    - 100% TS Opal Limited
    - 100% TS Topaz Limited
- 100% **Petro Asset Pte Ltd**
- 5% **PV Drilling Overseas Company Private Limited**

POSITIONING TO CAPITALISE ON OPPORTUNITIES

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN PONG TYEA
Chairman and Chief Executive Officer

CAI WENXING
Executive Director

LIEN KAIT LONG
Non-Executive and Lead Independent Director

MAK YEN-CHEN ANDREW
Non-Executive and Independent Director

TAN SOOH WHYE
Alternate to Tan Pong Tyea

CAI WENTING
Alternate to Cai Wenxing

AUDIT COMMITTEE

LIEN KAIT LONG
Chairman

MAK YEN-CHEN ANDREW

NOMINATING COMMITTEE

LIEN KAIT LONG

TAN PONG TYEA

REMUNERATION COMMITTEE

MAK YEN-CHEN ANDREW
Chairman

LIEN KAIT LONG

COMPANY SECRETARIES

LIM MEE FUN

PEH LEI ENG

REGISTERED OFFICE

10 Anson Road
#33-15 International Plaza
Singapore 079903
Tel: (65) 6538 7177
Fax: (65) 6538 7188
Email: admin@feg.com.sg
Website: www.falconenergy.com.sg

Company Registration Number:
200403817G

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

AUDITORS

DELOITTE & TOUCHE LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
6 Shenton Way
#33-00 OUE Downtown Two
Singapore 068809
Partner-in-charge: Chua How Kiat
(Appointed with effect from financial year ended March 31, 2014)

INVESTOR RELATIONS

WONG SIEW LU
Tel: (65) 6538 7177
Email: slwong@feg.com.sg

PRINCIPAL BANKERS

OVERSEA-CHINESE BANKING CORPORATION LIMITED
63 Chulia Street
#02-00 OCBC Centre East
Singapore 049514

CIMB BANK
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

REPORT ON CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

Falcon Energy Group Limited ("Company") and its subsidiaries (collectively, the "Group") recognise the importance of, and are committed to, maintaining good standards of corporate governance so as to enhance corporate transparency and accountability and protect the interests of shareholders.

As the Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company seeks to comply with the listing rules of the SGX-ST as prescribed in the Listing Manual of the SGX-ST ("Listing Rules") and is guided in its corporate governance practices by the revised Code of Corporate Governance issued in 2012 ("Code").

The Board of Directors ("Board") is pleased to outline the main corporate governance framework and practices of the Company in this report, with specific reference made to each of the principles set out in the Code. This report describes the Company's corporate governance practices that were in place throughout the financial year ended 30 June 2018. Other than deviations which are explained in this report, the Company has generally adhered to the principles and guidelines set out in the Code.

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Role of the Board of Directors

The Company is headed by an effective Board to lead and control the Company. The Board comprises experienced individuals from varied backgrounds with the relevant skills and core competencies to enable them to collectively and effectively contribute to the Company. A balanced mix of executive and non-executive, and independent and non-independent, directors forms the Board. Each member of the Board is expected to act in good faith and has a fiduciary duty to discharge his or her duties and responsibilities in the best interests of the Company at all times.

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises the management. To fulfil this role, the Board is responsible for the overall corporate governance, strategic direction, formulation of polices and overseeing the investment and business of the Group. This includes the Company's compliance with laws and regulations that are relevant to the business, establishing goals and monitoring the management's performance in achieving these goals.

The Company has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. Apart from its fiduciary duties and statutory responsibilities, the Board evaluates and approves important matters such as material acquisitions and disposal of assets, financial plans, capital expenditures, and major funding and investments proposals. It also reviews and approves the financial statements and annual reports and authorises announcements of financial results to be issued.

The Board has delegated the day-to-day management and running of the Company to the management headed by the Chief Executive Officer ("CEO"), Mr Tan Pong Tyea, who is involved in the supervision of the management of the Group's operations.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board committees including an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored. The Board accepts that while these Board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The number of Board and Board Committee meetings held during the financial year ended 30 June 2018[(1)] and the attendance of each director where relevant are as follows:

Types of Meetings	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Names of Directors	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**
Tan Pong Tyea (Alternate : Tan Sooh Whye)	5	4	–	–	1	1	–	–
Cai Wenxing (Alternate : Cai Wenting)	5	2	–	–	–	–	–	–
Lien Kait Long	5	5	4	4	1	1	1	1
Mak Yen-Chen Andrew	5	5	4	4	–	–	1	1
Lim Kuan Meng[(2)]	1	1	1	1	1	1	1	1

Notes:-

(1) Refers to meetings held/attended while each Director was in office.

(2) Mr Lim Kuan Meng resigned on 1 Nov 2017.

Directors' Meetings Held During the Financial Year

The Board meets at least four times in a year and holds special meetings at such other times as may be necessary to address any ad hoc significant matters. Matters before the Board are diligently deliberated by the Board to ensure that the interests of the Company are protected. Meetings via telephone or videoconference are permitted under the Company's Constitution. In between Board meetings, important matters are discussed in person or via telephone and are tabled for Board decision via circulating resolutions in writing. Supporting memorandum or papers are circulated to the directors where relevant.

Training

The Company recognises the importance of appropriate training for its directors. Newly-appointed directors will be given briefings and orientation on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. The current directors have been made aware of and are familiar with their duties and obligations. The current directors will also be briefed from time to time on industry trends/ issues, regulatory changes which have an important bearing on the Company and the directors' obligations towards the Company, and financial reporting standards. The Company does not provide any formal letter to directors outlining their duties and obligations.

Principle 2: Board Composition and Guidance

The present Board comprises four directors. Of the four board members, two are Independent Directors. Each of the two Executive Directors on the Board has also appointed an alternate director. The directors of the Company as at the date of this report are as follows:

Executive Directors :

Tan Pong Tyea	(Chairman and Chief Executive Officer)
Cai Wenxing	(Executive Director)

Non-Executive Directors :

Lien Kait Long	(Lead Independent Director)
Mak Yen-Chen Andrew	(Independent Director)

Alternate Directors :

Tan Sooh Whye	(Alternate Director to Tan Pong Tyea)
Cai Wenting	(Alternate Director to Cai Wenxing)

The NC is satisfied that the Board and the Board committees comprised directors who as a group provide an appropriate balance and diversity of skills, experience, gender, and knowledge of the Group. The Board currently includes two female Alternate Directors. Board members have the core competencies, such as accounting or finance, business or management experience, human resource, legal and industry knowledge experience, required for the Board and the Board committees to be effective. With Independent Directors making up half of the Board composition, the Company has adhered to the Code.

The Board is aware of the requirement of the Code for Board committees to consist of at least three members where (i) all of them must be Non-Executive Directors; and (ii) a majority of them must be Independent Directors. The Board currently has two Independent Directors, namely, Mr Lien Kait Long and Mr Mak Yen-Chen Andrew. The Company has been looking for a suitable candidate to be appointed as the third Independent Director. However, given the challenges faced by marine, oil and gas industry, in addition to the ongoing restructuring exercise undertaken by the Group, the Board is of the view that it requires more time to consider the choice of a suitable candidate.

The Independent Directors have participated actively in the decision-making process during Board deliberations. Accordingly, there is a strong and independent element on the Board to enable the Board to exercise objective judgement on corporate affairs independently from the management.

The Board examines its size with a view towards determining the impact of its effectiveness. The composition of the Board is also reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

For the year under review, the NC is of the view that the current Board size is appropriate and effective, taking into account the nature and scope of the Company's operations. The NC is mindful of the requirement of the Code to appoint a suitable candidate as the third Independent Director.

Independent Members of the Board of Directors

A director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interests of the Company, is considered to be independent.

The NC reviews the independence of each director on an annual basis, and as and when circumstances require, based on the Code's definition of what constitutes an Independent Director.

Mr Lien Kait Long has served as an Independent Director of the Company for more than eleven years since his initial appointment in 2004. The Board has subjected his independence to a particularly rigorous review.

Taking into the account the views of the NC, the Board concurs that Mr Lien Kait Long has continued to demonstrate his strong independence in character and judgment in the discharge of his responsibilities as a director of the Company. He has continued to express his individual viewpoints and sought clarifications as he deemed required, including through direct access to the employees.

Based on declaration of independence received from Mr Lien Kait Long that he has no association with the management that could compromise his independence and after taking into account these factors, the Board has concluded that Mr Lien Kait Long continues to be considered as an Independent Director notwithstanding that he has served for more than nine years from his first appointment.

The NC is of the view that the two Independent Directors (who represent half of the Board) are independent and no individual or small group of individuals dominates the Board's decision-making process. Nevertheless, the NC is mindful of the requirement of the Code to appoint a suitable candidate as the third Independent Director as highlighted above.

Principle 3: Chairman and Chief Executive Officer

The Group's Chairman and CEO is Mr Tan Pong Tyea. He has in-depth knowledge of the business and operations of the Group. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure (i.e. where the CEO and chairman of the Board is the same person), so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. Moreover, the scale of the business does not warrant a meaningful separation of the roles. In addition, in view of Mr Tan's past performance, integrity and objectivity in discharging his responsibilities, the Board fully supports the retention of his role as Executive Chairman and CEO. In connection therewith, Mr Lien Kait Long is the Lead Independent Director and is available to shareholders where they have concerns which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate.

As the Chairman and CEO, Mr Tan Pong Tyea is responsible for, *inter alia*, the day-to-day running of the Group and the exercise of control over the quality, quantity and timeliness of information flow between the Board and the management. He also schedules Board meetings, oversees the preparation of the agenda for Board meetings and assists in ensuring compliance with the Group's guidelines on corporate governance. Mr Tan has played an instrumental role in developing the business of the Group and has also provided the Group with strong leadership and vision.

Although the roles and responsibilities for both the Chairman and CEO are vested in Mr Tan, the Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual, for example, all major decisions made by Mr Tan will be reviewed by the Board. Mr Tan's performance and appointment to the Board will be reviewed periodically by the NC.

The Independent Directors led by the Lead Independent Director, discuss and/or meet amongst themselves without the presence of the other Directors where necessary. The Lead Independent Director will also provide feedback to the Executive Chairman after such discussions/meetings.

Principle 4 : Board Membership

Nominating Committee

The NC currently comprises two members, namely, Mr Lien Kait Long and Mr Tan Pong Tyea. Mr Lien Kait Long, as the Lead Independent Director, currently acts as chairman during NC discussions. The Company is of the view that it requires more time to consider the choice of a suitable candidate to be appointed as the third Independent Director, and assume the role of the NC Chairman, given the challenges faced by marine, oil and gas industry, in addition to the ongoing restructuring exercise undertaken by the Group.

The NC's primary functions are to evaluate and to review nominations for appointment and re-appointment to the Board and the various committees, to assess the effectiveness of the Board, to nominate any director for re-election at the AGM, having regard to the director's contribution and performance, and to determine whether or not the director is independent.

The NC also determines annually whether a director with multiple board representations and other principal commitments is able to and has adequately discharge his duties as a director of the Company,

The NC is of the view that it would not be appropriate to set a maximum number of directorships that a director may hold as the contribution of each director would depend on his individual circumstances, including whether he has other principal commitments, full time position and other additional responsibilities. The Board shares this view.

Under the Company's existing Constitution, at each annual general meeting ("AGM") of the Company, at least one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not lesser than one-third) shall retire from office by rotation and subject themselves for re-nomination and re-election at regular intervals and at least once every three years.

Newly appointed director(s) shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

In the event that the appointment of a new director is required, the NC will seek to identify the competence required for the Board to fulfil its responsibilities and may engage recruitment consultants or other independent experts to undertake research on, or assess potential candidates for new positions on the Board.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as director.

The NC has recommended to the Board the nomination of Mr Lien Kait Long and Mr Mak Yen-Chen Andrew for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendation.

Principle 5: Board Performance

The Board believes that Board performance is ultimately reflected in the long-term performance of the Group. The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole, effectiveness of its Board Committees and the contribution by each individual director to the effectiveness of the Board on an annual basis. The performance evaluation process covers a range of issues including size and composition of the Board and Board Committees, information management, decision-making, processes, risk and crisis management, communication with Senior Management and stakeholder management. The evaluation and feedback are then consolidated and presented to the Board for discussion on strengths and weaknesses to improve the effectiveness of the Board and its Committees.

For the year under review, a formal assessment of the effectiveness of the Board as a whole was undertaken by the NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

Principle 6: Access to Information

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management. All directors have unrestricted access to the Company's records and information to enable them to constantly keep track of the Group's financial position. Detailed Board papers are prepared for each meeting of the Board and are normally circulated before each meeting. The Board papers include sufficient information from the management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. All directors have separate and independent access to all levels of senior executives in the Group and the Company Secretaries, and are encouraged to speak to other employees to seek additional information if they so require.

At least one of the Company Secretaries attends all Board meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The appointment and the removal of the Company Secretaries rest with the Board as a whole.

Each director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Remuneration Committee

The RC currently comprises two members, namely, Mr Lien Kait Long and Mr Mak Yen-Chen Andrew. The Chairman of the RC is Mr Mak Yen-Chen Andrew. The Company is of the view that it requires more time to consider the choice of a suitable candidate to be appointed as the third Independent Director, and assume the role of the third RC member, given the challenges faced by marine, oil and gas industry, in addition to the ongoing restructuring exercise undertaken by the Group.

The primary functions of the RC are to review and recommend the remuneration packages for the directors, CEO and key management personnel, to cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options and benefits-in-kind, and to implement and administer the Falcon Energy Group Employee Share Option Scheme ("Scheme").

The Scheme 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.

In discharging its functions, the RC may, at the Company's expense, obtain such independent legal and other professional advice as it deems necessary.

No director is involved in determining his own remuneration.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The RC adopted a director's fee framework in which the non-executive and independent directors will receive director's fees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate the directors. Director's fees are recommended by the Board for the approval of the shareholders at the Company's AGM.

The Executive Directors do not receive director's fees. The remuneration for the key management personnel comprises a basic salary, a benefit component, and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The RC reviews the remuneration of executive directors and key management personnel on an annual basis to ensure that it commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. Their performance is reviewed periodically by the RC and the Board.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The RC would review such contractual provisions as and when necessary.

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each individual director's remuneration paid for the financial year ended 30 June 2018 is as follows:

	Fees	Salary[i]	Bonus	Profit Sharing	Other Benefits[ii]	Share Options	Total
	%	%	%	%	%	%	%
S$500,000 to S$750,000							
Tan Pong Tyea	–	91	–	–	9	–	100
Cai Wenxing	–	95	5	–	–	–	100
Below S$250,000							
Tan Sooh Whye[1]	–	80	6	–	14	–	100
Cai Wenting[2]	–	93	7	–	–	–	100
Lien Kait Long	100	–	–	–	–	–	100
Mak Yen-Chen Andrew	100	–	–	–	–	–	100
Lim Kuan Meng[3]	100	–	–	–	–	–	100

(1) Alternate to Tan Pong Tyea

(2) Alternate to Cai Wenxing

(3) Resigned on 1 Nov 2017

(i) Salary is inclusive of CPF contribution

(ii) Other benefits refer to benefits-in-kind such as car, allowances, club membership, etc. made available to directors as appropriate.

The remuneration of each individual executive director and key management personnel (who is not a director or the CEO) is not disclosed in dollar terms as the remuneration of the executive directors and key management personnel is a commercially sensitive matter, given that the Company operates in a highly competitive environment where potential poaching of employees by competitors is fairly common.

The remuneration of independent directors comprises only director's fees.

Remuneration of Key Management Personnel

The remuneration of the key management personnel of the Group for the financial year ended 30 June 2018 is as follows:

	Fees	Salary[i]	Bonus	Profit Sharing	Other Benefits[ii]	Share Options	Total
	%	%	%	%	%	%	%
Below S$250,000							
Lam May Yih	–	93	7	–	–	–	100
Tang Nee Chiang	–	93	7	–	–	–	100

(i) salary is inclusive of CPF contribution;

(ii) other benefits refer to allowances, club membership, etc. made available to key management personnel as appropriate.

As at the date of this Corporate Governance Report, there were two key management personnel in the Company.

There were no termination, retirement and post-employment benefits granted to any director or key management personnel for the financial year ended 30 June 2018.

Remuneration of employee who are immediate family members of a Director or the CEO

Details of employees whose remuneration exceeds S$50,000 and are immediate family members of a director or the CEO are set out below:

Remuneration Band	Relationship with director or the CEO
S$150,000 – S$200,000	Wong Cheung Chai
	Spouse of Ms Tan Sooh Whye, the Alternate Director to Mr Tan Pong Tyea
	Brother-in-law of Mr Tan Pong Tyea, Chairman and CEO of the Company

The remuneration paid to the above mentioned employee is determined on the same basis as the remuneration of other unrelated employees.

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

As stated above, the Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and quarterly results announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The management will provide the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Principle 11: Risk Management and Internal Controls

The Company does not have a risk management committee. However, the Board and the management regularly review the Group's businesses and operations to identify areas of business risks and the appropriate measures to control and mitigate these risks. The management is accountable to the Board for ensuring the effectiveness of risk management and adherence to risk appetite limits. The management reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC.

The Board recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board notes that no system of internal control and risk management could provide absolute assurance that the Group will not adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledges that no system of internal control and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The AC will:

(i) satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;

(ii) ensure that a review of the effectiveness of the Group's material controls including financial, operating and compliance controls and risk management, is conducted at least annually. Such reviews can be carried out by the internal auditors and/or the external auditors; and

(iii) ensure that the internal control recommendations made by the internal and external auditors have been implemented by the management.

Assurance from CEO and CFO

The Board has received written assurance from the CEO and the CFO that:

(1) the Group's financial records have been properly maintained and the financial statements in respect of financial year ended 30 June 2018 give a true and fair view of the Group's operations and finances; and

(2) the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective to address all the risks which may occur from time to time

Based on the findings by the external and internal auditors and the various management controls put in place as well as the assurance from the CEO and the CFO, the Board with the concurrence of the AC is of the opinion that there are adequate and effective controls in place within the Group addressing financial, operational, and information technology controls, and risk management policies and systems to meet the needs of the Group, and provide reasonable (though not absolute) assurance against material financial misstatements and loss, and safeguard the Group's assets. The management continues to focus on improving the standard of internal controls and corporate governance.

Principle 12: Audit Committee

The AC currently comprises two members, namely, Mr Lien Kait Long and Mr Mak Yen-Chen Andrew. The Chairman of the AC is Mr Lien Kait Long.

The Board is aware of the requirement of the Code for the AC to consist of at least three members where (i) all of them must be Non-Executive Directors; and (ii) a majority of them must be Independent Directors. The Company is of the view that it requires more time to consider the choice of a suitable candidate to be appointed as the third Independent Director and assume the role of the third AC member, given the challenges faced by marine, oil and gas industry, in addition to the ongoing restructuring exercise undertaken by the Group.

The Board is of the view that the AC members are appropriately qualified to discharge their responsibilities.

The primary functions of the AC are:

(i) To review the audit plans of the external and internal auditors;

(ii) To review the external and internal auditors' reports;

(iii) To review the co-operation given by the Company's officers to the external and internal auditors;

(iv) To review the financial statements of the Company and the Group before their submission to the Board;

(v) To nominate the external auditors for appointment or re-appointment and approve the terms of engagement of the external auditors;

(vi) To review non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;

(vii) To review the adequacy and effectiveness of the internal audit function;

(viii) To evaluate the adequacy and effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, and risk management, by reviewing written reports from the internal and external auditors, and the management's responses and actions to correct any deficiencies;

(ix) To review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual issued by SGX-ST, and by such amendments made thereto from time to time; and

(x) To review interested person transactions as defined in Chapter 9 of the Listing Manual of the SGX-ST.

Apart from the duties listed above the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation, which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC has been given full access to and has obtained the co-operation of the management. The AC has reasonable resources to enable it to discharge its functions properly.

None of the AC members is a former partner or director of the Company's existing auditing firm within a period of 12 months nor has any financial interest in the auditing firm.

Summary of the AC's activities

The AC met four times during the year under review. The CEO, CFO, Company Secretaries, external and internal auditors are invited to the meetings. The AC meets annually with the external and internal auditors separately, without the presence of the management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The AC reviews the quarterly and full year results announcements before submission to the Board for approval. The AC also reviews the audit plan and audit findings presented by the external auditors. The external auditors provide regular updates and briefing to the AC on the changes or amendments to the accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors. Having satisfied as to the foregoing and that Listing Rule 712 has been complied with, the AC has recommended the re-appointment of Deloitte & Touche LLP as external auditors at the forthcoming AGM.

Both the AC and Board have reviewed the appointment of different auditors for its subsidiaries and significant associated companies and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company has complied with Listing Rule 716.

Whistle-blowing Policy

The Company has adopted a policy and procedure on whistle-blowing as part of the Company's system of internal controls. This is to ensure that arrangements are in place in order to detect and deter any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement, financial reports and records of the Company. The Group provides an avenue for employees to bring their complaints responsibly, or to report any possible improprieties in matters of financial reporting or other matters that they may encounter, to the AC without fear of reprisal.

Principle 13: Internal Audit

The Group has outsourced its internal audit function to Ernst & Young Advisory Pte Ltd ("EY"). The AC has reviewed and confirmed that EY is a suitable professional service firm to meet the Company's internal audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned engagement director, number and experience of supervisory and professional staff assigned to internal audits. The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The aim of the internal audit function is to promote internal control in the Group and to monitor the performance and effective application of internal audit procedures. The internal auditors plan their internal audit schedules in consultation with, but independent of, the management and the internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The internal auditors report primarily to the Chairman of the AC. The AC has reviewed the internal audit report prepared by EY and will follow up with the management on the implementation of the recommendations by the internal auditor.

The AC has reviewed and discussed internal audit reports in the course of the financial year ended 30 June 2018. Internal audits are conducted based on a rotational internal audit plan that is approved by the AC prior to the commencement of the outsourced internal audits. The AC will be following up with management on the implementation of the internal audit recommendations by the internal auditors.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principles 14: Shareholders rights

The Company is committed to treat all shareholders fairly and equitably to facilitate the exercise of their ownership rights by providing them with adequate, timely and sufficient information pertaining to the changes of Group's business which could have a material impact on the Company's share price.

Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Principles 15: Communication with Shareholders

The Company ensures that shareholders have the opportunity to participate effectively and vote at general meetings. The Company also ensures that all shareholders, besides exercising their voting rights at the general meetings convened by the Company, are encouraged to participate actively and also voice their concerns on any matters relating to the Group. Shareholders are advised to attend the AGM to ensure a high level of accountability and to stay informed of the Group's development.

Disclosure of information

The Company does not practise selective disclosure. In line with continuing disclosure obligations of the Company pursuant to the Listing Rules and the Companies Act (Chapter 50) of Singapore ("Act"), the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis through:

- annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Act and Singapore Financial Reporting Standards;

- quarterly financial statements containing a summary of the financial information and affairs of the Group for the year that are published through the SGXNET and news releases;

- notices and explanatory memoranda for general meetings;

- press and analyst briefings for the Group's quarterly and full year results as well as other briefings, as appropriate;

- press releases on major developments of the Group; and

- disclosures to the SGX-ST.

To further enhance its communication with shareholders and the public, the Company's website http://www.falconenergy.com.sg allows the public to access information on the Group directly. In addition, the Company also has investor relations email addresses available on the Company's website to attend to emails and requests from shareholders and the public.

The Group believes in encouraging shareholders' participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person through the appointment of one or more proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select). To facilitate participation by the shareholders, the Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote at general meetings. On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of CPF investors. Allowing multiple proxies for such members will facilitate indirect investors attending and voting at shareholder meetings and encourage more active shareholder participation. Voting in absentia by mail, facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent.

Principles 16: Conduct of shareholder meetings

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. The Board believes that general meetings serve as an opportune forum for shareholders to meet all the Board members and to interact with them. The Chairmen of the AC, the RC, and the NC are available at the meetings to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by the shareholders.

To have greater transparency in the voting process, the Company has adopted the voting of all its resolutions by electronic poll at its general meetings. The detailed voting results of each of the resolutions tabled will be announced immediately at the meeting. The total numbers of votes cast for or against the resolutions will be also announced after the meeting via SGXNet.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management, and such minutes are available to shareholders upon their request.

(E) DEALING IN SECURITIES

In line with Listing Rule 1207(19) on Dealings in Securities issued by the SGX-ST, the Group has procedures in place prohibiting dealings in the Company's shares by its officers while in possession of price sensitive information and during the period commencing two weeks prior to the announcement of the Company's quarterly results and one month prior to the announcement of the Company's full year results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. Employees who attend management committee meetings have to observe the "closed window" periods.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of the CEO, directors or controlling shareholders during the financial year ended 30 June 2018.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established review and approval procedures to ensure that all transactions with interested persons entered into by the Group are reported in a timely manner to the AC and those transactions are conducted on an arm's length basis and are not prejudicial to the interest of the Group and its shareholders. Save for the following interested person transactions as disclosed below, there were no interested person transactions entered into by the Company for the financial year under review:

Name of interested person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Listing Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Listing Rule 920 (excluding transactions less than S$100,000)**
	US$'000	**US$'000**
Cai Wenxing[(1)]		
Rental of premises	259	–
CDS International Forwarding (TianJin) Co. Ltd[(2)]		
Sale of services	176	–
Purchase of services	115	–

Notes :

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

(2) Mr Cai Wenxing is a director of the Company. He holds 70% of the equity interests in CDS International Forwarding (Tianjin) Co. Ltd.

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company has complied with all the principles and guidelines of the Code, save for the following: • Chairman and CEO The Chairman and CEO is Mr Tan Pong Tyea, whom has in-depth knowledge of the business and operations of the Group. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure) i.e. where the CEO and chairman of the Board is the same person), so to ensure the decision-making process of the Group would not be unnecessarily hindered. • Disclosure of the remuneration of directors and key management personnel The Company has not disclosed the exact details of the remuneration of each individual directors and key management personnel due to sensitive nature of such information and a disclosure of such would be prejudicial to the Company's interests.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) • Chairman and CEO In connection therewith, the Board appointed Mr Lien Kait Leong as the lead independent director, who is available to the shareholders where they have concerns which contact through the normal channels of the Chairman, the CEO or the CFO has failed to resolve or for which such contact is inappropriate. • Disclosure of the remuneration of directors and key management personnel The RC review and recommend the remuneration packages for the directors, CEO and key management personnel. It is to ensure that the remuneration structure is competitive and sufficient to attract, retain and motivate directors and key management personnel to run the Company successfully in order to maximize shareholders' value. The members of the RC do not participate in any decisions concerning their own remuneration.

Guideline	Questions	How has the Company complied?
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(a) Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender, and knowledge.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b) The NC is of the view that the current Board comprises directors with accounting or finance, business or management experience, human resource, legal and industry knowledge experience. The board comprises four directors, two of whom are independent directors. The Board also consists of two female Alternate Director.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The NC examines the Board size with a view towards determining the impact of its effectiveness. The composition of the Board is also reviewed on an annual basis to ensure the Board has appropriate mix of expertise and experience.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	(a) The NC and the Board share the view that it would not be appropriate to set a maximum number of directorships that a director may hold.
	(b) If a maximum number has not been determined, what are the reasons?	(b) The reason that a maximum number has not been determined is because the contribution of each director would depend on his individual circumstances, including whether he has other principal commitments, full time positions and other additional responsibilities.
	(c) What are the specific considerations in deciding on the capacity of directors?	(c) In considering the re-appointment of directors, the NC determines annually whether a director with multiple board representations and other principle commitments is able to and has adequately discharge his duties as a director of the Company.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on as its performance for the financial year?	(a) Please refer to the board evaluation process described under the section entitled "Board Performance" in the Corporate Governance Report.
	(b) Has the Board met its performance objectives?	(b) Yes. The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.

Guideline	Questions	How has the Company complied?
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. As the Executive Chairman and the CEO is the same person, the requirement of the Code that at least half the Board comprises independent directors is satisfied as there are two independent directors on the Board.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No (b) Not applicable
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes. Mr Lien Kait Long has served as an independent director of the Company for more than 11 years since his initial appointment in 2004. The Board has subjected his independence to a particularly rigorous review. Taking into the account the view of the NC, the Board concurs that Mr Lien Kait Long has continued to demonstrate his strong independence in character and judgement in the discharge of his responsibilities as a director of the Company. He has continued to express his individual viewpoints and sought clarifications as he deemed required, including through direct access to the employees. Based on the declaration of independence received from Mr Lien Kait Long that he has no association with the management that could compromise his independence and after taking into account these factors, the Board has concluded that Mr Lien Kait Long continues to be considered as independent director.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance- related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has disclosed a breakdown of each director's and the CEO's remuneration (in percentage terms) into fees, salary, bonus, profit sharing, other benefits, share options, but did not disclose the exact details of their remuneration as it is not the best interest of the Company as such details as sensitive in nature.

Guideline	Questions	How has the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) The Company has disclosed a breakdown key management personnel's remuneration (in percentage terms) into fees, salary, bonus, profit sharing, other benefits, share options, but did not disclose in dollar terms as the remuneration of the executive directors and key management personnel is a commercially sensitive matter, given that the Company operates in a highly competitive environment where potential poaching of employees by competitors is fairly common. (b) The Company is of the view not to disclose the aggregate remuneration paid to the top two key management personnel (who are not directors or the CEO) due to sensitive nature of such information. It is not in the best interest of the Company as the industry which the Company operates is in highly competitive in respect of the recruitment of experienced executive.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Yes. Please refer to the "Remuneration of employees who are immediate family members of a Director or the CEO" section in Corporate Governance report.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to the section entitled "Level and Mix of Remuneration" in the Corporate Governance Report. (b) Please refer to the section entitled "Level and Mix of Remuneration" in the Corporate Governance Report. (c) Please refer to the section entitled "Level and Mix of Remuneration" in the Corporate Governance Report.

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to the section entitled "Access to Information" in the Corporate Governance report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	No. Please refer to the explanation set out under the section entitled "Internal Audit" in the Corporate Governance report.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a) Please refer to the section entitled "Risk Management and Internal Control" in the Corporate Governance Report.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(b) Yes. Please refer to the section entitled "Risk Management and Internal Control" in the Corporate Governance Report.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	(a) The fees paid to external auditors for audit and non-audit services for the financial period ended 30 June 2018 were US$231,000 and US$29,000 respectively.
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(b) The AC has undertaken a review of all the non-audit services provided by external auditors during the year is satisfied that such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors.

Guideline	Questions	How has the Company complied?
Audit Committee		
Guideline 12.1	The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's annual report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	The AC currently comprises two members, namely, Mr Lien Kait Long and Mr Mak Yen-Chen Andrew. The Chairman of the AC is Mr Lien Kait Long. The Company is of the view that it requires more time to consider the choice of a suitable candidate to be appointed as the third Independent Director and assume the role of the third AC member, given the challenges faced by marine, oil and gas industry, in addition to the ongoing restructuring exercise undertaken by the Group
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	(a) Please refer to the section entitled "Communications with Shareholders" in the Corporate Governance Report.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b) The Group has specifically entrusted an investor relations team comprising the Chairman and CEO, the CFO, the investor relations manager, and an external investor relation firm with the responsibility of facilitating communications with shareholders and analysts and attending to their queries and concerns.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(c) Please refer to the section entitled "Communications with Shareholders" in the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	For the financial year ended 30 June 2018, no dividend was paid. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirement, cash flow, general business condition, development plans and other factors as the directors may deem appropriate.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended June 30, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 45 to 125 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at June 30, 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended June 30, 2018.

At the date of this statement, with the continuous financial support from key shareholders and on the basis of the successful negotiation and completion of matters as described in Note 1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Tan Pong Tyea
Cai Wenxing
Lien Kait Long
Mak Yen-Chen Andrew
Tan Sooh Whye (Alternate Director to Tan Pong Tyea)
Cai Wenting (Alternate Director to Cai Wenxing)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraphs 3, 4 and 5 of the directors' statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital, share options and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Direct interest		Indirect interest	
Name of directors and companies in which interest are held	**At beginning of year**	**At end year**	**At beginning of year**	**At end of year**
The Company				
(Ordinary shares)				
Tan Pong Tyea	417,960,700	417,960,700	88,393,051	88,393,051
Cai Wenxing	–	–	70,933,592	70,933,592
Lien Kait Long	75,000	75,000	–	–
Tan Sooh Whye	10,600,000	10,000,000	4,209,500	4,209,500
Cai Wenting	23,716,216	23,716,216	–	–

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of directors and companies in which interest are held	Direct interest At beginning of year	Direct interest At end of year	Indirect interest At beginning of year	Indirect interest At end of year
The Company				
(Shares options)				
Cai Wenxing	250,000	250,000	–	–
Tan Soon Whye	–	–	150,000	150,000
Cai Wenting	150,000	150,000	–	–

* *Tan Pong Tyea and Tan Sooh Whye are siblings.*

** *Cai Wenxing and Cai Wenting are siblings.*

By virtue of Section 7 of the Singapore Companies Act, Tan Pong Tyea is deemed to have an interest in all the related corporations of the Company.

The directors' interest in the shares and options of the Company as at July 21, 2018 were the same at June 30, 2018.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

The Falcon Energy Group Employee Share Option Scheme (the "Scheme") is administered by the Remuneration Committee ("Committee") comprising:

Mak Yen-Chen Andrew - Independent non-executive (Chairman)
Lien Kait Long - Independent non-executive

The Scheme was adopted on October 28, 2004 and has lapsed on October 27, 2014. As the Scheme has 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.

(b) *Unissued shares under option and options exercised*

At the end of the financial period, details of the options granted under the Scheme on unissued ordinary shares of the Company, are as follows:

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at July 1, 2017	Exercised	Cancelled/ Lapsed	Balance at June 30, 2018	Exercise price per share	Exercisable period
June 5, 2009	1,090,000	–	–	1,090,000	S$0.40	June 5, 2011 to June 5, 2019

In respect of options granted in 2009, 800,000 options were granted to Executive Directors, 600,000 options were granted to non-executive directors and 3,200,000 options were granted to employees.

4 SHARE OPTIONS (cont'd)

(b) *Unissued shares under option and options exercised (cont'd)*

Holders of the above share options have no right to participate in any share issues of any other Company. No employees or employee of related corporations has received 5% or more of the total options available under this scheme except as disclosed below.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual).

The information on directors and key executive officers of the Company participating in the Scheme is as follows:

Name of directors	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Cai Wenxing	–	250,000	–	–	250,000
Cai Wenting	–	150,000	–	–	150,000

5 AUDIT COMMITTEE

The members of the Audit Committee are as follows:

Lien Kait Long	-	Independent non-executive (Chairman)
Mak Yen-Chen Andrew	-	Independent non-executive

The Audit Committee has met 5 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) the audit plan of the external auditors, their audit report, their management letter and the management's response;

b) the Group's financial and operating results and accounting policies;

c) the financial statement of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

e) internal control and procedures, including the internal auditor's internal audit plan and internal audit findings;

f) the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues and matters arising from the audits;

g) to consider and make recommendation on the re-appointment of the external auditors; and

h) Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

5 AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has reviewed the independence of Deloitte & Touche LLP including the volume of non-audit services supplied by Deloitte & Touche LLP and is satisfied of Deloitte & Touche LLP's position as an independent external auditor. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group and of the Company at the forthcoming AGM of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

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Tan Pong Tyea

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Cai Wenxing

October 9, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of Falcon Energy Group Limited

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Falcon Energy Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at June 30, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 125.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at June 30, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion

As disclosed in Note 7(a) to the financial statements, as of June 30, 2018, the Group has an outstanding trade receivable balance from a debtor amounting to US$63,382,000 (2017 : US$62,884,000) before allowance of US$23,382,000 (2017 : US$22,884,000). We were not provided with sufficient appropriate audit evidence as to the basis of the allowance for doubtful debts. As there were no other practicable alternative audit procedures that we could perform, we were not able to conclude on the recoverability of the remaining balance of the trade receivable from the debtor and whether the allowance for doubtful debt is adequate and not excessive. Consequently, we were unable to determine whether any adjustments might be necessary in respect of the trade receivable in the accompanying financial statements for the financial year ended June 30, 2017 and 2018.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainties Related to Going Concern

We draw attention to Note 1 to the financial statements which indicates that as at June 30, 2018, the Group reported a net current liabilities position of US$11,397,000 (2017 : US$116,121,000) and incurred loss before tax of US$93,453,000 (2017 : US$173,788,000). The Company reported a net capital deficiency of US$172,981,000 (2017 : US$100,498,000).

The Group and Company are exposed to an increased liquidity risk in relation to their ability to successfully negotiate with principal and other lenders of the Group and finalise the debt restructuring plan which will determine the Group's and the Company's ability to service their borrowings when they fall due (Note 23), to resolve with a secured lender on the ongoing writ of summons and statements of claims in respect of the outstanding amount due to the lender (Note 23), exposure to the performance guarantee given by the Company in relation to the purchase of five rigs contracted by an associate (Notes 37 and 38) and the resolution of the on-going legal claim in relation to the reconstruction of a vessel (Note 38) in favour of the Group.

These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties exists which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Other than the directors' statement which we obtained prior to the date of this auditor's report, the remaining other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis of Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence to conclude on the recoverability of the remaining balance of the trade receivable from the debtor and whether the allowance for doubtful debt is adequate and not excessive. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How the scope of our audit responded to the key audit matters
Appropriateness of carrying amounts of vessels *(Refer to Notes 3(a)(iii), 3(b)(ii) and 11 of the accompanying financial statements)* The Group has significant property, plant and equipment (including those presented as assets held for sale) which comprises mainly vessels and its related capitalised expenditures, which collectively represents 60.2% (2017 : 58.7%) of the Group's total assets as at June 30, 2018. As the challenging market conditions continue, the charter and utilisation rates remain depressed in the current year which are impairment indicators relevant to the Group's vessels. Management determined the recoverable amount of the Group's vessels by computing the value-in-use of the respective cash-generating units ("CGU") which involves significant judgement and estimates, including determination of CGUs, the estimation of the future charter rate, discount rate applied to the cash flow and economic life of the vessels.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. We performed the following procedures: ● challenged the key assumptions used in the value-in-use which include the future charter rate, discount rate and the economic life of vessels of the Group by comparing to available industry and historical data applicable to the Group; ● challenged management's assessment of CGU; ● engaged our internal specialist to assess the reasonableness of the discount rate used by the group; ● performed sensitivity analysis in regard to the discount rate and charter rates as these are the two significant key assumptions in the impairment model; and

Key Audit Matters (cont’d)

Key audit matters	How the scope of our audit responded to the key audit matters
Appropriateness of carrying amounts of vessels (cont’d) As a result of the impairment review, the Group recognised an impairment loss of US$23,719,000 (2017 : US$85,013,000) during the financial year ended June 30, 2018. The key sources of estimation uncertainty made in the assessment of recoverable amounts of vessels have been appropriately disclosed in Note 3(b)(ii).	• reviewed the adequacy of disclosures on the key sources of estimation used in determining the recoverable amount of vessels in the consolidated financial statement. Based on our procedures, we noted management’s key assumptions to be within a reasonable range of our expectations.
Contract for purchase of rigs entered by FTS Derricks Pte Ltd (“FTS”) *(Refer to Notes 37 and 38 of the accompanying financial statements)* In prior years, an associate of the Group, FTS had entered into contract agreements to acquire 5 rigs. Performance guarantees for the five rigs were given by the Group and the Company as disclosed in Note 38. During the year, the contract for a rig with a third party shipyard has been terminated and the rig was subsequently disposed by the third party shipyard. The external legal counsel engaged by the Company is of the view that the performance guarantee provided is not legally binding on the Group and the Company, and the exposure is limited to the difference between the amount owed under the contract and the price in which the rig is sold. As the shipyard has not informed FTS the price of the rig sold, management is of the view that no provision is required to be made in respect of the performance guarantee on the basis that the amount is currently not measurable. In addition, the contracts for the remaining four rigs with another third party shipyard was terminated in prior years. Last year, FTS engaged an external legal counsel to dispute the basis of the termination by the shipyard. Consequently, FTS had exercised their right to terminate the contracts and the directors and management believed that the four performance guarantees issued by the Company for the due and punctual payment by FTS of the final instalment of the contract price payable by FTS upon delivery of the four rigs were no longer in effect. In September 2018, the Company engaged another external legal counsel to reaffirm the position taken by the Company on this matter. In accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the directors and management are of the opinion that the performance guarantee given for contracts for the purchase of rigs is not probable and not remote. Accordingly, the Group and Company have disclosed contingent liabilities amounting to US$1,002,278,000 (Notes 37 and 38) as at the end of the reporting period.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the review on the obligations under FRS 37. We have performed the following: • We obtained an understanding of the progress of the rig construction and reviewed the terms of the contract; • We have also obtained management’s updates in the current year on the contracts for purchase of rigs and reviewed their assessment of such resolution in accordance with FRS 37; • We have held discussions with management and the external legal counsels surrounding the legal implications arising from the termination. We have also assessed the competence and objectivity of the legal counsels; and • We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

To the Members of Falcon Energy Group Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chua How Kiat.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

October 9, 2018

STATEMENTS OF FINANCIAL POSITION

June 30, 2018

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Current assets					
Cash and bank balances	6	4,576	10,848	37	28
Trade receivables	7	48,859	59,359	–	–
Other receivables	8	26,745	35,252	272	199
Inventories	10	282	1,012	–	–
		80,462	106,471	309	227
Assets held for sale	9	114,846	5,912	–	5,912
Total current assets		195,308	112,383	309	6,139
Non-current assets					
Other receivables	8	1,193	12,578	–	11,355
Property, plant and equipment	11	151,168	290,068	63	171
Subsidiaries	12	–	–	42,140	92,233
Associates	13	4,683	30,901	*	*
Joint ventures	14	3,751	11,996	*	*
Available-for-sale investments	15	2,098	2,098	2,098	2,098
Other intangible assets	16	186	186	–	–
Deferred tax assets	17	541	498	–	–
Goodwill	18	–	–	–	–
		163,620	348,325	44,301	105,857
Assets held for sale	9	7,581	–	–	–
Total non-current assets		171,201	348,325	44,301	105,857
Total assets		366,509	460,708	44,610	111,996
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	19	13,342	18,538	–	–
Other payables	20	44,678	34,068	141,469	136,852
Current portion of finance leases	21	106	156	11	17
Bank borrowings	23	114,192	132,417	39,454	35,769
Notes payable	22	–	36,355	–	36,355
Income tax payable		3,366	3,505	–	25
		175,684	225,039	180,934	209,018
Liabilities associated with assets held for sale	9	31,021	3,465	–	3,465
Total current liabilities		206,705	228,504	180,934	212,483

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018

		Group		Company	
	Note	2018	2017	2018	2017
		US$'000	US$'000	US$'000	US$'000
Non-current liabilities					
Deferred tax liabilities	17	5,100	8,934	–	–
Other payables	20	14,011	34,143	–	–
Finance leases	21	191	215	–	11
Notes payable	22	36,657	–	36,657	–
		55,959	43,292	36,657	11
Liabilities associated with assets held for sale	9	6,831	–	–	–
Total non-current liabilities		62,790	43,292	36,657	11
Capital, reserves and non-controlling interests					
Share capital	24	231,009	229,528	231,009	229,528
Treasury shares	25	(4,114)	(4,114)	(4,114)	(4,114)
Capital reserve	26	(19,608)	(19,608)	11,824	11,824
Share-based payments	27	639	639	639	639
Merger reserve	28	(151,692)	(151,692)	–	–
Foreign currency translation reserve		(362)	(404)	–	–
Accumulated (losses) profits		(412)	76,025	(412,339)	(338,375)
Equity attributable to owners of the Company		55,460	130,374	(172,981)	(100,498)
Non-controlling interests		41,554	58,538	–	–
Total equity (Net capital deficiency)		97,014	188,912	(172,981)	(100,498)
Total liabilities and equity		366,509	460,708	44,610	111,996

* *Amount less than US$1,000*

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial year ended June 30, 2018

	Note	Group 2018	Group 2017
		US$'000	US$'000
Revenue	29	44,537	106,824
Cost of sales		(24,572)	(70,653)
Gross profit before direct depreciation		19,965	36,171
Direct depreciation		(29,501)	(25,085)
Gross (loss) profit		(9,536)	11,086
Other operating income	30	2,209	5,920
Administrative expenses		(19,213)	(23,899)
Other expenses	33(b)	(52,629)	(154,058)
Finance costs	31	(10,050)	(9,908)
Share of net loss of associates and joint ventures	13, 14	(4,234)	(2,929)
Loss before income tax	33	(93,453)	(173,788)
Income tax credit	32	9	10,107
Loss for the year		(93,444)	(163,681)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of foreign entities		65	23
Total comprehensive loss for the year		(93,379)	(163,658)
Loss for the year attributable to:			
Owners of the Company		(76,437)	(121,838)
Non-controlling interests		(17,007)	(41,843)
Total		(93,444)	(163,681)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(76,395)	(121,870)
Non-controlling interests		(16,984)	(41,788)
Total		(93,379)	(163,658)
Loss per share (US cents)			
- Basic	34	(9.18)	(15.10)
- Diluted	34	(9.18)	(15.10)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Financial year ended June 30, 2018

	Note	Share capital	Treasury reserve	Capital reserve	Share option reserve	Merger reserve	Foreign currency translation reserve	Accumulated profits (losses)	Equity attributable to equity holders of the parent	Non-controlling interests	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group											
Balance at July 1, 2016		229,528	(4,017)	10,173	639	(151,692)	(372)	197,863	282,122	56,305	338,427
Total comprehensive income for the year:											
Loss for the year		–	–	–	–	–	–	(121,838)	(121,838)	(41,843)	(163,681)
Other comprehensive income for the year		–	–	–	–	–	(32)	–	(32)	55	23
Total		–	–	–	–	–	(32)	(121,838)	(121,870)	(41,788)	(163,658)
Transactions with owners, recognised directly in equity:											
Repurchase of shares	25	–	(97)	–	–	–	–	–	(97)	–	(97)
Dilution of interests in subsidiaries	26	–	–	(29,781)	–	–	–	–	(29,781)	44,021	14,240
Total		–	(97)	(29,781)	–	–	–	–	(29,878)	44,021	14,143
Balance at June 30, 2017		229,528	(4,114)	(19,608)	639	(151,692)	(404)	76,025	130,374	58,538	188,912
Balance at June 30, 2017		229,528	(4,114)	(19,608)	639	(151,692)	(404)	76,025	130,374	58,538	188,912
Total comprehensive income for the year:											
Loss for the year		–	–	–	–	–	–	(76,437)	(76,437)	(17,007)	(93,444)
Other comprehensive income for the year		–	–	–	–	–	42	–	42	23	65
Total		–	–	–	–	–	42	(76,437)	(76,395)	(16,984)	(93,379)
Transactions with owners, recognised directly in equity:											
Issuance of share capital	24	1,481	–	–	–	–	–	–	1,481	–	1,481
Total		1,481	–	–	–	–	–	–	1,481	–	1,481
Balance at June 30, 2018		231,009	(4,114)	(19,608)	639	(151,692)	(362)	(412)	55,460	41,554	97,014

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Financial year ended June 30, 2018

	Note	Share capital	Treasury shares	Capital reserve	Share option reserve	Accumulated profits (losses)	Total
		US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Company							
Balance at July 1, 2016		229,528	(4,017)	11,824	639	9,223	247,197
Loss for the year, representing total comprehensive loss for the year		–	–	–	–	(347,598)	(347,598)
Transactions with owners, recognised directly in equity:							
Repurchase of shares	25	–	(97)	–	–	–	(97)
Balance at June 30, 2017		229,528	(4,114)	11,824	639	(338,375)	(100,498)
Loss for the year, representing total comprehensive loss for the year		–	–	–	–	(73,964)	(73,964)
Transactions with owners, recognised directly in equity:							
Issuance of share capital	24	1,481	–	–	–	–	1,481
Balance at June 30, 2018		231,009	(4,114)	11,824	639	(412,339)	(172,981)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial year ended June 30, 2018

	Group	
	2018	2017
	US$'000	US$'000
Operating activities		
Loss before income tax	(93,453)	(173,788)
Adjustments for:		
Depreciation of property, plant and equipment	30,442	26,248
Interest expense	10,050	9,908
Allowance for impairment of goodwill	–	5,050
Interest income	(196)	(291)
Allowance for doubtful trade receivables	2,904	25,702
Allowance for other receivables	7,252	25,941
Write off of other receivables	11,355	7,804
Allowance for impairment in associated companies	239	–
Trade receivables written back	(261)	(583)
Share of net loss of associates and joint ventures	4,234	2,929
Allowance for impairment of property, plant and equipment	24,636	86,813
Property, plant and equipment written off	6	–
Allowance of impairment in joint venture	6,243	–
Write off of intangible assets	–	2,748
Loss on disposal of property, plant and equipment	11	12
Net foreign exchange losses (gains)	2,343	(1,032)
Operating cash flows before movements in working capital	5,805	17,461
Inventories	590	(619)
Trade receivables	87	509
Other receivables	(291)	(5,724)
Trade payables	(1,797)	(10,637)
Other payables	774	13,838
Cash generated from operations	5,168	14,828
Income tax refund	–	39
Net cash from operating activities	5,168	14,867
Investing activities		
Interest received	196	291
Purchase of property, plant and equipment (Note A)	(4,156)	(2,162)
Proceeds from disposal of property, plant and equipment	310	59
Fixed deposits and bank balances pledged	1,140	538
Proceeds from assets held for sale	5,449	–
Net cash inflow from dilution of interest in subsidiary (Note 12)	–	14,295
Net cash from investing activities	2,939	13,021

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial year ended June 30, 2018

	Group	
	2018	2017
	US$'000	US$'000
Financing activities		
Interest paid	(5,375)	(9,908)
Share buy-back	–	(97)
Proceed from issuance of shares	1,481	–
Advance from related parties	2,500	–
Proceeds of borrowings	2,951	15,020
Repayment of borrowings	(6,974)	(47,004)
Repayment of liabilities associated with assets held for sale	(3,465)	–
Repayment to finance leases obligations	(191)	(845)
Net cash used in financing activities	(9,073)	(42,834)
Net decrease in cash and cash equivalents	(966)	(14,946)
Cash and cash equivalents at beginning of year	9,518	24,361
Effect of exchange rate changes on the balance of cash held in foreign currencies	83	103
Cash and cash equivalents at end of year	8,635	9,518
Cash and bank balances (Note 6)	4,386	9,518
Cash and bank balances included in assets held for sales [Note 9 (a)]	4,249	–
Cash and cash equivalents as per above	8,635	9,518

Notes to statement of cash flows:

A) In 2017, the Group's purchase of property, plant and equipment included a purchase of US$206,000 made under finance lease arrangement.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200403817G) is incorporated in Republic of Singapore with its principal place of business and registered office at 10 Anson Road, #33-15 International Plaza, Singapore 079903. The Company is listed on mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") from September 8, 2009. The financial statements are expressed in United States dollars.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 12, 13 and 14 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year then ended June 30, 2018 were authorised for issue by the Board of Directors on October 9, 2018.

As at June 30, 2018, the Group reported a net current liabilities position of US$11,397,000 (2017 : US$116,121,000) and incurred loss before tax of US$93,453,000 (2017 : US$173,788,000). The Company reported a net capital deficiency of US$172,981,000 (US$100,498,000).

The Group and Company are exposed to an increased liquidity risk in relation to their ability to successfully negotiate with principal and other lenders of the Group and finalise the debt restructuring plan which will determine the Group's and the Company's ability to service their borrowings when they fall due (Note 23), to resolve with a secured lender on the ongoing writ of summons and statements of claims in respect of the outstanding amount due to the lender (Note 23), exposure to the performance guarantee given by the Company in relation to the purchase of five rigs contracted by an associate (Notes 37 and 38) and the resolution of the on-going legal claim in relation to the reconstruction of a vessel (Note 38) in favour of the Group.

These conditions, along with other matters as set forth below, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Management has explored the options available with respect to their financial affairs. In prior year, the Group appointed financial advisors and legal counsels to assist in a debt restructuring exercise ("Debt Restructuring"), to review the financial position of the Group and to assist the Group in developing alternative options and solutions with a view to formulating a debt restructuring plan. Whilst the Debt Restructuring has achieved an advance stage, the negotiation with principal lenders of the Group remains in progress and the Debt Restructuring has yet to be finalised at the date of these financial statements. Successful negotiation with principal and other lenders of the Group and finalise the Debt Restructuring plan which will determine the Group's and the Company's ability to service their borrowings when they fall due.

In August 2017, the Group received writs of summons and statement of claims filed by one of its secured lenders, which is also a participant of the Debt Restructuring, claimed against the Group for the outstanding loan including interest cost amounting to US$19,949,000 in High Court of Malaya at Kuala Lumpur, Malaysia.

On November 9, 2017 and May 23, 2018, respectively, the Group received two statutory demands from the lender in Singapore, one of which had been subsequently withdrawn in January 2018.

On April 12, 2018, the High Court of Malaya in Kuala Lumpur has ruled in favour of the secured lender in its application of summary of judgement in the civil suits commenced against the Group. The Group filed notices of appeal with the Court of Appeal in Kuala Lumpur against the decision by High Court of Malaya, which were later put on hearing on October 3, 2018. The Court of Appeal did not dismiss the case and order for another hearing on December 12, 2018. Upon consulting the legal counsel, the Company's management is of the view that the statutory demand issued on May 23, 2018 should not have been issued amid the upcoming appeal hearing and accordingly does not change the Group's legal position.

The Group remains committed to the restructuring and will continue to engage in discussions with all its secured lenders and any other key stakeholders in relation to the Debt Restructuring. The directors and management believe that there is reasonable likelihood that a Debt Restructuring can be successfully achieved.

1 GENERAL (cont'd)

Since 2017, FTS was in discussion with a third party shipyard to further defer the delivery of a completed rig to a date beyond 12 months. During the year, the contract for a rig with a third party shipyard has been terminated and the rig was subsequently disposed by the third party shipyard. The external legal counsel engaged by the Company is of the view that the performance guarantee provided is not legally binding on the Group and the Company, and the exposure is limited to the difference between the amount owed under the contract and the price in which the rig is sold. As the shipyard has not informed FTS the price of the rig sold, management is of the view that no provision is required to be made in respect of the performance guarantee on the basis that the amount is currently not measurable.

In addition, FTS and another third party shipyard have each exercised its rights to terminate the remaining four rigs contracts. Consequently, the directors and management believes that the four performance guarantees issued by the Company for the due and punctual payment by FTS of the final instalment of the contract price payable by FTS upon delivery of the four rigs are no longer in effect (Notes 37 and 38).

As disclosed in Note 38, a subsidiary of the Group is involved in a legal dispute in Indonesia relating to the reconstruction of a vessel. A demand letter was received by the subsidiary in prior year to claim for the damages of S$3,503,000 (equivalent to approximately US$2,531,000). During the year, police investigation was commenced against the plaintiff and the outcome remains unknown as of the date of the financial statements. Management believes that the demand is without legal merit.

The above matters represent a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, and therefore, the Group and the Company's may not be able to realise its assets and discharge its liabilities in the normal course of business. The management and the directors believe that a successful conclusion of the Debt Restructuring negotiation, the ability to resolve with a secured lender on the ongoing writ of summons and statement of claims, the non-enforceability of performance guarantees provided by the Company to third party shipyards and the positive outcome on legal dispute in Indonesia, will improve the financial position of the Group and enable it to continue operations for the foreseeable future. Having considered the Group's cash flows projection approved by the board of directors [Note 4 (b)(v)], management are of the view that the Group is able to continue as a going concern.

Accordingly, the accompanying financial statements do not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than at their carrying amounts; (ii) provide for further liabilities that may arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying consolidated financial statements in respect of these matters.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On July 1, 2017, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* disclosed in Note 23.

Adoption of a new financial reporting framework in 2018 – In December 2017, the Accounting and Standards Council ("ASC") has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)"), which is to be adopted by Singapore Incorporated Companies listed on the Singapore Exchange ("SGX"), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB"). The Group and the Company will be adopting the new framework for the first time for financial year ending June 30, 2019 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (June 30, 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending June 30, 2019, an additional opening statement of financial position as at the date of transition (July1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for Capital and reserves as at the date of transition (July 1, 2017) and as at the end of last financial period under FRS (June 30, 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended June 30, 2018). Additional disclosures may also be required for specific transition adjustments if applicable.

Management does not expect any changes to the Group's accounting policies or significant adjustments on transition to the new framework.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (June 30, 2019), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at June 30, 2019, they may impact the disclosures of estimated effects described below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New SFRS(I) that may have impact

The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

- SFRS(I) 9 *Financial Instruments*[(i)]
- SFRS(I) 15 *Revenue from Contracts with Customers*[(i)]
- SFRS(I) 16 *Leases*[(ii)]

(i) Applies to annual periods beginning on or after January 1, 2018.
(ii) Applies to annual periods beginning on or after January 1, 2019, with early application permitted.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss. With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 9 *Financial Instruments* (cont'd)

Management anticipates that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets. The Group will consider whether a lifetime or 12-month expected credit losses on financial assets should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS(I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the Group is currently finalising their transition adjustments.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipates that the initial application of the new SFRS(I) 15 may result in changes to the accounting policies relating to revenue recognition for certain revenue streams. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial application as the Group is currently finalising their transition adjustments.

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 *Leases* (cont'd)

SFRS(I) 16 will take effect from financial years beginning on or after July 1, 2019. Management expects the adoption of the above SFRS(I) to have impact on the financial statements of the Group in the period of their initial adoption, in particular on property, plant and equipment, finance lease liabilities and depreciation expenses. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the management has yet to complete its detailed assessment. The Group does not plan to early adopt SFRS(I) 16 for financial year ending June 30, 2019.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognized in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payments transaction of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment award transactions of the acquirer in accordance with FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, cash and bank balances) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available for sale and are stated at cost less impairment in recoverable value as the cost approximates the fair value. Impairment losses are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank overdrafts, bank loans and notes payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

CONSTRUCTION CONTRACTS - Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts due to construction contracts customers. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Group as lessor</u>

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

<u>The Group as lessee</u>

Assets held under finance lease are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as an expense in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. For transactions which the sale is expected to complete after one year from the date of classification, management must demonstrate that the events or circumstances that cause the delay are beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets less residual value, other than freehold land and construction work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	20 years
Leasehold office premises	-	Over the remaining lease period of 53 years
Vessels	-	12 to 25 years
Dry-docking	-	3 to 5 years
Plant and machinery	-	3 to 10 years
Furniture and fittings	-	3 to 10 years
Renovation	-	3 years
Motor vehicles	-	4 to 10 years

Depreciation is not provided on construction work-in-progress and freehold land.

Dry-docking expenditure for major overhauls of floating equipment is deferred when incurred and amortised over a period from the current dry-docking date to the next estimated dry-docking date (normally takes place every three to five years).

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss.

Fully depreciated assets still in use are retained in the financial statements until they are no longer in use.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Club membership

Club membership with indefinite useful life is not amortised and is measured at cost less any accumulated impairment loss.

Mining concession

Mining concession are stated at cost less accumulated amortisation and less accumulated impairment losses and are amortised on a unit-of-production method from the date of commencement of commercial production which approximates the date from which they are available for use.

Pre-mining expenses

Pre-mining expenses, consisting of cost incurred in connection with the mining activities, are expensed in the current period, except that such costs may be deferred when permit to conduct exploration and mining activities in the area of interest is still valid and provided that one of the following conditions is met:

- Exploration and evaluation activities in the area of interest have not at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or in relation to the area are continuing; or

- Such costs are expected to be recovered through successful development and exploration of the area of interest or through its sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The ultimate recovery of such pre-mining expenses carried forward is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. Each area of interest is reviewed at the end of each accounting period. Pre-mining expenses in respect of an area of interest, which has been abandoned, or for which a decision has been made by the Group against the commercial visibility of the area of interest are written-off in the year the decision is made.

Pre-mining expenses represent the accumulated costs relating to general investigation, administration and licensing, geology and geophysics expenditures and costs incurred to develop a mine before the commencement of the commercial operations. Pre-mining expenses is amortised using the unit-of-production method, which is calculated from the date of commercial production of the respective area of interest.

The net carrying value is reviewed regularly and, to the extent this value exceeds its recoverable value, that excess is provided for or written-off in the period that the excess is determined.

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined. An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

ASSOCIATES AND JOINT VENTURES - An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets, relating to the joint arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from the disposal of a part interest in the associate or joint venture is included in the determination of the gain and loss on disposal of the associate or joint venture. In addition, the Group accounts of all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets and liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets and liabilities, the Group reclassifies the gain or loss from the equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use equity method when an investment in an associate becomes an investment in joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with its associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

SHARE-BASED PAYMENTS - The Group has an employee share option scheme under which it can issue equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Charter hire income is recognised on straight-line basis over the term of the relevant lease.

Revenue from rendering of marine services is recognised in the period in which the services are rendered.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts.

Revenue from agency fee income is recognised by reference to the quantity of coal sold under the agency agreement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Management fee income

Management fee income is recognised in the period in which the services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in United States dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, and other short-term highly liquid investments less bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

SEGMENT REPORTING - An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that is internally provided to the Group's chief operating decision maker and the Board. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amount recognised in the financial statements.

(i) Going concern

As disclosed in Note 4(b)(v), management has exercised significant judgement in preparation of projected net cash flows for the next financial year ending June 30, 2019 [Note 3(a)(i)]. The areas of judgement include key assumptions and estimates in the preparation of the projected cash flows, changes in working capital and repayment schedule of its other unsecured debts, as well as the fund expected to be received from a major shareholder and future placement of shares.

In addition, management has also taken into consideration the ability to successfully negotiate with principal and other lenders of the Group and finalise the debt restructuring plan which will determine the Group's and the Company's ability to service their borrowings when they fall due (Note 23), to resolve with a secured lender on the ongoing writ of summons and statements of claims in respect of the outstanding amount due to the lender (Note 23), exposure to the performance guarantee given by the Company in relation to the purchase of five rigs contracted by an associate (Notes 37 and 38) and the resolution of the on-going legal claim in relation to the reconstruction of a vessel (Note 38) in favour of the Group.

The Group is confident that the successful conclusion of the above events would enable the Group to continue operations for the foreseeable future. Accordingly, the Group considers that the use of going concern basis of preparing financial statements remains appropriate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(a) Critical judgements in applying the Group's accounting policies (cont'd)

(ii) Claims and litigations

As disclosed in Note 37, FTS had entered into contract agreements with two third party shipyards to acquire five rigs. As at date of the financial statements, the construction contracts in relation to all five rigs have been terminated and FTS is exposed to the risk of claims and litigations. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgement as to whether it is probable that any such claim and litigation will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal expertise from the external legal counsels.

(iii) Classification of vessels into Cash-Generating Units ("CGU")

The recoverable amounts of vessels of similar classification are aggregated as one cash-generating unit for comparison with the aggregate carrying amounts of the vessels in contrast with the comparison on an individual marine vessel basis. In adopting this basis, management took into account the interchangeability of the pool of vessels of similar classification when deploying vessels. Judgement is involved in determining the practicality and likelihood of interchangeability of vessels which are within a reasonable range of vessels capacity. The pool of vessels of similar classification is determined by management as the cash-generating Units ("CGU") as defined in FRS 36 *Impairment of Assets*.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

The carrying amounts of the Group's trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

(ii) Impairment of vessels

The Group assesses annually whether vessels have any indication of impairment in accordance with the accounting policy. In view of the continuing depressed market conditions which has adversely impacted the charter rates, management has estimated the recoverable amount of the vessels to determine whether there is any impairment loss. For this purpose, the recoverable amounts of the vessels are the discounted present values of estimated future net cash flows over the expected economic life.

The calculation of value in use is most sensitive to the following assumptions:

- Discount rate
- Forecasted charter rate

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(ii) Impairment of vessels (cont'd)

The future cash flows are discounted to the value in used based on the discount rates ranging from 8% to 9.5% (2017 : 7.1% to 9.0%) which reflects the current market assessment of the time value of money and the risks specific to the asset.

Based on the above assessment of value in use of vessels, management has determined that the respective aggregate carrying amounts at June 30, 2018 exceed the estimated aggregate recoverable amounts of the pool of vessels of similar classification is determined by management as the cash-generating Units ("CGU") as defined in FRS 36 *Impairment of Assets*.

Accordingly, an impairment amounting to US$23,719,000 (2017 : US$85,013,000) is charged to profit or loss for the Group in the current financial year. The carrying amounts of the Group's property, plant and equipment are disclosed in Note 11 to the financial statements.

Based on the value in use calculations for vessels as determined by management, possible increase or decrease to the following estimates used in management's assessment will affect the impairment loss to increase/(decrease) as follows:

	Discount rate		**Forecasted charter rate**	
	50 basis point increase	**50 basis point decrease**	**5% increase**	**5% decrease**
	US$'000	**US$'000**	**US$'000**	**US$'000**
June 30, 2018	2,909	(2,981)	(7,312)	8,292
June 30, 2017	4,232	(2,790)	(8,497)	11,014

(iii) Impairment in investment in subsidiaries, associates and joint ventures

Determining whether investments in subsidiaries, associates and joint ventures are impaired requires an estimation of the recoverable amount of these investments based on the higher of value in use and fair value less cost to sell. The value in use calculation requires the Group and the Company to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The fair value less costs to sell is determined by reference to the estimated realisable values of the net tangible assets of the investments.

For investment in subsidiaries, management has evaluated the recoverability of those investments based on value in use. The discount rate applied to the cash flows projection is 8.0% (2017 : 8.0%). This assessment has led to a recognition of allowance for impairment of investment in subsidiaries of US$50,799,000 (2017 : US$65,395,000) (Note 12).

For investment in associates and joint ventures, management has evaluated the recoverability of the investments based on fair value less cost to sell. The assessment has led to a recognition of allowance for impairment loss of US$239,000 (Note 13) and US$6,243,000 (Note 14) respectively.

The carrying amounts of the investments in subsidiaries, associates and joint ventures are disclosed in Notes 12, 13 and 14 to the financial statements respectively.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(iv) Income tax provision

The Group is subject to income taxes arising mainly in Singapore, Indonesia and Mexico. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and deductibility of certain expense ("uncertain tax positions") at each jurisdiction. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amounts of the Group's and Company's current tax and deferred tax provision are disclosed in the statement of financial position and Note 17 respectively.

(v) Useful life and residual value of property, plant and equipment

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method.

The Group reviews the residual values of vessels periodically to ensure that the amount is consistent with the future economic benefits embodied in these vessels at the point of disposal. Significant judgment is required in determining the residual values of its vessels.

In determining the residual values of its vessels, the Group considers the net proceeds that would be obtained from disposal of the assets in the resale or scrap markets and industry practices. During the year, management conducted a review of the residual value of the group's vessels which resulted in a change in the residual value of the Group's vessels. The effects of these changes on residual value has resulted in an additional depreciaton expenses of US$9,414,000 million, and is included in 'direct depreciation expense'.

The depreciation expense and carrying value of property, plant and equipment are disclosed in Note 11 to the financial statements.

(vi) Deferred taxation

No Singapore income tax is payable on the taxable profits if the group's income is derived from shipping operations from Singapore registered vessels under Section 13A of the Singapore Income Tax Act, Cap. 134. During the financial year ended June 30, 2012, a vessel held by one of the subsidiaries changed its flag from Singapore to a foreign flag. During the financial year ended June 30, 2014, 3 other vessels held by the company, also changed their flags from Singapore to foreign flags. Consequently, income derived from shipping operations from such vessels is no longer exempted from tax under Section 13A. Accordingly, the group will be subject to both current and deferred taxes.

In deriving at the deferred tax exposure as at June 30, 2018, management has considered the future periods in which these vessels will remain foreign flagged and continue to derive charter income that is not exempted under Section 13A through the usage of these vessels. Accordingly, a provision for deferred tax liabilities of US$3,952,000 (2017 : US$3,833,000) was recognised by the group at the end of the year.

The carrying amount of the deferred tax liabilities are disclosed in the statement of financial position and Note 17 respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the year:

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	78,569	115,921	260	11,515
Available-for-sale financial assets	2,098	2,098	2,098	2,098
Financial liabilities				
Borrowings and payables at amortised cost	209,081	228,219	217,591	209,004

(b) Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreement

The Group and Company does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) Financial risk management policies and objectives

The management of the Group monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. The Group's overall financial risk management seeks to minimise potential adverse effects of financial performance of the Group. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(i) *Market risk*

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Management monitors risks associated with changes in foreign currency exchange rates and interest rates and will consider appropriate measures should the need arises.

There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(ii) *Foreign currency risk management*

The Group transacts businesses significantly in Singapore Dollars ("S$"), Indonesian Rupiah ("IDR") and Euro Dollars ("Euro"). Transactions in other currencies are limited and such exposures to foreign exchange risk are minimal.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) *Foreign currency risk management (cont'd)*

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies at the reporting date are as follows:

Group	**2018**				**2017**			
(US$'000)	**S$**	**IDR**	**Euro**	**Others**	**S$**	**IDR**	**Euro**	**Others**
Cash and cash equivalents	353	1,920	21	374	2,530	773	132	718
Trade receivables	65	622	29,180	45	186	102	28,579	1,644
Other receivables	629	2,949	–	8	504	2,428	–	20
Trade payables	(3,826)	(924)	(18)	(155)	(4,903)	(406)	(126)	(186)
Other payables	(11,710)	(3,284)	(904)	(812)	(5,590)	(1,014)	–	(737)
Finance leases	(254)	(43)	–	–	(293)	(78)	–	–
Notes payable	(36,657)	–	–	–	(36,355)	–	–	–
Bank borrowings	(45,919)	(634)	–	–	(54,631)	(457)	–	–

Company (US$'000)	**2018** **S$**	**2017** **S$**
Cash and cash equivalents	37	20
Other receivables	272	199
Other payables	(6,540)	(4,667)
Finance lease	(11)	(28)
Notes payable	(36,657)	(36,355)
Bank overdraft and borrowings	(33,128)	(32,099)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, lost will increase/(decrease):

	S$ Impact		**IDR Impact**		**Euro Impact**		**Others Impact**	
Profit or loss (US$'000)	**2018**	**2017**	**2018**	**2017**	**2017**	**2017**	**2018**	**2017**
Group	9,732	10,202	(61)	(135)	(2,827)	(2,859)	(54)	(282)
Company	7,603	7,293	–	–	–	–	–	–

* *Amount less than US$1,000*

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, the reverse of the above amount will be the impact to the profit or loss.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) *Interest rate risk management*

Summary quantitative data of the Group's interest-bearing financial instrument can be found in section (v) of this note. The Group is exposed to interest rate risks as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the financial year would decrease/increase by US$570,000 (2017 : US$656,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Company's loss for the financial year would increase/decrease by US$197,000 (2017 : US$179,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

(iv) *Credit risk management*

Credit risk refers to the risk that debtors/counterparties will default on their obligations to repay the amount owing to the Group, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

A substantial portion of the Group's revenue is on credit terms. These credit terms are normally contractual. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered.

Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) *Credit risk management (cont'd)*

The table below is an analysis of trade receivables, which are not secured by any collateral or credit enhancement, as at the end of the year:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Not past due and not impaired	6,491	11,766
Past due but not impaired		
91 days to 180 days	1,169	1,998
≥ 180 days to 1 year	25	3,627
≥ 1 year and < 2 years	843	1,388
≥ 2 years and < 3 years	331	580
	8,859	19,359
Impaired receivables – individually assessed	78,859	80,481
Less: Allowance for doubtful debts	(38,859)	(40,481)
Total trade receivables, net	48,859	59,359

(i) Financial assets that are not past due and not impaired

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

(ii) Financial assets that are past due but not impaired

The Group has not made any allowance for remaining balances past due at the reporting date as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 38, if the full guaranteed amount is claimed by the counterparty to the guarantee is US$2,297,000 (2017 : US$2,297,000). Based on expectations at the end of the year, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

In 2017, approximately 47% of the Group's revenue are derived from customers in China which represent concentration risk within this geographical location. There are no concentration risk within this geographical location in 2018.

There is concentration of credit risk as 82% (2017 : 65%) of the Group's trade receivables at the end of the year relate to one (2017 : one) customer.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) *Liquidity risk management*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management manages liquidity risk by maintaining adequate reserve and actual cash flows and matching the maturity profiles of financial assets and liabilities, and monitoring the utilisation of bank borrowings and ensure compliance with loan covenants. Management's going concern assessment is disclosed in Note 1 to the financial statements.

Management has exercised significant judgement in preparation of projected net cash flows for the next financial year ending June 30, 2019 [Note 3(a)(i)]. The areas of judgement include key assumptions and estimates in the preparation of the projected cash flows, changes in working capital and repayment schedule of its other unsecured debts, as well as the fund expected to be received from a major shareholder and future placement of shares.

In addition, management has also taken into consideration the ability to successfully negotiate with principal and other lenders of the Group and finalise the debt restructuring plan which will determine the Group's and the Company's ability to service their borrowings when they fall due (Note 23), to resolve with a secured lender on the ongoing writ of summons and statements of claims in respect of the outstanding amount due to the lender (Note 23), exposure to the performance guarantee given by the Company in relation to the purchase of five rigs contracted by an associate (Notes 37 and 38) and the resolution of the on-going legal claim in relation to the reconstruction of a vessel (Note 38) in favour of the Group.

Management is confident that a successful conclusion of the above events will improve the financial position of the Group and enable it to continue operations for the foreseeable future.

Liquidity and interest risk analyses

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial assets on the statement of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) *Liquidity risk management (cont'd)*

	Weighted average effective interest rate	On demand or within 1 year	Within 1 to 5 years	Adjustments	Total
	%	US$'000	US$'000	US$'000	US$'000
Group					
2018					
Non-interest bearing	–	77,173	1,223	–	78,396
Variable interest rate	0.38	174	–	(1)	173
Total		77,347	1,223	(1)	78,569
2017					
Non-interest bearing	–	102,140	12,578	–	114,718
Variable interest rate	1.14	1,217	–	(14)	1,203
Total		103,357	12,578	(14)	115,921
Company					
2018					
Non-interest bearing	–	260	–	–	260
2017					
Non-interest bearing	–	160	11,355	–	11,515

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) *Liquidity risk management (cont'd)*

	Weighted average effective interest rate	On demand or within 1 year	Within 1 to 5 years	After 5 year	Adjustments	Total
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
2018						
Non-interest bearing	–	57,153	782	–	–	57,935
Fixed interest rate	6.49	114	38,889	–	(2,049)	36,954
Variable interest rate	3.94	119,019	–	–	(4,827)	114,192
Total		176,286	39,671	–	(6,876)	209,081
2017						
Non-interest bearing	–	59,076	–	–	–	59,076
Fixed interest rate	6.43	38,522	243	–	(2,039)	36,726
Variable interest rate	3.89	137,855	–	–	(5,438)	132,417
Total		235,453	243	–	(7,477)	228,219
Company						
2018						
Non-interest bearing	–	137,369	–	–	–	137,369
Fixed interest rate	4.62	4,288	38,490	–	(2,010)	40,768
Variable interest rate	3.59	41,020	–	–	(1,566)	39,454
Total		182,677	38,490	–	(3,576)	217,591
2017						
Non-interest bearing	–	132,762	–	–	–	132,762
Fixed interest rate	4.87	42,639	12	–	(2,178)	40,473
Variable interest rate	3.59	37,431	–	–	(1,662)	35,769
Total		212,832	12	–	(3,840)	209,004

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(vi) *Fair value of financial assets and financial liabilities*

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option models as appropriate.

The fair values of the current financial assets and financial liabilities carried at amortised cost as reported on the statement of financial position approximate their carrying amounts due to their relative short-term maturity.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

There were no significant transfers between the levels of the fair value hierarchy in June 30, 2017 and June 30, 2018.

Management consider that the carrying amounts of financial assets and financial liabilities are recorded at amortised cost in the financial statements and approximate their fair values.

(d) Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which includes the bank borrowings (Note 23), finance leases (Note 21) and notes payable (Note 22), and equity attributable to owners of the Company, which comprises issued capital, reserves and accumulated profits as disclosed in the notes to the financial statements.

The capital structure of the Company consists of debt, which includes the bank overdraft and borrowings (Note 23), finance leases (Note 21) and notes payable (Note 22), and equity attributable to owners of the Company, which comprises issued capital, reserves and net of accumulated losses as disclosed in the notes to the financial statements.

Management regularly monitors compliance with the financial covenants imposed by financial institutions for the facilities granted to the Group. As at the end of the reporting period, the Group has breached certain loan covenants and triggered cross default on other banking facilities of the Group as disclosed in Note 23. At the date of this report, whilst the Group remains actively engaged in negotiations with the principal lenders in relation to the Debt Restructuring, the Group had received writs of summons and statement of claims filed by one of its secured lenders. The Group remains committed to the restructuring and will continue to engage in discussions with all its secured lenders and any other key stakeholders in relation to the Debt Restructuring. The directors and management believe that there is reasonable likelihood that a Debt Restructuring can be successfully achieved.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Capital management policies and objectives (cont'd)

The Group's net debt to equity ratio as at the end of the year are as follows:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Total debt	151,146	169,143
Cash and bank balances	(4,576)	(10,848)
Net debt	146,570	158,295
Total equity	97,014	188,912
Net debt to equity ratio	1.51	0.84

The Group's and Company's overall strategy remains unchanged from prior year.

5A RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of the Company's group of companies.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, the Group entities entered into the following transactions with related companies:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Associates		
Management fee income	(394)	(648)
Rendering of services	(90)	(1,320)
Interest income	(179)	–
Joint-ventures		
Management fee income	–	(600)

5B RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Details of transactions between the Group and related parties are disclosed below:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Entities controlled by common directors and shareholders of the Company:		
Rendering of services	(17)	(254)
Purchase of services	138	251
Directors and shareholders of the Company:		
Rental expense	259	269

Compensation of directors and key management personnel

The remuneration of the Company's directors and other members of key management during the financial year were as follows:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Short-term benefits	1,471	1,806
Post-employment benefits	51	45
Total	1,522	1,851

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND BANK BALANCES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash on hand and bank balances	4,403	9,645	37	28
Fixed deposits	173	1,203	–	–
Total	4,576	10,848	37	28
Less: Fixed deposits and bank balances pledged	(190)	(1,330)		
Cash and cash equivalents in statement of cash flows	4,386	9,518		

6 CASH AND BANK BALANCES (cont'd)

Fixed deposits bear interests at effective interest rates ranging from 0.50% to 2.03% (2017 : 0.50% to 2.03% per annum and for a tenure of 10 days to a year (2017 : 10 days to a year). The following are pledged to financial institution in respect of banking facilities provided to the Group and the Company (Note 23):

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Pledged fixed deposits	173	1,177	–	–
Bank balances	17	153	–	–
Total	190	1,330	–	–

7 TRADE RECEIVABLES

	Group	
	2018	2017
	US$'000	US$'000
Outside parties [(a)]	87,335	99,457
Less: Allowance for doubtful debts [(a)]	(38,476)	(40,412)
Net	48,859	59,045
Related parties (Note 5B)	383	383
Less: Allowance for doubtful debts [(a)]	(383)	(69)
Total	48,859	59,359
Movement in the above allowance:		
Balance at beginning of the year	40,481	15,601
Increase in allowance recognised in profit or loss [Note 33 (b)]	2,904	25,702
Written-off	(614)	(239)
Written back (Note 30)	(261)	(583)
Transfer to assets held for sale (Note 9)	(3,651)	–
Balance at end of the year	38,859	40,481

The average credit period on sales of goods is 90 days (2017 : 90 days). No interest is charged on the outstanding trade receivable balance.

The allowance for doubtful receivables has been determined by reference to past default experience and the review of the trade receivables listing by management. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management is of opinion that no further credit allowance is required in excess of the allowance for doubtful debts.

7 TRADE RECEIVABLES (cont'd)

(a) Included in trade receivables due from outside parties above are contracts with a third party debtor as follows:

	Group	
	2018	2017
	US$'000	US$'000
Costs incurred to date plus recognised profits	506,050	506,050
Accumulated billings	(442,668)	(443,166)
Net amount due from contract customers included in trade receivables due from outside parties	63,382	62,884

As at June 30, 2018, management is in discussion with the third party debtor to recover the outstanding amounts of US$63,382,000 (2017 : US$62,884,000). As at date of these financial statements, the negotiations are still on-going and subject to the finalisation on various precedent conditions and the approvals of both parties. As of June 30, 2018, the Group made an allowance for doubtful debt of US$23,382,000 (2017 : US$22,884,000) due to the uncertainty of amounts recoverable from the third party debtor. Management is of the view that the allowance amount is adequate and not excessive based on their best estimates.

8 OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Sundry receivables	5,335	5,560	30	23
Due from subsidiaries (Note 5A and 12)	–	–	261,453	259,814
Due from associates (Note 5A and 13)	23,287	39,361	11,334	25,431
Due from joint ventures (Note 5A and 14)	19,045	25,894	–	–
Due from related parties (Note 5B)	1,570	646	–	–
Less: Allowance for other receivables recognised in profit or loss (Note 33)	(24,385)	(25,941)	(272,787)	(273,890)
Net	24,852	45,520	30	11,378
Prepayments	2,804	2,116	49	67
Sundry deposits	282	194	193	109
Total	27,938	47,830	272	11,554
Less: Non-current portion	(1,193)	(12,578)	–	(11,355)
Current portion	26,745	35,252	272	199

8 OTHER RECEIVABLES (cont'd)

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current portion is made up of:				
Due from associate	–	11,355	–	11,355
Prepayments	1,193	1,223	–	–
Total	1,193	12,578	–	11,355
Movement in the above allowance:				
Balance at beginning of the year	25,941	–	273,890	–
Increase in allowance recognised in profit or loss [Note 33 (b)]	7,252	25,941	1,645	273,890
Written-off	(2,748)	–	(2,748)	–
Transfer to assets held for sale	(6,060)	–	–	–
Balance at end of the year	24,385	25,941	272,787	273,890

The amounts due from subsidiaries, associates, joint ventures and related parties are unsecured, interest-free and repayable on demand except for an amount due from associate which is due more than one year after the reporting period.

In determining the recoverability of receivables from joint ventures, associates, related parties and third parties, the Group considers the financial strength and performance of the joint ventures, associates related parties and third parties. Accordingly, management believes that the Group's allowance for doubtful debts of US$24,385,000 (2017 : US$25,941,000) is adequate.

In determining the recoverability of receivables from subsidiaries and associates, the Company considers the financial strength and performance of the subsidiaries and associates. Accordingly, management believes that the Company's allowance for doubtful debts of US$272,787,000 (2017 : US$273,890,000) is adequate.

During the year, the Group and the Company wrote off an amount due from an associate of US$11,355,000 (2017 : US$Nil) [Note 33(b)] as result of the termination of a rig contract between the associate and a third party shipyard (Note 37).

In determining the recoverability of other receivables from third parties, the Group and the Company consider any changes in the credit quality of the third parties from the date credit was initially granted up to end of the reporting period. The Group's and Company's sundry receivables from third parties are neither past due nor impaired and have been assessed to be creditworthy, based on the credit evaluation process performed by management.

9 ASSETS HELD FOR SALE / LIABLITIES ASSOCIATED WITH ASSETS HELD FOR SALE

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Assets held for sale:				
A disposal group [(a)]	103,761	–	–	–
A joint venture [(b)]	9,081	–	–	–
Leasehold office premises [(c)]	9,585	5,912	–	5,912
	122,427	5,912	–	5,912
Presented as non-current assets	(7,581)	–	–	–
	114,846	5,912	–	5,912
Liabilities associated with assets held for sale:				
A disposal group	24,157	–	–	–
A joint venture	6,831	–	–	–
Leasehold office premises	6,864	3,465	–	3,465
	37,852	3,465	–	3,465
Presented as non-current liabilities	(6,831)	–	–	–
	31,021	3,465	–	3,465

(a) Partial disposal of interest in a subsidiary

On July 26, 2018, the Group entered into a sale and purchase agreement with a third party in relation to the sale of 217,800,000 shares representing 30.90% of equity interest in CH Offshore Ltd ("CHO") for a total consideration of S$25,047,000 (equivalent to approximately US$18,362,000) based on a price of S$0.115 per share. Upon the completion of the disposal, the Group's interest in CHO reduced from 64.91% to 34.01%, and accordingly CHO ceased to be a subsidiary and will be accounted as an associate of the Group.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	2018
	US$'000
Property, plant and equipment (Note 11)	176,351
Accumulated impairment (Note 11)	(98,326)
Net carrying amount of property, plant and equipment	78,025
Cash and cash equivalents	4,249
Inventories	140
Trade and other receivables, net of impairment	11,156
Prepayments	122
Associated companies (Note 13)	10,069
Total assets classified as held for sale	103,761
Trade and other payables, and total for liabilities associated with assets classified as held for sale	(24,157)
Net assets of disposal group	79,604

9 ASSETS HELD FOR SALE / LIABLITIES ASSOCIATED WITH ASSETS HELD FOR SALE (cont'd)

(a) Partial disposal of interest in a subsidiary (cont'd)

The fair value less costs to sell is lower than the net carrying amount of the relevant assets and liabilities immediately before the disposal and accordingly, an impairment loss of US$10,964,000 has been recognised during the year ended June 30, 2018. As of June 30, 2018, the fair value of the retained interest in CHO upon the completion of the disposal is approximately US$32,288,000.

(b) Planned disposal of the entire interest in a joint venture

As at the end of the reporting period, the Group is in discussion with the joint venture partner of Dictamismo S DE R.L. DE.C.V ("Dictamismo") to dispose its entire interest in Dictamismo being 50% equity interest at a total consideration of US$2,250,000. The disposal is expected to be completed one year after the end of the reporting period.

The fair value less costs to sell is expected to be lower than the net carrying amount of the relevant assets and liabilities and accordingly, an impairment loss of US$6,243,000 has been recognised during the year ended June 30, 2018.

(c) Disposal of leasehold office premises

On August 16, 2018, the Group entered into various sales and purchase agreement to dispose the leasehold office premises (Note 11) for an aggregate consideration of S$13,205,000 (equivalent to approximately US$9,585,000).

The proceeds on disposal are expected to be lower than the net carrying amount of the leasehold office premises immediately before the disposal and, accordingly, an impairment loss of US$917,000 has been recognised to write down the carrying amount of the assets to the fair value less cost to sell during the year ended June 30, 2018. Subsequent to the end of the reporting period, the Group repaid $6,864,000 out of the safe proceeds from disposal of a leasehold office premises.

The disposal of the Group's and the Company's leasehold office premises classified as assets held for sale as of June 30, 2017 with the carrying amount of US$5,912,000 was completed during the year. Consequently, the Group repaid the outstanding loans secured by the related properties amounted to US$3,465,000 during the year.

10 INVENTORIES

	Group	
	2018	2017
	US$'000	US$'000
Equipment components, at cost	282	1,012

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Freehold land	Leasehold office premises	Vessels	Dry-docking	Plant and machinery	Furniture and fittings	Renovation	Motor vehicles	Construction work-in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group											
Cost:											
At July 1, 2016	1,286	40	24,201	472,735	21,850	995	293	1,750	2,105	1,087	526,342
Translation adjustment	67	2	–	–	(80)	14	5	11	303	–	322
Additions	800	104	–	308	313	50	6	4	116	667	2,368
Transfer to assets held for sale	–	–	(6,579)	–	–	–	–	–	–	–	(6,579)
Disposal	–	–	–	–	–	(25)	(17)	–	(98)	–	(140)
At June 30, 2017	2,153	146	17,622	473,043	22,083	1,034	287	1,765	2,426	1,754	522,313
Translation adjustment	(75)	(5)	–	–	–	–	3	4	(13)	–	(86)
Additions	–	–	–	858	1,955	20	16	–	212	1,095	4,156
Transfer from construction work-in progress	–	–	–	–	776	–	–	–	–	(776)	–
Transfer to assets held for sale	–	–	(13,536)	(239,809)	(17,313)	–	(290)	–	–	(987)	(271,935)
Write-off	–	–	–	–	–	(1)	–	(52)	–	–	(53)
Disposal	–	–	–	(5,048)	–	(17)	–	(20)	(438)	–	(5,523)
At June 30, 2018	2,078	141	4,086	229,044	7,501	1,036	16	1,697	2,187	1,086	248,872
Accumulated depreciation:											
At July 1, 2016	469	–	1,481	96,779	7,663	741	145	1,244	1,135	–	109,657
Translation adjustment	63	2	–	–	–	(1)	–	(4)	93	–	153
Depreciation	98	2	429	21,596	3,489	104	54	159	317	–	26,248
Transfer to assets held for sale	–	–	(667)	–	–	–	–	–	–	–	(667)
Reclassification	–	–	–	(3,788)	3,788	–	–	–	–	–	–
Disposal	–	–	–	–	–	(25)	(8)	–	(36)	–	(69)
At June 30, 2017	630	4	1,243	114,587	14,940	819	191	1,399	1,509	–	135,322
Translation adjustment	(40)	–	–	–	–	–	3	4	(12)	–	(45)
Depreciation	96	2	281	27,108	2,353	88	74	100	300	–	30,442
Transfer to assets held for sale	–	–	(1,234)	(68,309)	(13,471)	–	(268)	–	–	–	(83,282)
Write-off	–	–	–	–	–	(1)	–	(46)	–	–	(47)
Disposal	–	–	–	(1,556)	–	(10)	–	(20)	(322)	–	(1,908)
At June 30, 2018	686	6	290	71,870	3,822	896	–	1,437	1,475	–	80,482

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Buildings	Freehold land	Leasehold office premises	Vessels	Dry-docking	Plant and machinery	Furniture and fittings	Renovation	Motor vehicles	Construction work-in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group (cont'd)											
Impairment loss:											
At July 1, 2016	–	–	–	10,110	–	–	–	–	–	–	10,110
Additions (Note 33)	–	–	1,800	85,013	–	–	–	–	–	–	86,813
At June 30, 2017	–	–	1,800	95,123	–	–	–	–	–	–	96,923
Transfer to assets held for sale	–	–	(2,717)	(98,326)	–	–	–	–	–	–	(101,043)
Disposal (Note 33)	–	–	–	(3,294)	–	–		–	–	–	(3,294)
Additions (Note 33)	–	–	917	23,719	–	–	–	–	–	–	24,636
At June 30, 2018	–	–	–	17,222	–	–	–	–	–	–	17,222
Carrying amount:											
At June 30, 2017	1,523	142	14,579	263,333	7,143	215	96	366	917	1,754	290,068
At June 30, 2018	1,392	135	3,796	139,952	3,679	140	16	260	712	1,086	151,168

Company	Leasehold office premises	Furniture and fittings	Plant and machinery	Renovation	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:						
At July 1, 2016	6,579	96	281	577	359	7,892
Disposals	–	–	(1)	–	–	(1)
Transferred to assets held for sale	(6,579)	–	–	–	–	(6,579)
At June 30, 2017 and 2018	–	96	280	577	359	1,312
Accumulated depreciation:						
At July 1, 2016	554	84	237	542	159	1,576
Depreciation	113	9	23	16	72	233
Disposals	–	–	(1)	–	–	(1)
Transferred to assets held for sale	(667)	–	–	–	–	(667)
At June 30, 2017	–	93	259	558	231	1,141
Depreciation	–	1	19	16	72	108
At June 30, 2018	–	94	278	574	303	1,249
Carrying amount:						
At June 30, 2017	–	3	21	19	128	171
At June 30, 2018	–	2	2	3	56	63

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The carrying amounts of the Group's and the Company's properties, plant and equipment includes an amount of US$586,000 (2017 : US$721,000) and US$25,000 (2017 : US$61,000) secured in respect of assets held under finance leases (Note 21).

The Group and the Company have the following pledges to secure banking facilities (Note 23) granted to the Group and the Company.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Leasehold office premises	3,795	22,531	–	5,912
Vessels and dry-docking	126,011	158,116	–	–
Total	129,806	180,647	–	5,912

During the year, the Group carried out a review of the recoverable amount of its vessels for chartering segment due to the deterioration in operating results following the market downturn. The review of impairment of property, plant and equipment involved key estimates as disclosed in Note 3(b)(ii) led to the recognition of an impairment loss of US$23,719,000 (2017 : US$85,013,000) that has been recognised in profit or loss and included in other expenses. The recoverable amount of the vessels of US$270,476,000 has been determined on the basis of their value in use.

12 SUBSIDIARIES

	Company	
	2018	**2017**
	US$'000	**US$'000**
Unquoted equity shares, at cost	166,684	166,684
Less: Allowance for impairment	(124,544)	(74,451)
	42,140	92,233
Deemed investment in subsidiaries	14,739	14,033
Less: Allowance for impairment	(14,739)	(14,033)
	–	–
Total	42,140	92,233

The deemed investment in subsidiaries relates to the amount due from subsidiaries which is unsecured, interest-free and not expected to be repaid in the foreseeable future.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in the financial statements.

	Company	
	2018	**2017**
	US$'000	**US$'000**
Movement in the above allowance:		
Balance at beginning of the year	88,484	23,089
Increase in allowance recognised in profit or loss	50,799	65,395
Balance at end of the year	139,283	88,484

12 SUBSIDIARIES (cont'd)

Details of the Company's subsidiaries at the end of the year are as follows:

Name of entity	Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	2018	2017		
	%	%		
Held by the Company:				
Capital Guardian Limited (5)	100	100	Hong Kong	Investment holding
Energian Pte Ltd (2)	100	100	Singapore	Investment holding
Falcon Energy Projects Pte Ltd (2)	100	100	Singapore	Investment holding
Falcon Oilfield Services Pte Ltd (2)	100	100	Singapore	Investment holding
FEG Offshore Pte Ltd (2)	100	100	Singapore	Investment holding
Petro Asset Pte Ltd (2)	100	100	Singapore	Providing services to oilfield companies
Oilfield Services Company Limited (3) (5)	100	100	Hong Kong	Investment holding
Radford Holdings Limited (5)	100	100	Hong Kong	Investment holding
Held by Capital Guardian Limited:				
CGL Resources Limited (5)	100	100	Labuan	Coal trading and related activities
FLZ Oil & Gas Limited (5)	65	65	Labuan	Crude oil trading and related activities
Held by Energian Pte Ltd:				
CH Offshore Ltd (7)	64.91	64.91	Singapore	Vessel owner and charterer
Held by CH Offshore Ltd:				
CHO Ship Management Pte Ltd (2)	64.91	64.91	Singapore	Ship manager
Delaware Marine Pte Ltd (2)	64.91	64.91	Singapore	Dormant
Garo Pte Ltd (2)	64.91	64.91	Singapore	Dormant
Offshore Gold Shipping Pte Ltd (2)	64.91	64.91	Singapore	Vessel owner and charterer
Pembrooke Marine Pte Ltd (2)	64.91	64.91	Singapore	Vessel owner and charterer
Sea Glory Private Limited (2)	64.91	64.91	Singapore	Vessel owner and charterer
Venture Offshore Pte Ltd (2)	64.91	64.91	Singapore	Investment holding

12 SUBSIDIARIES (cont'd)

Name of entity	Effective equity interest and voting power held 2018 %	2017 %	Place of incorporation/ operation	Principal activities
Held by CHO Ship Management Pte Ltd:				
High Majestic Sdn Bhd (5)	64.91	64.91	Malaysia	Vessel owner and charterer
Held by Delaware Marine Pte Ltd:				
Pearl Marine Pte Ltd (5)	64.91	64.91	Malaysia	Vessel owner and charterer
Held by Falcon Energy Projects Pte Ltd:				
Falcon Oilfield Projects Inc. (1) (5)	100	100	British Virgin Islands ("BVI")	Project management
Passiflora Capital Limited (1) (5)	100	100	BVI	Bareboat charterer
Otira Corporation (1)	100	100	BVI	Bareboat charterer
Held by Falcon Oilfield Services Pte Ltd:				
Astanient S.A. de C.V. (3)	65	65	Republic of Mexico	Providing services to oil field companies
CDS Oilfield Service (S) Pte Ltd (2)	86.67	86.67	Singapore	Shipping agent
CDS Oilfield Service (Tianjin) Co., Ltd (3) (5)	65	65	People's Republic of China ("PRC")	International trade logistics and oilfield services of engineering technical and consultation
Falcon Oilfield Services (USA) Inc. (5)	100	100	United States of America	Providing services to oilfield companies
Longzhu Oilfield Services (S) Pte Ltd (2)	65	65	Singapore	Shipping agencies for offshore oilfields, explorations, construction and marine transportations
Petrolink FZC (5)	65	65	United Arab Emirates	Import, export and trading in oil and gas field equipment and marine equipment related accessories
Terasa-Star International Shipping Pte Ltd (2)	65	65	Singapore	Provision of shipping and transportation services and sales of demulsifies

12 SUBSIDIARIES (cont'd)

Name of entity	Effective equity interest and voting power held 2018 %	2017 %	Place of incorporation/ operation	Principal activities
Held by FEG Offshore Pte Ltd:				
PDE International Ltd [3]	100	100	Labuan	Vessel owner and charterer
PT Bayu Maritim Makmur [4]	90	90	Indonesia	Vessel owner and charterer
PT Bayu Maritim Berkah [4]	90	90	Indonesia	Vessel owner and charterer
PT Bayu Maritim Group [5]	90	90	Indonesia	Investment holding
Sears Marine S.A. [1] [5]	100	100	Republic of Panama ("Panama")	Vessel owner and charterer
Held by Oilfield Services Company Limited:				
Asetanian Marine Pte Ltd [2]	100	100	Singapore	Ship manager
Atlantic Marine S.A. [1] [6]	100	100	Republic of Panama	Vessel owner and charterer
Century Marine S.A. [1] [6]	100	100	Panama	Vessel owner and charterer
Excel Marine S.A. [1] [6]	100	100	Panama	Vessel owner and charterer
Imperial Marine S.A. [1] [6]	100	100	Panama	Vessel owner and charterer
Innovest Resources Ltd [1] [6]	100	100	BVI	Vessel owner and charterer
Held by Oilfield Services Company Limited:				
Morrison Marine Services S.A. [1] [6]	100	100	Panama	Vessel owner and charterer
Motley Trio Offshore Pte Ltd [1] [6]	100	100	BVI	Vessel owner and charterer
Aset Marine Pte Ltd [3] [5]	100	100	Singapore	Ship manager
Trio Victory Inc [1] [6]	100	100	BVI	Vessel owner and charterer
Held by Radford Holdings Limited:				
Falcon Resource Management Pte Ltd [2]	100	100	Singapore	Mining management and other related services; and investment holding
Krameria Limited [5]	100	100	Hong Kong	Investment holding
PT Ganindo Sentosa Makmur [5]	100	100	Indonesia	Dormant

12 SUBSIDIARIES (cont'd)

Name of entity	Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	2018	2017		
	%	%		
Held by Radford Holdings Limited: (cont'd)				
PT Falindo Sukses Abadi [5]	100	100	Indonesia	Dormant
PT Majujasa Sumber [4]	100	100	Indonesia	Coal trading and mining activities
PT Majujasa Tenaga [5]	100	100	Indonesia	Coal trading and mining activities
Quick Link Holdings Limited [5]	100	100	Hong Kong	Investment holding

Notes:

(1) Not required to be audited by law in the country of incorporation.

(2) Audited by Deloitte & Touche LLP, Singapore.

(3) Audited by other firms of auditors.

(4) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(5) Not considered to be a material subsidiary of the Group.

(6) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.

(7) A public listed Company on SGX with June 30 financial year end and audited by Deloitte & Touche LLP, Singapore. As at June 30, 2018, the market value of the quoted equity shares held by the Group was approximately US$43,676,000 (equivalent to S$59,483,000)[2017 : US$84,733,000 (equivalent to S$116,678,000)]. Subsequent to the end of the reporting period, the Group entered into a sale and purchase transaction to dispose 30.9% of the interest in CHO [Note 9 (a)].

In 2017, the Group disposed 153,846,150 shares in CHO for cash consideration of approximately US$14,295,000. The difference between the amount in which the non-controlling interests are adjusted and the fair value of the proceed received of US$29,781,000 was recognised directly in equity.

12 SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017
		%	%	US$'000	US$'000	US$'000	US$'000
CH Offshore Ltd	Singapore	35.09	35.09	(9,226)	(27,789)	33,310	42,536
Longzhu Oilfield Services (S) Pte Ltd	Singapore	35.00	35.00	(3,364)	(12,709)	7,543	10,907
Individually immaterial subsidiaries with non-controlling interests				(4,394)	(1,290)	701	5,095
				(16,984)	(41,788)	41,554	58,538

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Statement of financial position

	CH Offshore Ltd		Longzhu Oilfield Services (S) Pte Ltd	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Current assets	16,208	22,919	54,409	52,770
Non-current assets	102,875	123,646	9,477	20,863
Current liabilities	(12,940)	(9,839)	(44,641)	(44,788)
Non-current liabilities	(11,217)	(15,507)	(179)	(167)
Equity attributable to owners of the Company	61,616	78,683	11,523	17,771
Non-controlling interests	33,310	42,536	7,543	10,907

12 SUBSIDIARIES (cont'd)

Statement of profit or loss and other comprehensive income

	CH Offshore Ltd		Longzhu Oilfield Services (S) Pte Ltd	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Revenue	9,906	16,405	6,779	53,375
Expenses	(36,675)	(56,829)	(17,649)	(93,761)
Other income	476	344	1,258	1,555
Loss for the year	(26,293)	(40,080)	(9,612)	(38,831)
Loss attributable to owners of the Company	(17,067)	(12,291)	(6,248)	(26,122)
Loss attributable to non-controlling interests	(9,226)	(27,789)	(3,364)	(12,709)
Loss for the year, representing total comprehensive income for the year	(26,293)	(40,080)	(9,612)	(38,831)
Dividends declared to non-controlling interests	–	–	–	–

Cash Flow Statement

	CH Offshore Ltd		Longzhu Oilfield Services (S) Pte Ltd	
Cash flows information	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Net cash inflow (outflow) from operating activities	109	(6,087)	(1,913)	(3,066)
Net cash outflow from investing activities	(539)	(653)	(419)	(383)
Net cash inflow (outflow) from financing activities	–	1,680	949	(717)
Net cash outflow	(430)	(5,060)	(1,383)	(4,166)

There were no significant restrictions on the Company and its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

13 ASSOCIATES

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Unquoted equity shares, at cost	8,998	8,998	*	*
Amount receivables – non-trade [(i)]	3,879	12,677	–	–
Charge to profit or loss during the year [Note 33 (b)]	(239)	–	–	–
Share of post-acquisition profit, net of dividend received and amortisation of deferred gain	2,114	9,226	–	–
Less: Transfer to assets held for sale [Note 9 (b)]	(10,069)	–	–	–
Total	4,683	30,901	*	*

* *Amount less than US$1,000*

(i) The amount receivables are unsecured, interest-free and repayable upon disposal of the associates. The amounts receivable from the associates, in substance, form part of the Group's net investment in the associates.

Details of the Group's associates as at the end of the financial year are as follows:

Name of entity	Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	2018	2017		
	%	%		
Held by company:				
FTS Derricks Pte Ltd [(1)]	50	50	Singapore	Investment holding, rigs owner and operators
Held by Falcon Energy Projects Pte Ltd:				
Federal Offshore Services Pte Ltd [(2)]	40	40	Singapore	Vessel owner and charterer
Held by CH Offshore Ltd:				
Gemini Sprint Sdn Bhd [(3) (5)]	31.81	31.81	Malaysia	Vessel chartering
Marineco Limited [(3) (5)]	31.81	31.81	Malaysia	Vessel owner and charterer
Held by Venture Offshore Pte. Ltd:				
PT Bahtera Nusantara Indonesia [(4)]	31.81	31.81	Indonesia	Vessel owner and charterer

13 ASSOCIATES (cont'd)

All of the above associates are accounted for using the equity method in these consolidated financial statements.

Notes:

(1) Audited by Deloitte and Touche LLP, Singapore.

(2) Audited by Ernst & Young LLP, Singapore.

(3) The audited financial statements of the associates held by the company are for the financial year ended March 31, 2018. Accordingly, unaudited management accounts for the financial period from July 1, 2018 to June 30, 2018 were used for determining the full financial period's profit for the purpose of equity accounting for Marineco Limited and Gemini Sprint Sdn. Bhd.

(4) Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

The following amounts are included in the Group's financial statements as a result of the equity accounting of the associates:

	2018	2017
	US$'000	US$'000
PT Bahtera Nusantara Indonesia	10,069	21,255
FTS Derricks Pte Ltd [1]	–	–
Other associates	4,683	9,646
Less: Transferred to assets held for sale (Note 9)	(10,069)	–
Total	4,683	30,901

(1) The accumulated losses of associated companies in excess of the Group's interest which is not included in these financial statements using equity method of accounting amounted to US$57,452,000 (2017 : US$30,688,000).

Summarised financial information in respect of each of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements:

	PT Bahtera Nusantara Indonesia		FTS Derrick Pte Ltd	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Current assets	3,094	4,291	3,261	3,256
Non-current assets	34,024	41,277	–	53,112
Current liabilities	(1,440)	(2,189)	(28,499)	(28,074)
Non-current liabilities	(15,130)	(16,264)	(89,663)	(89,663)
Non-controlling interests	–	–	(3)	(6)
Net assets of the associate	20,548	27,115	(114,904)	(61,375)
Group's share of net assets in the associate	10,069	13,286	(57,452)	(30,688)
Share of losses not taken up by the Group	–	–	57,452	30,688
Amount receivables – non-trade	–	7,969	–	–
Carrying amount of the Group's in the associate	10,069	21,255	–	–

13 ASSOCIATES (cont'd)

	PT Bahtera Nusantara Indonesia		FTS Derrick Pte Ltd	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Revenue	5,379	6,241	–	–
Loss for the year representing total comprehensive loss for the year	(6,567)	(8,089)	(53,528)	(63,998)
Group's share of total comprehensive loss for the year	(3,217)	(3,964)	–	(1,280)

There were no significant restrictions on the associates' ability to transfer funds to the Group in the form of cash dividends.

Aggregate information of associates that are not individually material:

	2018	2017
	US$'000	US$'000
The Group's share of loss for the year from continuing operations, representing the Group's share of total comprehensive loss	(2,925)	(3,834)
Deferred gain charged to profit or loss during the year	390	403
Group's share of associates' loss for the year	(2,535)	(3,431)
Aggregate carrying amount of the Group's interests in these associates	4,683	9,646

14 JOINT VENTURES

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Unquoted equity shares, at cost	57	57	*	*
Share of post-acquisition profit, net of dividend received and amortisation of deferred gain	12,152	11,939	–	–
Charge to profit or loss during the year [Note 33 (b)]	(6,243)	–	–	–
Less: Transfer to assets held for sale [Note 9 (b)]	(2,215)	–	–	–
Total	3,751	11,996	*	*

* *Amount less than US$1,000*

14 JOINT VENTURES (cont'd)

Name of entity	Effective equity interest and voting power held 2018 %	2017 %	Place of incorporation/ operation	Principal activities
Held by the Company:				
FTSG Co. Limited [(1) (2)]	50	50	BVI	Investment holding
Held by FTSG Co Limited:				
TS Drilling Holdings Limited [(1) (2)]	25	25	BVI	Investment holding
TS Coral Limited [(1) (2)]	25	25	BVI	Rig owner and operator
TS Opal Limited [(1) (2)]	25	25	BVI	Rig owner and operator
TS Emerald Limited [(1) (2)]	25	25	BVI	Rig owner and operator
TS Jade Limited [(1) (2)]	25	25	BVI	Rig owner and operator
TS Topaz Limited [(1) (2)]	25	25	BVI	Rig owner and operator
Held by Oilfield Services Company Limited:				
Dictamismo S De R.L. De C.V. [(2) (3) (4)]	50	50	Mexico	Vessel owner and charterer
Held by FEG Offshore Pte Ltd:				
Maritim Indah Sdn Bhd [(2) (3)]	50	50	Brunei	Vessel owner and charterer

Notes:

(1) Not required to be audited by law in the country of incorporation.

(2) Not considered to be a material joint venture of the Group.

(3) Audited by other firms of auditors.

(4) Subsequent to June 30, 2018, the Group is in discussion with joint venture partner to dispose its entire interest in Dictamismo [Note 9 (b)].

There were no significant restrictions on the joint ventures' ability to transfer funds to the Group in the form of cash dividends.

The following amounts are included in the Group's financial statements as a result of the equity accounting of the joint ventures:

	2018 US$'000	2017 US$'000
Dictamismo	2,215	8,144
Maritim Indah Sdn Bhd ("Maritim Indah")	3,751	3,852
Other joint ventures	*	*
Less: Transfer to assets held for sale [Note 9 (b)]	(2,215)	–
Total	3,751	11,996

* Amount less than US$1,000.

14 JOINT VENTURES (cont'd)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements:

	Dictamismo		Maritim Indah	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Current assets	20,983	15,860	1,731	1,792
Non-current assets	31,333	33,333	49,497	51,759
Current liabilities	(6,159)	(4,692)	(20,826)	(21,212)
Non-current liabilities	(31,835)	(27,140)	(23,028)	(25,412)
Net assets of the joint ventures	14,322	17,361	7,374	6,927
Group's share of net assets in the joint ventures	7,161	8,681	3,687	3,464
Other adjustments	(4,946)	(537)	64	388
Carrying amount of the Group's interest in the joint ventures	2,215	8,144	3,751	3,852
Revenue	5,041	7,924	9,347	10,622
Profit (Loss) for the year, representing total comprehensive income (loss) for the year	627	5,696	(202)	2,438
Group's share of total comprehensive income (loss) for the year	314	2,848	(101)	1,219
Other adjustments	–	–	–	(15)
Deferred gain charged to profit or loss during the year	433	423	867	867
Group's share of joint ventures' profit for the year	747	3,271	766	2,071

15 AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2018	**2017**
	US$'000	**US$'000**
Unquoted equity shares, at cost	2,098	2,098

The investment in unquoted shares represents an investment in an entity that invests, owns and charters oil rigs and provides drilling and associated services. Management is of the view that there are no reliable measures of the fair values of the investment and that the share of net assets approximates the recoverable amount. Accordingly, the investment in unquoted shares is stated at cost less impairment in recoverable value.

16 OTHER INTANGIBLE ASSETS

Group	Club membership	Mining concession	Pre-mining expenses	Total
	US$'000	US$'000	US$'000	US$'000
At July 1, 2016	186	633	2,115	2,934
Written off during the year to profit or loss [Note 33(b)]	–	(633)	(2,115)	(2,748)
At June 30, 2017 and 2018	186	–	–	186

The intangible assets included above, except club membership, have finite useful lives, over which the assets are amortised.

Club membership has an indefinite useful life and is assessed for impairment based on indicative market prices.

Mining concession will be amortised over 5 years or shorter period based on the total proven and probable reserves of the coal mine starting from the date of commercial operation.

Pre-mining expenses will be amortised upon commencement of the mining operations.

In 2017, management evaluated the recoverability of the mining concession and pre-mining expenses and determined that the Group was unable to achieve an economically visible extraction operation. This assessment led to full write off of mining concession and pre-mining of US$2,748,000.

17 DEFERRED TAXATION

	Group	
	2018	2017
	US$'000	US$'000
Deferred tax assets	541	498
Deferred tax liabilities	(5,100)	(8,934)
Total	(4,559)	(8,436)

The following are the major deferred tax assets and liabilities recognised by the Group and the movement during the financial year:

Deferred tax assets (liabilities)

Group	Accelerated tax depreciation	Unutilised capital allowance	Fair value adjustments	Unabsorbed tax losses	Other temporary differences	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at July 1, 2016	(6,255)	1,666	(9,102)	354	(5,100)	(18,437)
Credited (Charged) to profit or loss (Note 32)	849	(93)	9,102	144	(1)	10,001
Balance at June 30, 2017	(5,406)	1,573	–	498	(5,101)	(8,436)
Transfer to liabilities associated with asstes held for sale	4,817	(865)	–	–	–	3,952
Credited (Charged) to profit or loss (Note 32)	589	(708)	–	43	1	(75)
Balance at June 30, 2018	–	–	–	541	(5,100)	(4,559)

17 DEFERRED TAXATION (cont'd)

An allowance is made to the extent that it is probable that taxable profit will be available against which the unused tax losses carry forwards can be utilised by certain subsidiaries. The realisation of the future income tax benefits from tax losses carry forwards and temporary differences are available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. Where provision for deferred tax arising from temporary differences has been offset against the above tax losses carry forwards, such provision for deferred tax will be required to be set up when the tax losses are utilised in the future.

At the end of the year, deferred tax liabilities amounting to US$2,250,000 (2017 : US$2,393,000) have not been recognised on the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

Subject to agreement with the Comptroller of Income Tax and tax authorities in the relevant foreign tax jurisdictions in which the Group operates and conditions imposed by law, the Group has tax loss carry forwards available for offsetting against future taxable income amounting to US$6,896,000 (2017 : US$6,643,000).

Subject to the agreement by the tax authorities, at the end of the year, the group has unutilised capital allowances of US$Nil (2017 : US$9,252,000) available for offset against future profits.

Future tax benefits from the foreign tax loss carry forwards from a subsidiary in Indonesia are not recognised due to the unpredictability of future profits and have limited life up to 2020 to offset against future profits after which any unutilised amount will be foregone.

18 GOODWILL

	Group	
	2018	**2017**
	US$'000	**US$'000**
Cost:		
At beginning of year	7,577	7,577
Transferred to assets held for sale [Note 9(a)]	(6,376)	–
At end of year	1,201	7,577
Impairment:		
At beginning of year	(7,577)	(2,527)
Impairment loss recognised during the year [Note 33(b)]	–	(5,050)
Transferred to assets held for sale [Note 9(a)]	6,376	–
Balance at end of year	(1,201)	(7,577)
Carrying amount at end of year	–	–

18 GOODWILL (cont'd)

Goodwill acquired in a business combination allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination:

Name of subsidiary	CGU	Carrying amount of goodwill before recognition of impairment loss	
		2018	**2017**
		US$'000	**US$'000**
CHO	Marine	–	6,376
Otira Corporation ("Otira")	Marine	1,201	1,201

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Goodwill allocated to CHO and Otira amounted to US$6,376,000 (2017 : US$6,376,000) and US$1,201,000 (2017 : US$1,201,000) respectively. The recoverable amount is determined based on the value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and forecasted charter rate. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. Order book secured and direct costs are based on past practices and expectations of future changes in the market.

In 2017, management had fully impaired the goodwill allocated to CHO and Otira. During the year, the carrying amount of goodwill allocated to CHO was transferred to assets need for sale in conjunction with the proposed sale of portial interests in CHO [Note 9(a)].

19 TRADE PAYABLES

	Group	
	2018	**2017**
	US$'000	**US$'000**
Outside parties	13,342	18,538

The average credit period on purchases of goods is 30 to 90 days (2017 : 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

20 OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Deferred gain	14,096	27,673	–	–
Due to directors of the Company (Note 5B)	1,123	3,202	1,122	3,201
Accrued expenses	3,502	2,505	1,152	1,126
Sundry payables	28,304	26,794	4,508	1,359
Due to associates (Notes 5A and 13)	6,788	6,792	849	852
Due to related parties (Note 5B)	4,876	1,245	–	–
Due to subsidiaries (Notes 5A and 12)	–	–	133,838	130,314
Total	58,689	68,211	141,469	136,852
Less: Non-current portion	(14,011)	(34,143)	–	–
Current portion	44,678	34,068	141,469	136,852

The amounts due to directors of the Company, associates, related parties and subsidiaries pare unsecured, interest-free and are repayable on demand except for an amount of US$4,100,000 (2017 : US$4,090,000) which bears effective interest at 4.30% (2017 : 4.30%) per annum due to a subsidiary.

Deferred gain relates to the Group's share of the gain from the sale of vessels to joint ventures and associates. The deferred gain will be amortised over the remaining useful life of the vessel and net against the share of results of the joint ventures and associates in the consolidated statement of profit or loss and other comprehensive income.

Movement in the above deferred gain:

	Group	
	2018	2017
	US$'000	US$'000
Balance at beginning of the year	27,673	28,634
Adjustment	–	732
Transfer to liabilities associated with assets held for sale	(10,904)	–
Unwinding of unrealised profit from repurchase of vessels from associated company	(983)	–
Amortisation during the year, net against the share of results of:		
- associates (Note 13)	(390)	(403)
- joint ventures (Note 14)	(1,300)	(1,290)
Balance at end of the year	14,096	27,673
Less: Non-current portion	(13,229)	(25,970)
Total	867	1,703

21 FINANCE LEASES

Group	Minimum lease payments 2018	Minimum lease payments 2017	Present value of minimum lease payments 2018	Present value of minimum lease payments 2017
	US$'000	US$'000	US$'000	US$'000
Within one year	121	174	106	156
In the second to fifth years inclusive	209	229	191	215
Total	330	403	297	371
Less: Future finance charges	(33)	(32)	NA	NA
Present value of lease obligations	297	371	297	371
Less: Due within 12 months			(106)	(156)
Due after 12 months			191	215

Company	Minimum lease payments 2018	Minimum lease payments 2017	Present value of minimum lease payments 2018	Present value of minimum lease payments 2017
	US$'000	US$'000	US$'000	US$'000
Within one year	12	19	11	17
In the second to fifth years inclusive	–	13	–	11
Total	12	32	11	28
Less: Future finance charges	(1)	(4)	NA	NA
Present value of lease obligations	11	28	11	28
Less: Due within 12 months			(11)	(17)
Due after 12 months			–	11

It is the Group's and Company's policy to lease certain of its plant and equipment under finance leases. The remaining lease terms as at the end of the financial year were for approximately 3 years (2017 : 4 years). The effective borrowing rate was 4.48% to 10.49% (2017 : 4.48% to 10.23%) per annum. Interest rates are fixed at the contract date and thus expose the Group and the Company to fair value interest rate risk. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's and Company's lease obligations approximate their carrying amount.

The Group's and Company's obligations under finance leases are secured by the lessors' title to the leased assets (Note 11).

22 NOTES PAYABLE

The notes payable of S$50,000,000 (equivalent to approximately US$40,064,000) was issued under the S$500,000,000 Multicurrency Medium Term Note Programme first established in September 2014, which carried fixed interest of 5.5% per annum (interest payable semi-annually in arrear) and matured in September 2017.

On September 18, 2017, the Company and the holders of the notes payable entered into a supplemental trust deed to extend the maturity date of the notes payable from September 19, 2017 to September 19, 2020 ("Extended Maturity Date") as well as to amend certain terms of the notes payable including:

a) redeem the notes payable outstanding on the Extended Maturity Date at 105% of the outstanding principal amount of the notes payable, together with interest accrued, but unpaid, thereon on the Extended Maturity Date;

b) amend the interest rate to 3.5% per annum from September 19, 2017 to September 18, 2018; 4.5% per annum from September 19, 2018 to September 18, 2019; and 6.5% per annum from September 19, 2019 to September 18, 2020;

c) interest is payable on November 19, January 19, March 19, July 19 and September 19 each year commencing from September 19, 2017;

d) introduce a call option to allow the Company to redeem all or part of the notes payable;

e) the notes payable is secured by pledge of receivables from the scrap of 3 vessels of the Group, as applicable. One vessel was scrapped during the financial year, while the carrying amount of the remaining 2 vessels as of June 30, 2018 was US$2 million;

f) remove certain financial covenants applicable to the notes payable due September 2017; and

g) waive any non-compliance with the provisions of the notes payable.

The notes payable is unsecured and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The notes payable due September 2017 was recorded at amortised cost, net of transaction costs of S$742,500 (equivalent to US$595,000) at initial issuance. Such expenses were amortised over the term of the notes payable by charging the expenses to profit or loss and increasing the net carrying amount of the notes payable with the corresponding amounts. As at the date of the postponement of the notes payable, the transactions costs had been fully amortised. As the result of the modifications of the terms underlying the notes payable, the liabilities have been extinguished during the current financial year and the notes payable due September 2020 is recognised as a new liability. A reconciliation of the carrying amounts of the notes payable is as follows:

	Group and Company	
	2018	**2017**
	US$'000	**US$'000**
Nominal value of notes payable issued	40,064	40,064
Less: Transaction costs	(595)	(595)
At date of issue	39,469	39,469
Cumulative amortisation of transaction costs	595	590
Exchange difference	(2,953)	(3,704)
Derecognition of notes payable due September 2017	(37,111)	–
At end of year	–	36,355

22 NOTES PAYABLE (cont'd)

	Group and Company	
	2018	**2017**
	US$'000	**US$'000**
Recognition of notes payable due September 2020	37,111	–
Exchange difference	(454)	–
At end of year	36,657	–

Management has estimated the fair value of the notes payable at June 30, 2018 to be approximately US$36,719,000 (2017 : US$35,518,000). The fair value is based on the bid price extracted from Bloomberg as at June 30, 2018 and 2017, respectively and management determined the notes payable to be under Level 2 fair value hierarchy.

There are no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

23 BANK BORROWINGS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Secured by:				
Vessels (Note i)	68,178	73,660	–	–
Leasehold office premises (Note ii)	2,894	9,191	–	–
Shares of a subsidiary (Note iii)	29,462	28,468	29,462	28,468
	100,534	111,319	29,462	28,468
Unsecured (Note iv)	13,658	21,098	9,992	7,301
	114,192	132,417	39,454	35,769
Repayable:				
Within one year	114,192	132,417	39,454	35,769

As at the end of the reporting period, details of the bank borrowings are as follows:

(i) The Group's bank borrowings of US$68,178,000 (2017 : US$77,329,000) comprise of 15 (2017 : 15) bank loans, which are secured over the Group's vessels and dry-docking with an aggregate carrying amounts of US$126,433,000 (2017 : US$158,116,000). The bank borrowings bear effective interest rate ranging from 2.97% to 5.58% (2017 : 3.35% to 4.82%) per annum.

Bank loans with carrying amount of US$51,067,000 (2017 : US$55,363,000) had original repayment terms ranging from 19 to 60 (2017 : 19 to 60) monthly instalments.

A revolving credit loan with carrying amount of US$15,950,000 (2017 : US$16,000,000) was rolled on a monthly basis and is repayable on demand.

A bank loan with carrying amount of US$1,161,000 (2017 : US$2,297,000) was repayable in 4 quarterly instalments.

23 BANK BORROWINGS (cont'd)

(ii) The Group's bank borrowings of US$2,894,000 (2017 : US$9,191,000) comprise of 2 (2017 : 3) bank loans, which are secured over the Group's leasehold office premises with an aggregate carrying amounts of US$3,795,000 (2017 : US$16,619,000). The bank borrowings bear effective interest rate ranging from 3.93% to 12.25% (2017 : 1.68% to 12.25%) per annum.

The bank loans had original repayment terms ranging from 84 to 180 (2017 : 60 to 180) monthly instalments.

(iii) The Group's bank borrowings of US$29,462,000 (2017 : US$28,468,000) is secured over the shares of a subsidiary of the Group is secured over the shares of a subsidiary of the Group out of which 15% is repayable after 6, 12, 18 and 24 months from the drawdown date and 20% is repayable after 30 and 36 months from the drawdown date.

The net carrying amount of the loan was stated net of issue expenses totalling US$ Nil (2017 : US$716,000). Such expenses were amortised over the life of the loan by charging the expenses to profit or loss and increasing the net carrying amount of the loan with the corresponding amount. As of June 30, 2018, accumulated amortisation amounted to US$3,577,000 (2017 : US$2,861,000) (Note 31). As at June 30, 2018, the effective interest rate for the loan is 4.88% (2017 : 4.88%) per annum.

Subsequent to the end of the reporting period, the Group repaid US$17,089,000 out of the sale proceeds from disposal of partial interest in the subsidiary (Note 9).

(iv) The Group's bank borrowings of US$13,658,000 (2017 : US$21,098,000) comprise of 3 (2017 : 6) bank loans, which are unsecured and rolled on a monthly basis. The bank borrowings bear effective interest rate ranging from 3.14% to 4.75% (2017 : 3.24% to 5.50%) per annum.

The Company's bank borrowings of US$9,992,000 (2017: US$7,301,000) comprised 2 (2017:2) loans, which are unsecured and rolled on monthly basis. The bank borrowings bear effective interest rate ranging from 3.14% to 4.75% (2017: 3.24% to 5.50%) per annum.

Bank loans with carrying amount of US$6,326,000 (2017 : US$4,759,000) are repayable on demand.

Bank loans with carrying amount of US$7,322,000 (2017 : US$10,893,000) have tenures ranging from 47 to 72 (2017 : 42 to 72) months and is provided by a bank under an initiative under SPRING Singapore, an agency under the Ministry of Trade and Industry, for working capital assistance for companies in the offshore industry. Based on the terms of the loan arrangements, the repayment of the principal amount of the loan will commence 25 months from the inception of the loans.

In 2017, a bank loan with carrying amount of US$5,446,000 had tenure of 6 months.

Management estimates that the fair value of the Group's and Company's bank loans approximates their carrying value as the borrowings bear interests at floating rates or approximate floating rates.

Since last financial year, the Group has breached certain loan covenants and triggered cross default on other banking facilities of the Group. All the loans have been classified to current liability. Management has explored the options available with respect to their financial affairs. In 2017, the Group appointed financial advisors and legal counsels to assist in the Debt Restructuring, review the financial position of the Group and to assist the Group in developing alternative options and solutions with a view to formulating a debt restructuring plan. Whilst the Debt Restructuring has achieved an advance stage, the negotiation with principal lenders of the Group remained in progress and the Debt Restructuring has yet been finalised at the date of these financial statements. Successful negotiation with principal and other lenders of the Group and finalise the Debt Restructuring plan which will detemine the Group's and the Company's ability to service their borrowings when they fall due.

23 BANK BORROWINGS (cont'd)

In August 2017, the Group received writs of summons and statement of claims filed by one of its secured lenders, which is also a participants of the Debt Restructuring, in respect of the outstanding loan of US$19,326,000 (2017 : US$19,846,000) in the High Court of Malaya at Kuala Lumpur, Malaysia. The lender claimed against the Group for the outstanding loan including interest cost allegedly due to the lender in an amount of US$19,949,000.

On November 9, 2017, the Company received another statutory demand from the same lender in relation to the claim. This claim had been subsequently withdrawn in January 2018.

On April 12, 2018, the High Court of Malaya in Kuala Lumpur has ruled in favour of the lender in its application of summary of judgement in the civil suits commenced against the Group. The Group filed notices of appeal with the Court of Appeal in Kuala Lumpur against the decision by High Court of Malaya, which were later put on hearing on October 3, 2018. The Court of Appeal did not dismiss the case and order for another hearing on December 12, 2018.

The Company is seeking legal advice with respect to the statutory demand. The legal counsel of the Group is of the view that the statutory demand should not have been issued amid the upcoming appeal which hearing has been fixed, accordingly does not change the Group's legal position.

The Group remains committed to the restructuring and will continue to engage in discussions with all its secured lenders and any other key stakeholders in relation to the Debt Restructuring. The directors and management believe that there is reasonable likelihood that a Debt Restructuring can be successfully achieved.

Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's consolidated statement of cash flows as cash flows from financing activities.

			Non cash changes			
	July 1, 2017	Financing activity	Transfer to liabilities associated with assets held for sale (Note 9)	Foreign exchange movement	Other changes	June 30, 2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Finance leases	371	(191)	–	117	–	297
Notes payable	36,355	–	–	297	5	36,657
Bank borrowings	132,417	(4,023)	(16,028)	1,110	716	114,192
	169,143	(4,214)	(16,028)	1,524	721	151,146

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortisation of transaction costs relating to notes payable and term loan issuing cost (Note 31).

24 SHARE CAPITAL

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		US$'000	US$'000
Issued and paid up:				
At beginning of year	823,442,375	823,442,375	229,528	229,528
Issue during the year	70,000,000	–	1,481	–
At end of year	893,442,375	823,442,375	231,009	229,528

The Company has one class of ordinary shares which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

On May 16, 2018, the Company issued 70,000,000 new Shares for approximately US$1,481,000. The new shares ranked pari passu in all aspects with the existing ordinary shares.

25 TREASURY SHARES

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		US$'000	US$'000
At beginning of year	16,810,900	16,000,800	4,114	4,017
Repurchased during the year	–	810,100	–	97
At end of year	16,810,900	16,810,900	4,114	4,114

In 2017, the Company repurchased 810,100 shares in connection with a share buy-back exercise. The total amount paid to acquire the shares amounted to US$97,000 and has been deducted from shareholders' equity. The shares are held as 'treasury shares'.

26 CAPITAL RESERVE

The capital reserve represents:

(i) The reserves of unexercised warrants of US$10,173,000 which have expired in November 2013.

(ii) Effects of changes in ownership interests in subsidiaries when there is no change in control of US$29,781,000 (Note 12).

27 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all directors and employees of the Company except the Controlling Shareholders. The scheme is administered by the Remuneration Committee. Options are exercisable at a price that is equivalent to the Market Price; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of Shareholders shall have been obtained in a separate resolution. The vesting period is 2 years. If the options remain unexercised after a period of 3 years for Non-executive Director and 8 years for Executive Directors and Employees from June 5, 2011, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

27 SHARE-BASED PAYMENTS (cont'd)

Equity-settled share option scheme (cont'd)

Details of the share options outstanding as at the end of the year are as follows:

	Group and Company			
	2018		2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		S$		S$
Outstanding at beginning of year	1,090,000	0.40	2,280,000	0.40
Lapsed during the year	–		(1,190,000)	
Outstanding at end of year	1,090,000		1,090,000	
Exercisable at end of year	1,090,000		1,090,000	

In 2009, the weighted average exercise price at the date of grant for share options granted was S$0.40. The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 1 year (2017 : 2 years).

The options were granted on June 5, 2009. The estimated fair value of the options granted on that date was US$639,000.

28 MERGER RESERVE

The merger reserve comprises the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under common control and accounted for under the pooling of interest method of consolidation.

Under merger accounting, the assets, liabilities, revenue, expenses and cash flows of all the entities within the Group are combined after making such adjustments as are necessary to achieve consistency of accounting policies. This manner of presentation reflects the economic substance of combining companies, which were under common control throughout the relevant period, as a single economic enterprise.

29 REVENUE

	Group	
	2018	**2017**
	US$'000	**US$'000**
Revenue from construction contracts	–	39,485
Charter hire income	36,140	51,336
Sales of goods	1,576	8,792
Sales of goods to related company	107	–
Services rendered	5,316	5,866
Management fee from associate (Note 5A)	394	648
Management fee from joint ventures (Note 5A)	–	600
Management fee from third party	96	97
Agency fee	908	–
Total	44,537	106,824

30 OTHER OPERATING INCOME

	Group	
	2018	**2017**
	US$'000	**US$'000**
Net foreign exchange gains	–	3,252
Other vessel operation income	1,073	1,701
Gain on disposal of property, plant and equipment	39	–
Interest income	196	291
Government grant - Jobs credit scheme	27	–
Trade receivables written back (Note 7)	261	583
Sundry income	613	93
Total	2,209	5,920

31 FINANCE COSTS

	Group	
	2018	2017
	US$'000	US$'000
Amortisation of notes payable transaction costs	5	179
Amortisation of term loan issuing costs	716	1,145
Interest expenses to non-related companies:		
- Bank loans	7,346	6,444
- Notes payable	1,945	2,097
- Finance leases	25	23
- Bank overdraft	13	20
Total	10,050	9,908

32 INCOME TAX CREDIT

	Group	
	2018	2017
	US$'000	US$'000
Current income tax	(61)	36
Under (Over) provision of income tax in prior years	(23)	(142)
Deferred tax (Note 17)	75	(10,001)
Net	(9)	(10,107)

Domestic income tax is calculated at 17% (2017 : 17%) of the estimated assessable loss for the financial year. Taxation for other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

Total charge for the financial year can be reconciled to the accounting loss as follows:

	Group	
	2018	2017
	US$'000	US$'000
Loss before income tax	(93,453)	(173,788)
Income tax expenses at Singapore's statutory tax rate of 17%	(15,887)	(29,544)
Exempt income	–	(13)
Tax effect of non-taxable income	–	(9,883)
Tax effect of non-deductible expenses	15,440	28,261
Tax effect of share of results of associates	977	1,174
Over provision of current tax in prior years	(23)	(142)
Effect of different tax rates of subsidiaries operating in other tax jurisdiction	(894)	(634)
Effect of deferred tax assets not recognised	177	855
Others	201	(181)
Income tax credit	(9)	(10,107)

33 LOSS FOR THE YEAR

(a) Loss for the year has been arrived at after charging (crediting):

	Group	
	2018	**2017**
	US$'000	**US$'000**
Property, plant and equipment written off	6	–
Loss on disposal of property, plant and equipment	50	12
Audit fees:		
- auditors of the Company	158	160
- auditors of the subsidiaries	98	95
Non-audit fees:		
- auditors of the Company	42	44
- auditors of the subsidiaries	6	6
Cost of defined contribution plans included in employee benefits expense	444	531
Cost of inventories recognised as an expense	824	46,921
Directors' remuneration:		
- of the Company	695	672
- of the subsidiaries	1,296	1,724
Directors' fee	143	162
Depreciation of property, plant and equipment (Note 11)	30,442	26,248
Employee benefits expense (including directors' remuneration)	11,536	15,760
Net foreign exchange loss/(gain)	1,365	(3,253)

(b) Other expenses include:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Allowance for doubtful trade receivables (Note 7)	2,904	25,702
Allowance for other receivables (Note 8)	7,252	25,941
Write off of other receivables (Note 8)	11,355	7,804
Allowance for impairment of goodwill (Note 18)	–	5,050
Allowance for impairment of property, plant and equipment [Note 11 and 9 (a)]	24,636	86,813
Allowance for impairment in joint venture (Note 14)	6,243	–
Allowance for impairment in associate companies (Note 13)	239	–
Write off of intangible asset (Note 16)	–	2,748
	52,629	154,058

34 EARNINGS PER SHARE

	Group	
	2018	**2017**
	US$'000	**US$'000**
Earnings:		
Loss attributable to owners of the Company	(76,437)	(121,838)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share [(i)]	832,289	806,854
Earnings per share (US cents):		
Basic	(9.18)	(15.10)
Diluted	(9.18)	(15.10)

[(i)] excluding treasury shares

35 OPERATING LEASES

	Group	
	2018	**2017**
	US$'000	**US$'000**
The Group as lessee		
Minimum lease payments paid under operating leases recognised as expense in the financial year	654	4,488

At the end of the year, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Within one year	162	3,224
In the second to fifth year inclusive	–	94
Total	162	3,318

Operating lease payments represent rentals payable to the Group for certain of its office properties and vessel. Leases are negotiated for term for 1 to 2 years (2017 : 1 to 2 years) and rentals are fixed.

35 OPERATING LEASES (cont'd)

The Group as lessor

The Group rents out vessels under operating leases.

As at the end of the year, the Group has contracted with customers for the following minimum lease payments:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Charter hire income	36,140	51,336
Within one year	17,900	12,112
Within two to five years	11,242	10,821
Total	29,142	22,933

Certain vessels held have committed customers for 1 to 2 years (2017 : 1 to 2 years).

36 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products and services, which information is prepared and reported to the Group's chief operating decision makers for the purposes of resource allocation and assessment of performance.

The Group is principally engaged in four reportable segments, namely (1) Marine – vessel owner and charterer, (2) Oilfield and drilling services – sourcing spare parts and machineries, providing services to oilfield companies, trading, owning and operating of oil rigs and (3) Oilfield Projects – services to oilfield companies providing shipping and transportation services, sales of demulsifiers and international trade, logistics and oilfield services of engineering, technical and consultation and shipping agencies for offshore oilfield explorations, construction and marine transportation, (4) Resources – coal mining and trading activities.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, share of results of associates, joint ventures, interest income, foreign exchange gains and losses, finance costs at corporate level.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

36 SEGMENT INFORMATION (cont'd)

Segment information about the Group's operations is presented below.

	Marine US$'000	Oilfield and drilling services US$'000	Oilfield projects US$'000	Resources US$'000	Corporate US$'000	Elimination US$'000	Total US$'000
2018							
Revenue							
External sales	29,855	8,670	5,104	908	–	–	44,537
Inter-segment sales	199	–	–	–	–	(199)	–
Total revenue	30,054	8,670	5,104	908	–	(199)	44,537
Result							
Segment result	(59,688)	(5,580)	1,988	(942)	(15,143)	–	(79,365)
Share of net loss of associates and joint ventures							(4,234)
Interest income	190	6	–	–	–	–	196
Finance costs	(3,825)	(211)	(122)	–	(5,892)	–	(10,050)
Loss before income tax							(93,453)
Income tax expense							9
Loss for the year							(93,444)
2017							
Revenue							
External sales	44,477	54,144	8,203	–	–	–	106,824
Inter-segment sales	730	–	–	–	–	(730)	–
Total revenue	45,207	54,144	8,203	–	–	(730)	106,824
Result							
Segment result	(90,780)	(40,836)	(2,669)	(6,362)	(20,595)	–	(161,242)
Share of net loss of associates and joint ventures							(2,929)
Interest income	265	7	–	–	19		291
Finance costs	(3,773)	(233)	(114)	–	(5,788)		(9,908)
Loss before income tax							(173,788)
Income tax expense							10,107
Loss for the year							(163,681)

Segment assets represent cash and bank balances, trade receivables, other receivables, assets held for sale, inventories, property, plant and equipment, goodwill and intangible assets which are attributable to each operating segments.

Segment liabilities represent trade payables, other payables, finance leases, bank borrowings, liabilities associated with assets held for sale, derivative financial liability and income tax payables, which are attributable to each operating segments.

Corporate assets mainly represent cash and bank balances, other receivables and property, plant and equipment at corporate level.

Corporate liabilities represent other payables, bank overdraft and borrowings and notes payable at corporate level.

36 SEGMENT INFORMATION (cont'd)

Corporate liabilities represent other payables, bank overdraft and borrowings and notes payable at corporate level.

	Marine	Oilfield and drilling services	Oilfield projects	Resources	Corporate	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and Liabilities						
June 30, 2018						
Segment assets	289,498	66,720	7,281	538	2,472	366,509
Segment liabilities	130,347	40,833	10,746	128	87,441	269,495
June 30, 2017						
Segment assets	357,261	72,525	9,375	1,534	20,013	460,708
Segment liabilities	128,736	40,374	11,622	124	90,940	271,796
Other information						
2018						
Allowance for doubtful trade receivables	1,419	1,485	–	–	–	2,904
Allowance of other receivables	6,060	118	–	1,068	6	7,252
Write off of other receivables	–	–	–	–	11,355	11,355
Capital additions	3,945	211	–	–	–	4,156
Allowance for impairment in associated companies	239	–	–	–	–	239
Depreciation	27,308	1,096	1,921	9	108	30,422
Loss/(Gain) on disposal of property, plant and equipment	33	(39)	17	–	–	11
Amortisation of term loan issuing costs	–	–	–	–	716	716
Property, plant and equipment written off	6	–	–	–	–	6
Allowance for impairment in joint venture	6,243	–	–	–	–	6,243
Allowance for impairment of property, plant and equipment	23,719	917	–	–	–	24,636

36 SEGMENT INFORMATION (cont'd)

	Marine	Oilfield and drilling services	Oilfield projects	Resources	Corporate	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Other information						
2017						
Allowance for doubtful trade receivables	1,798	23,904	–	–	–	25,702
Allowance of other receivables	–	11,865	–	–	14,076	25,941
Write off of other receivables	–	–	1,923	2,823	3,058	7,804
Capital additions	2,345	19	–	4	–	2,368
Depreciation	21,480	1,240	3,285	10	233	26,248
Loss on disposal of property, plant and equipment	12	–	–	–	–	12
Amortisation of notes payable transaction costs	–	–	–	–	179	179
Amortisation of term loan issuing costs	–	–	–	–	1,145	1,145
Allowance for impairment of goodwill	–	–	1,201	–	3,849	5,050
Allowance for impairment of property, plant and equipment	85,013	1,800	–	–	–	86,813
Write off of intangible assets	–	–	–	2,748	–	2,748

36 SEGMENT INFORMATION (cont'd)

Geographical information

The Group's operations are located in Americas, Asia and Middle East. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services and assets by their respective locations.

	Revenue	Non-current assets *
	US$'000	US$'000
	2018	2018
China	1,083	40
America	5,104	-
Indonesia	20,395	84,721
Mexico	669	326
Singapore	15,343	67,486
United Arab Emirates	1,239	4
India	545	–
Marshall Island	159	–
Total	44,537	152,577

	Revenue	Non-current assets *
	US$'000	US$'000
	2017	2017
Malaysia	565	–
China	49,910	54
Indonesia	28,280	89,616
America	4,924	–
Mexico	701	430
United Arab Emirates	8,432	6
Singapore	11,822	212,726
Vietnam	1,546	–
South Africa	564	–
Marshall Island	80	–
Total	106,824	302,832

* *exclude assets held for sale, associates, joint ventures, available-for-sale investments and deferred tax assets.*

<u>Information about major customers</u>

The Group's revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

	Marine		Oilfield and drilling services		Oilfield projects		Resources	
	2018	2017	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Customer 1	–	–	–	30,442	–	–	–	–

37 COMMITMENTS

At the end of the reporting period, the Group had the following commitments not provided for in the financial statements:

	Group	
	2018	2017
	US$'000	US$'000
Contracted but not provided for (i):		
- purchase of a rig (completed) (ii)	–	86,939
- purchase of four rigs (iii)	–	–
	–	86,939

(i) The balance represented the Group's share of the future commitment of its associate, FTS, for the purchase of five rigs from two third party shipyards.

(ii) Since 2017, FTS was in discussion with a third party shipyard to defer the delivery of a completed rig to a date beyond 12 months. On May 16, 2018, FTS received an official notice of termination from the third party shipyard stating the outstanding amount owed under the contract to purchase the rig to be US$208.5 million. It is understood that the said rig was subsequently disposed to a third party. Accordingly, FTS management is of the view that the purchase contract is no longer valid, and hence no further commitment to purchase is required.

FTS management is of the opinion that FTS is not liable to the whole contract sum under the rig contract because FTS had not taken any delivery of the completed rig. FTS reserves its rights under the purchase contract and is seeking to resolve the matter amicably with the shipyard.

On consultation with FTS's legal counsel, the legal counsel is of view that the Company's exposure from the performance guarantee issued to the shipyard is not legally binding on the Group and the Company, and the exposure is limited to the difference between the amount owed under the contract and the price in which the rig is sold. As the shipyard has not informed FTS the price of the rig sold, management is of the view that no provision is required to be made in respect of the performance guarantee on the basis that the amount is currently not measurable.

(iii) In 2017, the contracts for the four jack-up rigs with a third party shipyard was terminated. The shipyard launched the four rigs and has served the letter of demand for the second instalment. FTS disputed the second instalment on grounds that certain milestones were not satisfactorily met prior to launch of the said rigs. The shipyard then terminated the contracts based on events of default of FTS on the second instalment and to enforce the performance guarantee from the Company.

Last year, on consultation with FTS's legal counsel, FTS management is of the opinion that certain milestones with regards to the construction progress of the four rigs were not satisfactorily met and is of view that there is no obligation to pay for the second instalment. FTS believes that it has a strong basis to defend its position and that the termination notices from the shipyard have been served unlawfully and in repudiatory breach of the contracts.

In addition, management is of view the performance guarantee issued by the Company can only be effective for the final payments and delivery of completed rigs. Accordingly, management believes that the four performance guarantees for the due and punctual payment by FTS for the instalment payable by FTS upon delivery of the four rigs are no longer in effect. Hence, no provisions relating to the performance guarantee were made. In September 2018, the Company engaged another external legal counsel to reaffirm the position taken by the Company on this matter.

As at the date of these financial statements, no formal legal proceedings between FTS and the shipyards has taken place. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain as disclosed in Note 3(a)(iii). Accordingly, management is of view that the unfavourable outcome, while not probable, is not remote. The effects of the performance guarantee, should it be enforced, is disclosed as contingent liabilities in Note 38.

38 CONTINGENT LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Guarantees given to bank in respect of bank facilities granted to an associate [a]		–	–	–
Performance guarantee [b]	1,002,278	1,002,278	1,002,278	1,002,278
Litigation and claim [c]	2,531	2,531	–	–
Banker guarantees	81	81	–	–

[a] The financial effects of FRS 39 relating to the financial guarantee contracts issued by the Group and the Company are not material to the financial statements of the Group and the Company and therefore not recognised.

[b] This represents the performance guarantee given by the Group and the Company in relation to the contracts for the purchase of the five rigs contracted by FTS (Note 37). The performance guarantee for the purchase of a rig (completed) and purchase of four rigs amounts to US$173,878,000 [Note 37 (ii)] and US$828,400,000 [Note 37 (iii)] respectively. As at the end of the reporting period, the Group and the Company obtained a personal guarantee from the other shareholder of FTS, who is also a director of the Company, amounting to US$ US$501,139,000 (2017 : US$501,139,000). Had the personal guarantee from the related party been taken into consideration, the Group's and Company's net financial exposure to the performance guarantees would be reduced to US$ US$501,139,000 (2017 : US$501,139,000).

[c] In prior year, a subsidiary of the Group was involved in a legal dispute in Indonesia relating to the reconstruction of a vessel. A demand letter was received by the subsidiary to claim for the damages of S$3,503,000 (equivalent to US$2,531,000). During the year, police investigation was commenced against the plaintiff and the outcome remains unknown as of the date of the financial statements. Management believes that the demand is without legal merit..

39 EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the end of the reporting period:

(a) On July 26, 2018, the Group entered into a sale and purchase agreement with a third party in relation to the sale of 217,800,000 shares representing 30.90% of equity interest in CHO for a total consideration of S$25,047,000 (equivalent to approximately US$18,362,000) based on a price of S$0.115 per share. Upon the completion of the disposal, the Group's interest in CHO reduced from 64.91% to 34.01%, and accordingly CHO ceased to be a subsidiary and will be accounted as an associate of the Group.

(b) On August 16, 2018, the Group entered into various sales and purchase agreement to dispose the leasehold office premises (Note 11) for an aggregate consideration of S$13,205,000 (equivalent to approximately US$9,585,000).

(c) On September 5, 2018, the Group incorporated a new subsidiary, Bayu Maritime International Pte Ltd with an effective shareholding of 76%.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 24 September 2018:-

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Ruben Capital Ventures Ltd[(1)]	48,338,997	5.51	–	–
Tan Pong Tyea[(2)]	417,960,700	47.68	88,393,051	10.08
Cai Wenxing[(3)]	–	–	70,933,592	8.09
Wong Fong Fui	70,000,000	7.99	–	–

Notes :

(1) Ruben Capital Ventures Ltd's direct interest in the 48,338,997 ordinary shares are held in the name of KGI Securities (Singapore) Pte Ltd.

(2) Tan Pong Tyea's deemed interest in the 88,393,051 ordinary shares in the capital of Falcon Energy Group Limited ("shares") comprises:

(i) his deemed interest in the 48,338,997 shares held by KGI Securities (Singapore) Pte. Ltd. by virtue of his 79.21% equity interest in Ruben Capital Ventures Limited;

(ii) his deemed interest in the 22,594,595 shares held by Longzhu Oilfield Services Limited by virtue of his 100% equity interest in Real Trek Pacific Limited which holds 50% equity interest in Longzhu Oilfield Services Limited; and

(iii) his deemed interest in the 17,459,459 shares held by Camelot Capital Consultants Ltd by virtue of his 100% shareholding interest in Camelot Capital Consultants Ltd.

(3) Cai Wenxing's deemed interest in the 70,933,592 ordinary shares in the capital of Falcon Energy Group Limited ("shares") comprises:

(i) his deemed interest in the 22,594,595 shares held by Longzhu Oilfield Services Limited by virtue of his 50% equity interest in Longzhu Oilfield Services Limited; and

(ii) his deemed interest in the 48,338,997 Shares held by KGI Securities (Singapore) Pte. Ltd. by virtue of his 20.79% equity interest in Ruben Capital Ventures Limited.

Free Float

Based on the information available to the Company as at 24 September 2018 and to the best knowledge of the Directors and the substantial shareholders of the Company, approximately 29.06% of the issued ordinary shares of the Company (excluding treasury shares) was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

STATISTICS OF SHAREHOLDINGS

As at 24 September 2018

Number of issued shares	-	893,442,375
Number of issued shares (excluding treasury shares)	-	876,631,475
Class of shares	-	ordinary shares
Voting rights (excluding treasury shares)	-	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	182	6.16	2,648	0.00
100 - 1,000	82	2.77	57,261	0.01
1,001 - 10,000	787	26.61	5,934,284	0.68
10,001 - 1,000,000	1,849	62.53	204,039,991	23.27
1,000,001 AND ABOVE	57	1.93	666,597,291	76.04
TOTAL	**2,957**	**100.00**	**876,631,475**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE.) LIMITED	125,270,200	14.29
2	CITIBANK NOMINEES SINGAPORE PTE LTD	111,401,018	12.71
3	KGI SECURITIES (SINGAPORE) PTE. LTD.	103,405,000	11.80
4	WONG AH WAH @ WONG FONG FUI	70,000,000	7.99
5	HONG LEONG FINANCE NOMINEES PTE LTD	36,200,000	4.13
6	CAI WENTING	23,716,216	2.71
7	LONGZHU OILFIELD SERVICES LIMITED	22,594,595	2.58
8	CAMELOT CAPITAL CONSULTANTS LTD	17,459,459	1.99
9	DBS NOMINEES (PRIVATE) LIMITED	14,206,835	1.62
10	MAYBANK KIM ENG SECURITIES PTE LTD	13,288,390	1.52
11	LIM & TAN SECURITIES PTE LTD	12,281,800	1.40
12	TAN SOOH WHYE	10,000,000	1.14
13	UOB KAY HIAN PRIVATE LIMITED	8,488,010	0.97
14	OCBC SECURITIES PRIVATE LIMITED	6,873,020	0.78
15	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,065,210	0.58
16	PHILLIP SECURITIES PTE LTD	4,818,244	0.55
17	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,781,600	0.55
18	PEH KWEE CHIM	4,700,000	0.54
19	YEONG SAN LEE	4,400,000	0.50
20	SUAM CHEE KIT	3,868,300	0.44
	TOTAL	**602,817,897**	**68.79**

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at TRN Centre, 10 Anson Road #19-14, International Plaza, Singapore 079903 on Tuesday, 30 October 2018 at 9.30 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2018, together with the Auditors' Report thereon. (Resolution 1)

2. To approve the payment of Directors' fees of up to S$165,000 for the financial year ending 30 June 2019, to be paid half yearly in arrears. (Resolution 2)

3. To re-elect Mr. Lien Kait Long, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. (Resolution 3)

4. To re-elect Mr. Mak Yen-Chen Andrew, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. (Resolution 4)

5. To re-appoint Messrs. Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 5)

6. To transact any other business that may be transacted at an Annual General Meeting.

As Special Business:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **"Share Issue Mandate** (Resolution 6)

   That pursuant to the Company's Constitution and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the share capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities."

8. **"Falcon Energy Group Employee Share Option Scheme** (Resolution 7)

That the Directors of the Company be and are hereby authorised to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options previously granted under the Falcon Energy Group Share Option Scheme ("Scheme") provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of shares of the Company (excluding treasury shares and subsidiary holdings) from time to time."

By Order of the Board

Peh Lei Eng
Company Secretary
Singapore
13 October 2018

Explanatory Notes

Resolution 2 – The Ordinary Resolution 2 proposed in item 2, if passed, will facilitate the payment of Directors' fees during the financial year 30 June 2019. This amount caters for the appointment of additional Independent Director.

Resolution 3 – Mr. Lien Kait Long, upon re-election as a Director of the Company, will remain as the Chairman of Audit Committee and member of Nominating and Remuneration Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 4 – Mr. Mak Yen-Chen Andrew, upon re-election as a Director of the Company, will remain as the Chairman of Remuneration Committee and member of Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 6 – The Ordinary Resolution 6 proposed in item 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Resolution 7 – The Ordinary Resolution 7 proposed under item 8 is to allot and issue shares in the capital of the Company pursuant to the exercise of outstanding share options previously granted under the Scheme. No further share options will be granted under the Scheme since the Scheme had expired on 27 October 2014.

Notes :-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

2. Where a member (other than a Relevant Intermediary*) appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the Proxy Form, failing which, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

4. The Proxy Form is attached and must be deposited at the registered office of the Company at 10 Anson Road #33-15, International Plaza, Singapore 079903 not less than 48 hours before the time fixed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting.

5. A Depositor's name must appear on the Depository Register maintained by the Central Depository (Pte) Limited 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

FOURTEENTH ANNUAL GENERAL MEETING
FALCON ENERGY GROUP LIMITED
(Registration No. 200403817G)

IMPORTANT:
1. For investors who have used their CPF monies ("CPF Investors") and/or their SRS monies ("SRS Investors") to buy the Company's shares, this Annual Report 2018 is sent to them at the request of their CPF and/or SRS Approved Nominees (as the case may be) solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors and SRS Investors may attend and cast their votes at the AGM in person. CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees (as the case may be) to appoint the Chairman of the AGM to act as their proxy, in which case, the respective CPF Investors and/or SRS Investors shall be precluded from attending the AGM.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 October 2018.

I/We, ______________________________ (Name)

______________________________ (NRIC No. /Passport No./ Company Reg No.)

of ______________________________ (Address)

being a member/members of the Falcon Energy Group Limited (the "**Company**") hereby appoint:

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to the above, the Chairman of the Fourteenth Annual General Meeting of the Company ("**AGM**"), as *my/our proxy/proxies to attend and to vote for *me/us and on *my/our behalf at the AGM to be held at TRN Centre, 10 Anson Road #19-14, International Plaza, Singapore 079903 on Tuesday, 30 October 2018 at 9.30 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

(If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To adopt Financial Statements and Directors Statement.		
2.	To approve Directors' Fees of up to S$165,000 for the financial year ending 30 June 2019.		
3.	To re-elect Mr. Lien Kait Long as Director.		
4.	To re-elect Mr. Mak Yen-Chen Andrew as Director.		
5.	To re-appoint Messrs Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
6.	To approve the Share Issue Mandate.		
7.	To authorise the Directors to issue shares pursuant to the exercise of the options previously granted under the Falcon Energy Group Employee Share Option Scheme.		

Dated this ________ day of ____________ 2018

Total Number of Ordinary Shares Held	
CDP Registers	
Register of Members	

____

Signature(s) of *member(s) or Common Seal of Corporate Shareholder(s)

* Please delete accordingly

Notes :-

1. Please insert in the box at the bottom right hand corner of this form, the number of Shares registered in your name in the Register of Members in respect of share certificates held by you and the number of Shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"). If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member.

3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Annual General Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #33-15, International Plaza, Singapore 079903 not later than 48 hours before the time fixed for holding the Annual General Meeting.

7. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may also authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

10. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, not properly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the Annual General Meeting as certified by the CDP to the Company.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 October 2018.

Falcon Energy Group Limited

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