

## **SALE AND LEASEBACK OF NON-CORE ASSETS**

---

### **1. Introduction**

The Board of Directors of Falcon Energy Group Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its subsidiary, Longzhu Oilfield Services (S) Pte. Ltd. (“**Vendor**”), had, on 21 July 2018, entered into four options to purchase (“**Options to Purchase**”) with Kupac Investments Ptd Ltd and/or nominees “Elite Trading & Investment Pte Ltd” (“**Purchaser**”) in relation to the sale of office premises located at Units #33-01/01A/14/15/16 of 10 Anson Road, International Plaza, Singapore 079903 (collectively referred to as “**Properties**”, and each a “**Property**”). The aggregate consideration for the sale of the Properties by the Vendor to the Purchaser (“**Disposal**”) is S\$13,205,500.

The Disposal is expected to be completed on 8 November 2018.

Following the completion of the Disposal, the Purchaser and the Company will be entering into four lease agreements (“**Lease Agreements**”) for the leaseback of the Properties by the Company from the Purchaser for a lease term of 24 months commencing from 9 November 2018 with an aggregate monthly rent of S\$46,030.60 with an option to renew for another 12 months, the renewal of the leases will be upon mutually agreed rates and terms.

### **2. Information on the Properties**

Each Property is a leasehold property with a 99-year lease commencing 2 June 1970, with a remaining lease period of approximately 50 years and 9 months as at the date of this announcement. The Properties consist of five office units in a 50-storey commercial and residential building and have an aggregate gross floor area of approximately 658 square metres.

Prior to the Disposal, the legal and beneficial interest, rights, powers and benefits of the Group in relation to the Properties were held by the Vendor.

### **3. Aggregate Consideration and Terms of the Options to Purchase**

The aggregate consideration for the Disposal is S\$13,205,500 (“**Aggregate Consideration**”), payable in the following manner:

- (a) a sum of S\$132,055 payable upon the date of the Options to Purchase;
- (b) a further of S\$528,220 payable on 16 August 2018; and
- (c) the balance of the Aggregate Consideration being S\$12,545,225 (which is equivalent to 95% of the amount of the Aggregate Consideration) payable upon completion of the Disposal.

The Aggregate Consideration was arrived at on a willing-buyer, willing-seller basis and each Property is sold on an “as is where is” basis.

#### 4. **Rationale for the Disposal**

In the light of the severe and protracted downturn in the global oil and gas industry and the depressed offshore marine and subsea industry, the Group considers the Disposal to be a strategic decision for the benefit of the Group as it will allow the Vendor to repay the Vendor's outstanding amounts under credit facilities granted by United Overseas Bank Limited ("**UOB**"). This will reduce the Group's current financial liabilities and borrowings.

#### 5. **Use of Sale Proceeds**

The net proceeds from the Disposal will be applied towards settlement of outstanding amounts under credit facilities granted by UOB.

#### 6. **Financial Effects of the Disposal**

##### 6.1. **Illustrative Nature of Financial Effects**

The financial effects of the Disposal on the net tangible assets ("**NTA**") per share and earnings per share ("**EPS**") of the Group, prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2017 ("**FY2017**") are set out below. The financial effects are purely for illustrative purposes only and are therefore not necessarily indicative of the actual financial position of the Group after completion of the Disposal.

##### 6.2. **NTA**

Assuming the Disposal had been completed on 30 June 2017, being the end of the most recently completed financial year of the Group, the financial effects on the NTA per share of the Group would be as follows:

	<b>Before the Disposal</b>	<b>After the Disposal</b>
NTA (US\$ million)	130.19	119.48
No. of issued ordinary shares ('000)	806,631	806,631
NTA per share (US cents)	16.14	14.81

##### 6.3. **EPS**

Assuming the Disposal had been completed on 1 July 2016, being the beginning of the most recently completed financial year of the Group, the profit attributable to the shareholders of the Company ("**Shareholders**") and the financial effects on the EPS of the Group for FY2017 would be as follows:

	Before the Disposal	After the Disposal
Profit/(Loss) attributable to the Shareholders (US\$ million)	(121.84)	(122.96)
Weighted average no. of ordinary shares – Basic ('000)	806,854	806,854
EPS/(Loss Per Share) (US cents) – Basic	(15.10)	(15.24)

## 7. Chapter 10 of the Listing Manual

### 7.1 Major Transaction

Rule 1014 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”) provides that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the transaction is classified as a major transaction and requires the approval of the Shareholders.

### 7.2 Relative Figures

The relative figures in relation to the Disposal, computed on the applicable bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006	Bases	Percentage (%) <sup>(1)</sup>
(a)	The net asset value of the assets to be disposed of compared with the Group’s net asset value	9.53% <sup>(2)</sup>
(b)	The net profits attributable to the assets disposed of, compared with the Group’s net profits	Not Applicable
(c)	The aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	44.31% <sup>(3)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable

#### Notes:

(1) The relative figures set out in this column are calculated based on FY2018 Financial Statement.

- (2) Computed based on the net asset value of the Properties of US\$9.58 million, compared to the Company's net asset value of US\$100.50 million.
- (3) Computed based on the Aggregate Consideration compared to the market capitalisation of the Company on 20 July 2018, being the last market day preceding the date the Options of Purchase were executed, of approximately S\$29.81 million. The market capitalisation is calculated on the basis of a total number of 876,631,475 the Company's shares in issue multiplied by the weighted average price of such shares transacted on 20 July 2018, being the last market day preceding the date the Options of Purchase were executed.

### **7.3 Shareholders' Approval Required**

As the relative figure computed on the basis set out in Rule 1006(c) of the Listing Manual exceeds 20%, the Disposal constitutes a major transaction under Chapter 10 of the Listing Manual, and is therefore subject to the approval of the Shareholders at an extraordinary general meeting (or any adjournment thereof) ("**EGM**"), unless waived or exempted by the Singapore Exchange Securities Trading Limited.

The Company will convene its annual general meeting ("**AGM**") on or before 31 October 2018, and expects to hold the EGM on the same day as the AGM. The Disposal is expected to be completed on 8 November 2018.

### **8. Interest of Directors and Controlling Shareholders**

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal. None of the directors or controlling shareholders of the Company is related to the Purchaser.

### **9. Service Contracts of the Directors**

No person is proposed to be appointed as a director of the Company or any of its subsidiaries in connection with the Disposal.

### **10. Documents for Inspection**

Copies of the Options to Purchase are available for inspection during normal business hours at the Company's registered office at 10 Anson Road #33-15 International Plaza, Singapore 079903 for three months from the date of this announcement.

## **BY ORDER OF THE BOARD**

Tan Pong Tyea  
Chairman and Chief Executive Officer  
4 September 2018