

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This document (the “**Scheme Document**”) contains important information and should be read in its entirety. If you are in any doubt about what action you should take, you should consult your professional adviser without delay.

Further copies of this document can be obtained from the Specified Address (as defined in this Scheme Document) during normal business hours on any day prior to the date of the Scheme Meeting (other than a Saturday, a Sunday or a public holiday).

Unless otherwise defined, the capitalised terms used throughout this Scheme Document shall bear the same meanings as defined in the Scheme enclosed herein.

SCHEME DOCUMENT

in relation to a

SCHEME OF ARRANGEMENT

Under Section 210 of the Companies Act (Cap. 50)

Between

FALCON ENERGY GROUP LIMITED

(Singapore UEN No. 200403817G)

(the “**Company**”)

And

THE SCHEME CREDITORS

(as defined in the Scheme)

The Scheme Meeting to consider and, if thought fit, approve the Scheme will be held on **30 April 2021 at (i) 9.30AM (Singapore time) for the Lenders' Scheme Meeting; (ii) 10.30AM (Singapore time) for the Unsecured Creditors' Scheme Meeting; and (iii) 12.00PM (Singapore time) for the Associated Creditors' Scheme Meeting, via Video-Conference** (unless otherwise notified by the Company).

The action required to be taken by the Scheme Creditors is set out in this Scheme Document. As a Scheme Creditor, whether or not you intend to be present at the Scheme Meeting, you are requested to complete and return as soon as possible the Proof of Debt and Voting Instruction Form enclosed with this document in accordance with the instructions contained herein.

Dated 10 February 2021

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IMPORTANT NOTICE

Explanatory Statement pursuant to Section 211 of the Companies Act (Cap. 50) explaining the effects of the Scheme proposed by the Company

1. The Explanatory Statement contained in this Scheme Document is being distributed to all Scheme Creditors of the Company solely for purposes of the Scheme. A fuller description of who may be Scheme Creditors can also be found at paragraph 2.2 of this Explanatory Statement.
2. Except as provided for below, this Scheme Document is for the exclusive use of the persons to whom it is addressed and their advisers and shall not be copied, reproduced or distributed to any other person without the prior written consent of the Company. The information contained in this Scheme Document is confidential and provided solely for the purposes mentioned above. Recipients of this Scheme Document are required to keep this information confidential and use it only for the purposes of consideration of the Scheme.
3. This Scheme Document contains extensive and detailed information and should be read in its entirety. If you are in doubt about this document or as to the action which you should take, you should consult your financial or investment adviser, stockbroker, bank manager, solicitor or other professional adviser immediately. You should note that the Scheme Document is not intended to constitute professional advice and that you should seek your own professional advice in relation to the Scheme.
4. The actions required to be taken by Scheme Creditors are set out in the Explanatory Statement. Whether or not you intend to be present at the Scheme Meeting, you are asked to complete and return as soon as possible the Voting Instruction Form or Proof of Debt as the case may be (a copy of which is enclosed herein respectively at **Appendix C** and **Appendix D**) in accordance with the instructions set out herein. Failure to take action could have consequences in respect of your rights against the Company.
5. While the Company has taken reasonable care in the preparation of the information provided herein, no representation or warranty is made that the information contained herein in the Explanatory Statement and the Scheme is accurate or complete.
6. The Explanatory Statement and the Scheme are to be taken as mutually explanatory of one another but in the event of any conflict or inconsistency between the Explanatory Statement and the Scheme, the terms of the Scheme shall prevail.

IMPORTANT NOTICE

FOR NOTEHOLDERS ONLY

1. The Explanatory Statement set out in this Scheme Document is directed at persons who are believed to be Scheme Creditors. Scheme Creditors include Noteholders who hold an economic or beneficial interest as principal in respect of the Notes before the submission of the Voting Instruction Form.
2. If a Noteholder has assigned, sold or otherwise transferred or will assign, sell or otherwise transfer all of your interests as Scheme Creditor before the submission of the Voting Instruction Form, the Company requests that you forward a copy of this Scheme Document to the Noteholder to whom you have assigned, sold or otherwise transferred or to whom you will assign, sell or otherwise transfer, such interests. Thereafter, you need not take any further action with respect to this Scheme Document.
3. If you have only partially assigned, sold or otherwise transferred such interests, or will partially assign, sell or otherwise transfer such interests before the submission of the Voting Instruction Form, the Company requests that you (i) read this Scheme Document carefully; (ii) forward a copy of this Scheme Document to the Noteholder whom you have assigned, sold or transferred, or to whom will you assign, sell or otherwise transfer, such partial interests; and (iii) take such steps as you consider appropriate following consideration of the matters described in this Scheme Document.

IMPORTANT NOTICE

Submission of documents by Scheme Creditors (who are not Noteholders)

- Last date and time for lodgement of the Proof of Debt for purposes of voting at the Scheme Meeting : **24 February 2021, 5:00PM (Singapore time)**
- Last date and time for lodgement of Proxy Form for purposes of voting at the Scheme Meeting : **27 April 2021, 10:00AM (Singapore time)**
- Address for submission of Proof of Debt and Proxy Form ("**Specified Address**") : Falcon Energy Group Limited
10 Raeburn Park
#01-33B
Singapore 088702
- E-Mail address for submission of electronic copies of documents ("**Specified E-Mail Address**") : scheme@feg.com.sg

Submission of documents by Noteholders

- Last date and time for submission of Voting Instruction Form (including proxy instruction) by Noteholders (through Account Holders) : **24 February 2021, 5:00PM (Singapore time)**
- Address for submission of Voting Instruction Form (including proxy instruction) : Falcon Energy Group Limited
10 Raeburn Park
#01-33B
Singapore 088702
- E-Mail address for submission of electronic copies of documents : scheme@feg.com.sg

Scheme Meeting

- Date and time of Lenders' Scheme Meeting : **30 April 2021 at 9.30AM (Singapore time)**
- Date and time of Unsecured Creditors' Scheme Meeting : **30 April 2021 at 10.30AM (Singapore time)**
- Date and time of Associated Creditors' Scheme Meeting : **30 April 2021 at 12.00PM (Singapore time)**
- Venue of Scheme Meetings : **Video-Conference** (unless otherwise notified by the Company)

CONTACT DETAILS

SCHEME MANAGERS

Name : Mr Wong Pheng Cheong Martin / Ms Toh Ai Ling

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#22-00, Hong Leong Building
Singapore 048581

E-Mail : sg-fmfalconenergy@kpmg.com.sg

THE COMPANY

Name : Falcon Energy Group Limited

Address : 10 Raeburn Park
#01-33B
Singapore 088702
(Attention : Ms Tan Sooh Whye / Ms Christina Peh)

Telephone : 6538 7177

E-Mail : sw.tan@feg.com.sg
christina@feg.com.sg

EXPLANATORY STATEMENT

Dated the 10th day of February 2021

EXPLANATORY STATEMENT

Pursuant to Section 211 of the Companies Act (Cap. 50)

to the

SCHEME OF ARRANGEMENT

Under Section 210 of the Companies Act (Cap. 50)

Between

FALCON ENERGY GROUP LIMITED

(Singapore UEN No. 200403817G)

(the “Company”)

And

THE SCHEME CREDITORS

(as defined in the Scheme)

To: The Scheme Creditors

Dear Sir/Madam,

PROPOSED SCHEME OF ARRANGEMENT AND COMPROMISE UNDER SECTION 210 OF THE COMPANIES ACT (CAP. 50) BETWEEN THE COMPANY AND THE SCHEME CREDITORS

1. INTRODUCTION

- 1.1 Capitalised terms used herein shall, unless otherwise defined, have the same meaning attributed to them under the Scheme, a copy of which is enclosed herein at **Appendix B**.
- 1.2 The Company issues this Explanatory Statement pursuant to section 211 of the Act. This Explanatory Statement is to accompany the proposed Scheme that will be tabled at the Scheme Meeting to be held on 30 April 2021 via Video-Conference (unless otherwise notified by the Company). Pursuant to an Order of Court dated 3 February 2021 made in HC/OS 32/2021, the Court has granted leave to the Company to call the Scheme Meeting on a date within 3 months from the date of the Order, and hold the Scheme Meeting by way of Video-Conference, should it choose to do so. The form of the notice of the Scheme Meeting is enclosed herein at **Appendix A**.
- 1.3 The purpose of this Explanatory Statement is to provide the Scheme Creditors with information on the Scheme and to explain the effect of the Scheme proposed to be entered into between the Company and the Scheme Creditors. Please note that this Explanatory Statement does not form the basis of the legal contract between the Company and the Scheme Creditors. The legally binding contract between the Company and the Scheme Creditors in the event the proposed Scheme is approved, is the Scheme.

2. GENERAL

2.1 What is a Scheme of Compromise and Arrangement?

- 2.1.1 Under Singapore law, a scheme of arrangement and compromise of the kind proposed here is a compromise or arrangement provided for under section 210 of the Act. The

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arrangement becomes legally binding on all of the Scheme Creditors to whom it is intended to apply if a majority in number (over 50%) representing three-fourths in value (that is, 75%) of the Scheme Creditors, voting in person or by proxy, vote in favour of it at the Scheme Meeting and the Court subsequently approves it.

- 2.1.2 The Sanction Order takes effect on and from the date of lodgement of a sealed copy of the order with the Registrar of Companies (i.e. ACRA) or such earlier date as the Court may determine and as may be specified in the Sanction Order.

2.2 Are you a Scheme Creditor?

- 2.2.1 The Scheme is proposed to all creditors of the Company who hold a Claim as at the Ascertainment Date except Excluded Creditors and include (for the avoidance of doubt, but without double counting in each case):

- (a) Lenders; and
- (b) Unsecured Creditors (which includes, for the avoidance of doubt, the Noteholders and Associated Creditors).

For the avoidance of doubt, Related Creditors are also considered Scheme Creditors. However, the Related Creditor Claims will not form part of the Total Eligible Debt.

- 2.2.2 A Claim means any claim or right in respect of the indebtedness or any other liability of the Company to any Scheme Creditor arising out of, in relation to and/or in connection with any and all agreements, transactions, dealings and matters effected or entered into or occurring at any time on or prior to **31 March 2020** (the “**Ascertainment Date**”) (whether the claim be present or contingent or whether liquidated or sounding only in damages and whether in contract or tort or howsoever arising including, but not limited to, all interest, default interest, premium, principal, additional amounts, make whole amounts, fees and commissions accruing on or payable in respect of, or any other accretions whatsoever arising in respect of, such claims or rights whether on or prior to the Ascertainment Date).

2.3 What are Scheme Creditors required to do?

- 2.3.1 If you are a Scheme Creditor, you are entitled to vote at the Scheme Meeting to be convened for the purpose of approving the Scheme. The Scheme Meeting, notice of which is given in **Appendix A**, will be held as follows: (a) the Lenders’ Scheme Meeting will be held on **30 April 2021 at 9.30AM (Singapore time) via Video-Conference**; (b) the Unsecured Creditors’ Scheme Meeting will be held on **30 April 2021 at 10.30AM (Singapore time) via Video-Conference**; and (c) the Associated Creditors’ Scheme Meeting will be held on **30 April 2021 at 12.00PM (Singapore time) via Video-Conference**. Please note that in the event that you are no longer a Scheme Creditor by virtue of your having transferred your interests, please forward this and all related documents to the Scheme Creditor to whom you have transferred your interests to. For the avoidance of doubt, Account Holders (who are not Noteholders), Intermediaries, the CDP and the Notes Trustee are not entitled to vote at the Scheme Meeting in respect of any interest in the Notes.

2.3.1.1 If you are a Noteholder, Account Holder or Intermediary

It will be the responsibility of the Account Holders to obtain from Intermediaries and/or Noteholders on whose behalf they hold interests in the Notes, whatever information or instructions they may require to submit a duly completed Voting Instruction Form in respect of such Notes to the Company at the Specified Address or the Specified E-Mail Address by no later than **24 February 2021, 5:00PM (Singapore time)** (the “**Voting Instruction Form Submission Date**”).

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Please refer to **Appendix C** for a copy of the Voting Instruction Form for the Notes, for your attention and use.

Noteholders (through Intermediaries, if appropriate) are to contact the Account Holder through which they hold their interest in the Notes to instruct the relevant Account Holder to record their voting instruction in a Voting Instruction Form and submit the completed Voting Instruction Form, through the Account Holder, to the Company at the Specified Address or Specified E-Mail Address by no later than the Voting Instruction Form Submission Date.

(i) **Voting Instruction Form**

In order to be entitled to vote at the Scheme Meeting in person or by proxy and receive benefits under the Scheme, a Noteholder is to submit through the Account Holder the completed Voting Instruction Form in respect of his Notes to the Company at the Specified Address or the Specified E-Mail Address by no later than the Voting Instruction Form Submission Date (i.e. 5:00PM on 24 February 2021).

The Approved Claim of a Noteholder will be determined based on their entitlement to the outstanding amount owing to the relevant Account Holders recorded in the books of the CDP as at the Ascertainment Date.

Please carefully read the instructions set out in the Voting Instruction Form at **Appendix C**.

(ii) **Voting in Person or Proxy**

A Noteholder who wishes to attend and vote at the Scheme Meeting in person will need to instruct his Account Holder to record in the Voting Instruction Form that the Noteholder wishes to attend and vote at the Scheme Meeting in person.

A Noteholder who wishes to appoint a proxy to vote at the Scheme Meeting will need to instruct his Account Holder to record in the Voting Instruction Form that the Noteholder wishes to appoint a proxy and the voting instructions.

Returning the duly completed Voting Instruction Form will not prevent the Noteholder from attending and voting in person should it wish to do so. In the event that the Noteholder attends and votes in person, the voting instructions of the Noteholder in the Voting Instruction Form shall become null and void.

Noteholders should note that unless a valid Voting Instruction Form (including the proxy instruction, if any) submitted through the relevant Account Holder is received by the Company at the Specified Address or the Specified E-Mail Address by no later than the Voting Instruction Form Submission Date (i.e. 5:00PM on 24 February 2021), such Noteholder or its proxy will not be entitled to vote at the Scheme Meeting or receive benefits under the Scheme unless so admitted at the discretion of the Chairman / Scheme Manager. The Noteholder will, nevertheless, be bound by the terms of the Scheme in the event that it becomes effective and shall have its Claim compromised or waived under the terms of this Scheme.

EXPLANATORY STATEMENT

2.3.1.2 If you are an Other Creditor

- (i) In order to be entitled to vote at the Scheme Meeting in person or by proxy and receive benefits under the Scheme, an Other Creditor must submit a completed Proof of Debt (a copy of which is enclosed herein at **Appendix D**) in respect of its Claim to the Company at the Specified Address or the Specified E-Mail Address by no later than **24 February 2021, 5:00PM** (Singapore time) (the “**Proof of Debt Submission Date**”).
- (ii) Other Creditors should note that failure to return the Proof of Debt by the Proof of Debt Submission Date will result in the Other Creditor (whether in person or proxy) being barred from voting at the Scheme Meeting as well as being entitled to receive benefits under the Scheme and vote at any General Meeting unless so admitted at the discretion of the Chairman / Scheme Manager.
- (iii) Any Other Creditor who wishes to appoint a proxy to attend the Scheme Meeting and vote on its behalf will need to submit a completed Proxy Form (the form of which is enclosed at **Appendix E**) to the Company at the Specified Address or Specified E-Mail Address by no later than **27 April 2021, 10:00AM** (Singapore time) (the “**Proxy Form Submission Date**”).
- (iv) Please note that if an Other Creditor fails to lodge a Proxy Form by the stipulated deadline, the proxy of such Other Creditor shall not be entitled to vote at the Scheme Meeting unless so admitted to vote at the discretion of the Scheme Manager / Chairman of the Scheme Meeting.
- (v) Submitting a duly completed Proxy Form will not prevent the Other Creditor from attending the Scheme Meeting and voting in person should it wish to do so. In the event the Other Creditor attends and votes in person, the Proxy Form shall become null and void.
- (vi) Please note that any Other Creditor who is barred from voting at the Scheme Meeting will, nevertheless, be bound by the terms of the Scheme in the event that it becomes effective and shall have its Claim compromised or waived under the terms of the Scheme.

IMPORTANT NOTICE: Given that the Scheme Meeting is to be held via Video-Conference, Scheme Creditors who fail to provide a valid E-Mail address in the Voting Instruction Form, Proof of Debt or Proxy Form (as the case may be) will not be allowed to participate in the Scheme Meeting save as the Chairman may otherwise permit in his absolute discretion.

3. BACKGROUND TO THE COMPANY'S FINANCIAL DIFFICULTIES AND PRESENT FINANCIAL POSITION

3.1 Background

3.1.1 The Company was listed on the SGX SESDAQ on 2 December 2004 through a reverse takeover of Sembawang Music Holdings Limited and changed its name to “Falcon Energy Group Limited” on 6 November 2006. The Company was transferred to the Mainboard of the Singapore Exchange Securities Trading Limited on 8 September 2009. The registered office of the Company is at 10 Raeburn Park #01-33B Singapore 088702.

3.1.2 The Company is the ultimate holding company of a group of companies in various jurisdictions (the “**Falcon Group**”) in the offshore marine, and oil and gas industries. A

EXPLANATORY STATEMENT

diagrammatic representation of the corporate structure of the Falcon Group as at 20 February 2020 is annexed hereto at **Appendix K**.

- 3.1.3 The Falcon Group provided 4 core categories of services in connection with the offshore marine, and oil and gas industries:
- (a) The Marine Division operates a fleet of offshore support vessels and accommodation work barges, mainly for the production phase of oil and gas projects;
 - (b) 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;
 - (c) The Oilfield Projects Division executes various projects for oil companies; and
 - (d) The Resources Division taps into the energy resource sector to carry out coal mining and other resources-related business.
- 3.1.4 The aforesaid services have been provided through the Company's subsidiary companies as the Company is primarily an investment holding vehicle. By 2019, save for the Marine Division, the other divisions of the Falcon Group (namely, the Oilfield and Drilling Services Division, the Oilfield Projects Division and the Resources Division) had become dormant. In or around July 2019, the Falcon Group disposed of its Oilfield and Drilling Services Division (comprising the subsidiary companies under Falcon Oilfield Services Pte Ltd, which were loss making entities) in line with the objectives of shedding liabilities and shrinking the Falcon Group's operations to its core marine business. Save for the Marine Division, the Oilfield Projects Divisions and the Resources Division do not (and it is not envisaged that they will) contribute to the Falcon Group.
- 3.1.5 The directors of the Company are:
- (a) Tan Pong Tyea;
 - (b) Lien Kait Long; and
 - (c) Mak Yen-Chen Andrew;
- 3.1.6 Ms Tan Sooh Whye is an alternate director to Mr Tan Pong Tyea of the Company.

3.2 Financial position of the Company

- 3.2.1 The global oil and gas industry has been in a protracted downturn since around June 2014, which has in turn depressed the offshore marine and subsea industry. This has, consequently, had an adverse effect on the Company and the Falcon Group's ability to meet their financial obligations in the subsequent years, as well as AMPL's business. Vessels that were managed by AMPL experienced long periods of off-hire which had an impact on AMPL's cashflow. In addition, as a result of the financial difficulties faced by the Falcon Group, AMPL has not been able to collect receivables owing to it by related companies.
- 3.2.2 The operating environment for the offshore support vehicles and oilfield services business has been, and is expected to continue to be, challenging. The offshore support vessel market continues to suffer from low rates due to intense competition and low margins. The oilfield services market remains lacklustre due to reductions in capital expenditure and operating expenditure by the oil and gas companies.
- 3.2.3 The aforesaid circumstances negatively affected the Falcon Group's performance in terms of revenue, profit margins and financial position. For example, the Falcon Group recorded a decrease in revenue of US\$62.28 million or 58.3% from US\$106.82 million in the financial year ended 30 June 2017 to US\$44.54 million for the financial year ended 30 June 2018. The Falcon Group recorded a decrease in revenue of US\$135.73 million or 55.96% from US\$242.55 million in the financial year ended 30 June 2016 to US\$106.82 million in the financial year ended 30 June 2017. The Falcon Group's

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performance in the financial year ended 30 June 2017 was significantly worse compared to the financial year ended 30 June 2016, where the Falcon Group's revenue decreased by US\$39.1 million or 11.4% from US\$342.4 million for the 12 months ended 31 March 2015 to US\$303.3 million for the 15 months ended 30 June 2016.

- 3.2.4 The Marine Division's revenue decreased by US\$14.62 million to US\$29.86 million in the financial year ended 30 June 2018, mainly as a result of lower deployment rate of the vessels as well as decrease in charter rates. The Oilfield & Drilling Services Division's revenue decreased by US\$45.47 million to US\$8.67 million in the financial year ended 30 June 2018, due to a lower volume of works. The Falcon Group's average gross profit margin reduced from 10.4% in the financial year ended 30 June 2017 to a gross loss margin of 21.4% in the financial year ended 30 June 2018 mainly due to low vessel deployment rate in the Marine Division during the financial year.
- 3.2.5 As a result of the Falcon Group's financial difficulties, the Company has not been able to provide financial support to AMPL for it to continue as a going concern. Accordingly, AMPL effectively ceased operating in or around June 2018.
- 3.2.6 As stated at paragraph 3.1.2 above, the Company is primarily an investment holding vehicle. As a substantial part of the Company's liabilities arise from corporate guarantees given by the Company to secure banking facilities granted to the Company's subsidiaries, the consequent cash crunch faced by the Falcon Group led to events of default under these banking facilities.
- 3.2.7 The Company has no secured creditors save for CIMB Bank Berhad ("**CIMB**") who holds a registered memorandum of charge over cash deposits in any accounts held in the Company's name with CIMB. As there are currently no balances in any accounts held in the Company's name with CIMB, the value of CIMB's charge over cash deposits is basically 'nil' and CIMB effectively stands as an unsecured creditor of the Company.
- 3.2.8 The Company's main creditors are its bank lenders, namely, AmBank (M) Berhad (Labuan Offshore Branch) ("**AmBank**"), CIMB, Malayan Banking Berhad ("**Maybank**") and Oversea-Chinese Banking Corporation Limited ("**OCBC**") (together, the "**Lenders**"), Keppel FELS Ltd ("**Keppel FELS**") and the holders of the Series 001 SGD50 million Notes (the "**Notes**", and the holders of the Notes shall be referred to as the "**Noteholders**") issued by the Company pursuant to a Multicurrency Medium Term Note programme.
- 3.2.9 Copies of the Company's audited annual reports for the financial year ended 31 March 2015, financial year ended 30 June 2016, financial year ended 30 June 2017 are available on the website of the SGX-ST. For ease of reference, a copy of the Company's audited annual report for the financial year ended 30 June 2018 ("**FY2018**") is enclosed herein at **Appendix F** and a copy of the latest available consolidated unaudited management accounts of the Company and its subsidiaries as at 30 June 2019, 31 December 2019, 31 March 2020 and 30 June 2020 are enclosed herein at **Appendix G, Appendix H, Appendix I and Appendix J** respectively. The Company applied to the SGX-ST for a further extension of time in respect of the following: (a) the announcement of the Company's full year results for the financial year ended 30 June 2019, and to hold its annual general meeting for the financial year ended 30 June 2019; (b) the announcement of the Company's 1st quarter results for the financial period ended 30 September 2019; (c) the announcement of the Company's 2nd quarter results for the financial period ended 31 December 2019; (d) the announcement of the Company's 3rd quarter results for the financial period ended 31 March 2020; and (e) the announcement of the Company's 1st quarter results for the financial period ended 30 September 2020. On 11 September 2020, the SGX-ST notified the Company that the application for the further extension has been rejected and that the Company is required to announce the aforesaid results and hold its annual general meeting for the financial years ended 30 June 2019 and 30 June 2020 as soon as possible. FEG is currently working on completing its financial reports.

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3.3 Restructuring efforts and protection under Section 211B of the Act

- 3.3.1 Following the downturn in the oil and gas industry in June 2014, the Company took steps to restructure its business operations and balance sheet and implemented measures to rein in costs. These included, amongst others, the sale of non-core assets, undertaking a consent solicitation exercise on or around 24 August 2017 to obtain the approval of the Noteholders to, amongst others, extend the maturity date of the Notes by a period of 3 years, engaging KPMG Services Pte. Ltd. ("**KPMG**") as independent financial advisor to advise and assist the Falcon Group in a financial and debt restructuring exercise and engaging the Lenders in discussions to address significant debt maturities and achieve a consensual restructuring.
- 3.3.2 Although CIMB, Maybank and OCBC were generally supportive of the Falcon Group's efforts to restructure its debt maturities, the Company was unable to reach a consensus with all the Lenders.
- 3.3.3 On or about 28 August 2017, AmBank commenced the following proceedings in the High Court of Malaya at Kuala Lumpur:
- (a) WA-22NCC-327-08/2017 ("**KL Suit 327**") against the Company, as 1st Defendant, and PT Bayu Maritim Berkah (incorporated in Indonesia) ("**PT BMB**"), as 2nd Defendant, in their capacities as guarantors under the CM Banking Facilities, claiming inter alia a sum of USD8,769,131.38;
 - (b) WA-22NCC-328-08/2017 ("**KL Suit 328**") against the Company, as 1st Defendant, and PT BMB, as 2nd Defendant, in their capacities as guarantors under the EM Banking Facilities, claiming inter alia a sum of USD5,263,108.58; and
 - (c) WA-22NCC-329-08/2017 ("**KL Suit 329**") against the Company, as 1st Defendant, and PT BMB, as 2nd Defendant, in their capacities as guarantors under the MM Banking Facilities, claiming inter alia a sum of USD5,916,735.04.
- 3.3.4 On 12 April 2018, AmBank obtained summary judgment against the Company and its subsidiaries in KL Suits 327, 328 and 329.
- 3.3.5 The Company and its subsidiaries filed Notices of Appeal with the Court of Appeal in Kuala Lumpur against the foregoing orders.
- 3.3.6 In this connection, on 23 May 2018, the Company received a statutory demand letter from AmBank's solicitors, Joseph Tan Jude Benny LLP ("**JTJB**"), claiming payment of a sum of USD20,594,226.22 which is part of the subject matter of the aforesaid civil appeals.
- 3.3.7 On 23 May 2018, the Company's solicitors, Rajah & Tann Singapore LLP ("**R&T**"), wrote to JTJB to, *inter alia*, request that the aforesaid statutory demand be withdrawn pending the final disposal of the appeals before the Court of Appeal in Kuala Lumpur. On 28 May 2018, JTJB wrote to R&T indicating that they are entitled and will proceed with winding up proceedings if they do not receive the claim amount demanded within 21 days of the date of the aforesaid statutory demand.
- 3.3.8 Subsequent to JTJB's letter dated 28 May 2018, the Company entered into further discussions with the Lenders, including AmBank, with the aim of achieving a consensual restructuring between the Falcon Group and the Lenders. These discussions continued into 2019.
- 3.3.9 On 25 November 2019, the Company's appeals against the decision of the Kuala Lumpur High Court to allow AmBank's applications for summary judgment came on for hearing before the Court of Appeal in Kuala Lumpur and were dismissed.

EXPLANATORY STATEMENT

- 3.3.10 On or about 6 June 2019, the Company received a letter of demand from Keppel FELS claiming a sum of US\$77,370,283.81 pursuant to a guarantee executed by the Company in favour of Keppel FELS in connection with a construction contract for B358 TS Topaz (Hull No. B358) between FTS Derricks Pte Ltd ("**FTS Derricks**") and Keppel FELS. The claim made by Keppel FELS has a significant impact on the financial position of the Company and the Falcon Group and the restructuring plans. As stated in notes 37 and 38 of the Company's audited annual report for FY2018 (a copy of which is enclosed here in at **Appendix F**; in particular pages 614 and 615), the Company essentially took the view that no provisions were required to be made in respect of its contingent liabilities in connection with performance guarantees issued by the Company to secure certain obligations of FTS Derricks on the basis that underlying claims against FTS Derricks were subject to dispute.
- 3.3.11 In view of the change in the Company's financial position, the risk of Keppel FELS pursuing its claim and the threat of winding up proceedings from AmBank, on 25 July 2019, the Company filed HC/OS 957/2019 ("**OS 957**") for moratorium protection under section 211B of the Act to obtain breathing space to formulate a restructuring plan for the benefit of its creditors. A similar application was filed by Asetanian Marine Pte Ltd ("**AMPL**"), a subsidiary of the Company, in HC/OS 956/2019 ("**OS 956**").
- 3.3.12 OS 956 and OS 957 were both heard by the Honourable Justice Aedit Abdullah on 22 August 2019 pursuant to which a short moratorium was granted to the Company and AMPL to provide further information and documents. The moratoria were eventually further extended up till 2 March 2020 pursuant to Orders of Court dated 21 October 2019 and 27 November 2019 made in both OS 956 and OS 957 on the basis of the Company and AMPL filing their respective applications under section 210(1) of the Act by 14 February 2020, at the latest.
- 3.3.13 On 19 December 2019, the Company submitted its application for an in-principle no objection to its resumption of trading proposal to the SGX-ST.
- 3.3.14 In early January 2020, the SGX-ST reverted with some requests for clarification with respect to the Company's application but informed the Company's solicitors that it is unlikely to have objection to allowing the Company to resume trading subject to approval of the Scheme by creditors, shareholders and the Court, upon successful implementation of the intended Scheme. The SGX-ST would require the directors of the Company to confirm in the listing application the adequacy of working capital for the next 12 months following implementation of the Scheme together with their basis which must be well explained and supported. Further, their approval for the listing and quotation of the Shares to be issued under the proposed scheme will be subject to their review of the Company's full submission in due course and compliance with the listing rules.
- 3.3.15 On 14 February 2020, the Company filed HC/OS 206/2020 ("**OS 206**") for leave to convene a meeting of its creditors for the purpose of considering and, if thought fit, approving with or without modification, a scheme of arrangement. AMPL filed a similar application in HC/OS 207/2020 ("**OS 207**"). Substantially complete drafts of the scheme documents were filed together with the aforesaid applications.
- 3.3.16 OS 206 and OS 207 were first heard by the Court on 5 March 2020. The hearing was adjourned to 3 April 2020 allow the Company and AMPL to provide further information to the Court and address the Court on certain issues in relation to the classification of creditors.

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- 3.3.17 As a result of the worsening global conditions due to the escalation of the COVID-19 pandemic and collapse in U.S. oil prices, the Company had to relook and revise certain aspects of its proposed scheme, in particular, the Cash Waterfall mechanism, to give the Lenders the option of an early exit from the Cash Waterfall. Many of the assumptions underlying the terms of the proposed scheme (including the projected profit, revenue and expenses of FEG and its subsidiaries for the 7 years following the implementation of the proposed scheme), in particular, the Cash Waterfall mechanism as previously drafted, were no longer workable in view of the COVID-19 situation. As such, at the hearing of OS 206 and OS 207 on 3 April 2020, the Company and AMPL requested for and were granted an extension of time till 30 April 2020 to present revised scheme documents.
- 3.3.18 The Company and AMPL subsequently sought and obtained 2 further extensions of time up till 5 June 2020 and 9 July 2020 respectively to present revised scheme documents as well as consequential extensions of the moratorium granted in OS 957 and OS 956. These extensions were necessitated by worsening global economic conditions, which resulted in the Company having to reassess and amend various components of the Scheme with the assistance of KPMG.
- 3.3.19 Pursuant to Orders of Court dated 30 July 2020 made in OS 206 and OS 207 respectively, the Company and AMPL were granted leave to convene its scheme meetings on a date falling within 4 months from the Orders (i.e. by no later than 30 November 2020), and to hold the scheme meetings by way of Video-Conference. On 7 August 2020, pursuant to the Orders of Court dated 30 July 2020 made in OS 206 and OS 207, the Company and AMPL each issued a notice convening its scheme meetings together with a Scheme Document dated 7 August 2020.
- 3.3.20 On 4 November 2020, the Company and AMPL each issued an addendum to their respective Scheme Documents dated 7 August 2020 annexing modified schemes (each an “**Addendum**” and together, the “**Addendums**”). The Addendums served to supplement the matters set out in the Scheme Documents dated 7 August 2020 issued by the Company and AMPL. The Company’s Addendum also set out an update on the sale of the Vessel “Energy Miner” which was owned by PT Bayu Maritim Berkah and mortgaged to OCBC. The modifications to the Company’s and AMPL’s Schemes dated 7 August 2020 pursuant to the Addendums were primarily attributable to requests made by and/or discussions with the Company’s Lenders.
- 3.3.21 Shortly after the Addendums were issued, the Company and AMPL each received some requests from its Scheme Creditors for more time to consider the contents of their respective Addendums. In view of the aforesaid requests, at the scheme meetings which were duly convened on 13 November 2020, the Company and AMPL each proposed a resolution to adjourn the scheme meetings to 30 November 2020 at the same time via Video-Conference (the “**1st Adjournment Resolutions**”).
- 3.3.22 The 1st Adjournment Resolutions were passed by a majority in number representing three-fourths in value of each class of the Company and AMPL’s Scheme Creditors present and voting (in person or by proxy) at their respective scheme meetings in accordance with section 210(3) of the Act. Consequently, the Company’s and AMPL’s scheme meetings were adjourned to 30 November 2020.
- 3.3.23 On 24 November 2020, the Company and AMPL were still in discussions with some of their respective Scheme Creditors on matters arising out of and/or in connection with the proposed scheme, and some Scheme Creditors indicated that they required more time to consider and come to a decision on the proposed scheme.
- 3.3.24 In the circumstances, on 25 November 2020, the Company and AMPL informed their respective Scheme Creditors that they intended to propose a resolution to further adjourn the scheme meetings which were to be held on 30 November 2020 to 21 December 2020. In connection with the foregoing, on 27 November 2020, the Company

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and AMPL filed their respective applications in OS 206 and OS 207 for an order that the time for convening their respective scheme meetings be extended till 21 December 2020 or other order of Court. On the same date, the Company and AMPL also filed their respective applications in OS 957 and OS 956 for an order that the moratoria under section 211B of the Act (which was due to expire on 11 December 2020) be extended till 31 January 2020 or other order of Court.

3.3.25 On 30 November 2020, at the Company's and AMPL's respective adjourned scheme meetings, a resolution was tabled to further adjourn the scheme meetings to 21 December 2020 at the same time via Video-Conference (the "**2nd Adjournment Resolutions**"). The 2nd Adjournment Resolutions were passed by a majority in number representing three-fourths in value of each class of the Company's and AMPL's respective Scheme Creditors present and voting (in person or by proxy) at the scheme meetings in accordance with section 210(3) of the Act.

3.3.26 On 7 December 2020, the Court granted the Company's and AMPL's respective applications for an order that the time for convening their respective scheme meetings be extended till 21 December 2020 or other order of Court and for an order that the moratoria under section 211B of the Act (which was due to expire on 11 December 2020) be extended till 31 January 2021 or other order of Court.

3.3.27 On 21 December 2020, the Company held its scheme meeting during which the following resolution was put to vote by each class of the Company's Scheme Creditors (the "**Scheme Resolution**"):

"To approve (with or without modification) the Scheme of Arrangement dated 4 November 2020 proposed to be made pursuant to section 210 of the Companies Act (Cap. 50) between [FEG] and the Scheme Creditors."

3.3.28 The Scheme Resolution was not passed by the requisite statutory majority of Scheme Creditors present and voting (in person or by proxy) at the Company's scheme meeting under section 210(3) of the Act. Details of the voting results on the Scheme Resolution at the Company's scheme meeting on 21 December 2020 are set out below.

Lenders' Scheme Meeting			
	For	Against	Total
Number	2	2	4
Number (%)	50%	50%	100%
Value (USD)	USD 49,695,066.93	USD 55,096,546.34	USD 104,791,613.27
Value %	47%	53%	100%
Unsecured Creditors' Scheme Meeting			
	For	Against	Total
Number	21	7	28
Number (%)	75%	25%	100%
Value (USD)	USD 9,708,044.84	USD 88,234,094.21	USD 97,942,139.05
Value %	10%	90%	100%

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Associated Creditor Scheme Meeting			
	For	Against	Total
Number	1	0	1
Number (%)	100%	0%	100%
Value (USD)	USD 4,819,468.26	USD 0.00	USD 4,819,468.26
Value (%)	100%	0%	100%

- 3.3.29 Given that the approval of the Company's scheme by the requisite statutory majority at the Company's scheme meeting is one of the conditions precedent to AMPL's proposed scheme, AMPL withdrew its proposed scheme and did not proceed with its scheme meetings (which were to be held on the afternoon of 21 December 2020).
- 3.3.30 Following the Company's scheme meeting on 21 December 2020, the Company continued to engage some of its dissenting creditors (in particular, CIMB) in discussions with respect to a proposed scheme.
- 3.3.31 Pursuant to these discussions, on 15 January 2020, the Company and AMPL filed HC/OS 32/2021 ("**OS 32**") and HC/OS 33/2021 ("**OS 33**") respectively to convene fresh Scheme Meetings pursuant to section 210(1) of the Act. In addition, the Company and AMPL filed HC/SUM 244/2021 (in OS 957) and HC/SUM 243/2021 (in OS 956) for a consequential extension of the moratoriums granted in OS 957 and OS 956.
- 3.3.32 The Schemes proposed by the Company and AMPL in OS 32 and OS 33 are substantially the same as the schemes proposed in OS 206 and OS 207 save for certain modifications to the terms of the Company's Scheme dated 4 November 2020 to address, amongst others, certain conditions requested by CIMB. The relevant modifications to the Company's Scheme dated 4 November 2020 as at 29 January 2021 are set out at **Appendix O** of this Scheme Document.
- 3.3.33 At the hearing of OS 32, SUM 244, OS 33 and SUM 243 on 3 February 2021, the Court granted leave to both the Company and AMPL to convene their respective Scheme Meetings pursuant to section 210(1) of the Act within 3 months from the date of the Order, and granted an extension of the moratoria in respect of the Company and AMPL to a date falling 4 months from the date of the Order.

3.4 Objectives and design of the Scheme

- 3.4.1 The Company is proposing the Scheme to ensure that its creditors are able to obtain a better return than the distribution they would receive in the event the Company is placed in liquidation (see paragraphs 7.1 and 7.2 below). Further, given that the Company is a public listed company, many members of the public who are shareholders would be affected by the winding up of the Company.
- 3.4.2 In addition, the winding up of the Company would have an adverse impact not just on the Company's stakeholders, but other parties as well. As is evident from the structure chart of the Falcon Group enclosed herewith at **Appendix K**, the Company is the ultimate holding company of a large number of subsidiaries. The Falcon Group collectively employs more than 70 people (not including crew for vessels). The commencement of the winding up of the Company is likely to have a knock-on effect on the business and operations of its subsidiaries (and, consequently, the employees of the Falcon Group).
- 3.4.3 The proposed Scheme has been designed with the underlying intention of restructuring

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the Company to sustainable levels by deleveraging the balance sheet. Debt holders will be converted to equity and in aggregate will account for up to 90% of the Company's enlarged share capital.¹ The salient terms of the proposed Scheme are set out in Section 4 below.

- 3.4.4 The Company in its current state is unlikely to pique the interest of any white knight. By recapitalising the Company's equity base through a debt-to-equity conversion exercise, the hope is that the Company will be better able to present itself as an investable platform to attract strategic investors who may inject much needed fresh capital. The debt-to-equity conversion will also permit debt holders to exit the Company by disposing of their shares in the SGX-ST once share trade suspension is lifted.²
- 3.4.5 As at the date hereof, the Company has disposed of all its material unencumbered assets. Proceeds arising from the sale of these assets have been applied towards funding working capital requirements and/or servicing interest payments on its borrowings. The only remaining assets capable of generating cash, at present, are the Vessels owned by the Falcon Group, all of which are secured to various financial institutions.³ For completeness, as at 9 February 2021, the Falcon Group holds approximately 45,379,956 unencumbered CHO Shares. As at 9 February 2021, the value of the unencumbered CHO Shares is approximately S\$1,905,958.
- 3.4.6 The Scheme is inter-conditional on the AMPL Scheme. Although the Company and AMPL are separate legal entities, they are economically inseparable on account of past commercial transactions and from an ongoing operational point of view. AMPL falls within the Falcon Group's Marine Division and is in the business of providing freight forwarding, packing, crating and ship management services (including servicing companies within the Falcon Group). Much of the liabilities recorded in the books of AMPL were incurred as a result of how the Company's assets were managed and deployed. Copies of AMPL's management accounts as at 30 June 2019, 31 December 2019, 31 March 2020, 30 June 2020 and detailed breakdowns of AMPL's receivables and payables from the financial year ended 31 March 2015 to financial year ended 30 June 2019 have been disclosed in OS 956.
- 3.4.7 AMPL is currently facing the threat of liquidation pursuant to a winding up application filed by PT Multi Karya Bajatama. In the event of liquidation, the appointed liquidator of AMPL will likely seek to recover its books receivables, including that owed by PT BMB, one of the Falcon Group's currently operating subsidiaries. Given the existing security arrangements with the Lenders and the Falcon Group's current financial position, any actions which may be commenced by a liquidator of AMPL to recover inter-company receivables is unlikely to yield returns. Instead, any such actions will invariably result in the catastrophic collapse of the current ecosystem that enables the Company and the Falcon Group to function and scupper any possibility of rehabilitating the Falcon Group.
- 3.4.8 In order for the Company to survive and to enable general or ordinary unsecured creditors of the Company to extract better recovery than a close to "nil" return in liquidation, the assets and liabilities of the Company and AMPL will need to be pooled in aggregate as if they all exist at the Company level.

4. SALIENT TERMS OF THE SCHEME

4.1 Scheme Creditors

- 4.1.1 The Scheme shall apply to any and all creditors to whom the Company owes liabilities save for the Excluded Creditors. However, only Participating Scheme Creditors shall be entitled to receive any payment or distribution under the terms of the Scheme.

¹ Source: KPMG's Report dated 11 October 2019 at paragraph 1.1.

² Source: KPMG's Report dated 11 October 2019 at paragraph 1.1.

³ Source: KPMG's Report dated 11 October 2019 at paragraph 1.2.

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- 4.1.2 In this regard, a “Scheme Creditor” is defined as a creditor of the Company who holds a Claim except Excluded Creditors.
- 4.1.3 “Excluded Creditors” are defined as the following persons or entities:
- (a) the Company’s professional advisors, namely, KPMG and Rajah & Tann Singapore LLP;
 - (b) any person or entity with whose claim against the Company would be entitled to priority under section 328 of the Act in the event of liquidation of the Company including amounts payable to the Inland Revenue Authority of Singapore and the Company’s employees; and
 - (c) sundry creditors identified in **Schedule D** of the Scheme including service providers such as the Company’s auditors and the landlord of the Company’s office premises.
- 4.1.4 A “Participating Scheme Creditor” is defined as any and all Scheme Creditors except the Non-Participating Scheme Creditors.
- 4.1.5 A “Non-Participating Scheme Creditor” is a Scheme Creditor who fails to submit a Voting Instruction Form or Proof of Debt (as the case may be) in accordance with Clause 5.2 of the Scheme or whose Approved Claim is determined to be nil in accordance with the terms of the Scheme.
- 4.1.6 Excluded Creditors shall be paid in the ordinary course of business as and when any amount owing to them falls due.
- 4.1.7 “Related Creditors” are the entities within the Falcon Group listed in **Schedule E** of the Scheme that fall within one of the following categories:
- (a) any corporation which would be deemed to be a subsidiary of the Company under section 5 of the Act;
 - (b) any corporation of which the Company would be deemed to be the ultimate holding company under section 5A of the Act;
 - (c) any corporation which would be deemed to be related to the Company under section 6 of the Act.

For the avoidance of doubt, the Associated Creditors are not Related Creditors and will participate in the Scheme as Unsecured Creditors, but will vote in a separate class at the Scheme Meeting.

4.2 Claims and Approved Claim

- 4.2.1 A “Claim” is defined as any claim or right in respect of the indebtedness or any other liability of the Company to any Scheme Creditor arising out of, in relation to and/or in connection with any and all agreements, transactions, dealings and matters effected or entered into or occurring at any time on or prior to the Ascertainment Date (whether the claim be present or contingent or whether liquidated or sounding only in damages and whether in contract or tort or howsoever arising including, but not limited to, all interest, default interest, premium, principal, additional amounts, make whole amounts, fees and commissions accruing on or payable in respect of, or any other accretions whatsoever arising in respect of, such claims or rights whether on or prior to the Ascertainment Date).
- 4.2.2 An “Approved Claim” is defined as the Claim of a Scheme Creditor against the Company to the extent admitted in accordance with Clause 5 of the Scheme.

4.3 Scheme Conditions and Effectiveness

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4.3.1 The Scheme shall become effective on the date on which all the following conditions precedent ("**Scheme Conditions**") have been satisfied or, where applicable, waived, in accordance with the terms of the Scheme ("**Effective Date**"):

- (a) the approval of the Scheme by the Requisite Majority at the Scheme Meeting;
- (b) the approval of the AMPL Scheme by the Requisite Majority at the AMPL Scheme Meeting;
- (c) the approval of the Scheme by the Court with or without modifications, additions or conditions imposed by the Court pursuant to section 210 of the Act;
- (d) the approval of the AMPL Scheme by the Court with or without modifications, additions or conditions imposed by the Court pursuant to section 210 of the Act;
- (e) a copy of the Orders of Court sanctioning the Scheme being lodged with ACRA in accordance with section 210(5) of the Act;
- (f) a copy of the Orders of Court sanctioning the AMPL Scheme being lodged with ACRA in accordance with section 210(5) of the Act;
- (g) the approval of the SGX-ST for the listing and quotation of the Scheme Shares;
- (h) the approval of the SGX-ST for the resumption of trading of the Company's shares on the SGX-ST;
- (i) the approval of the shareholders of the Company being obtained at an extraordinary general meeting for the allotment and issue of the Scheme Shares;
- (j) the SIC granting a whitewash waiver from the requirement to make a mandatory general offer pursuant to the Code in connection with the allotment and issue of the Scheme Shares and independent shareholders of the Company approving the whitewash waiver at an extraordinary general meeting;
- (k) all necessary governmental and regulatory approvals and consents to the Scheme and the AMPL Scheme and underlying transactions thereunder being obtained; and
- (l) the execution of the Security Documents.

All the above conditions are inter-conditional and are required to be fulfilled or waived in order for the Scheme to become effective. Accordingly, if any of the above conditions are not fulfilled or are not waived, the Scheme will not become effective.

4.3.2 Upon the Effective Date:

- (a) the Scheme shall be binding on all Scheme Creditors regardless of whether such Scheme Creditors attended or voted (in favour of or against the Scheme) at the Scheme Meeting;
- (b) all rights of each Scheme Creditor to the payments and distributions in accordance with the Scheme shall be accepted in full and final settlement and absolute discharge of all of its Claims; and
- (c) The Company shall take the necessary steps to implement the Scheme.

4.4 Release and Discharge

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On and from the Effective Date:

- 4.4.1 the Company shall be completely and absolutely released and discharged from all Claims to each Scheme Creditor (regardless of whether or not it has submitted a Proof of Debt or Voting Instruction Form under this Scheme);
- 4.4.2 unless otherwise expressly provided in the Scheme, the Scheme Creditors waive:
- (a) all default interest, premium, additional amounts, make whole amounts, fees, commissions and penalties chargeable, accruing on, or payable in respect of, or any other accretions whatsoever arising in respect of the Claims, as at or after the Ascertainment Date under or in connection with any other agreement relating to a Claim;
 - (b) any and all right to claim for any legal fees incurred by the Scheme Creditors arising out of and/or in connection with the Claims other than those awarded under an order of court or arbitral award made on or before the Ascertainment Date or agreed to be paid by the Company, which shall be subject to the Scheme.
- 4.4.3 each of the Scheme Creditors shall (regardless of whether or not it has submitted a Proof of Debt or Voting Instruction Form under this Scheme):
- (a) discontinue, withdraw and/or terminate any and all legal, arbitration, insolvency, enforcement or other proceedings commenced by that Scheme Creditor against the Company or any assets of the Company in any jurisdiction for the payment or recovery of its Claims;
 - (b) release or take all such action required for the release to the Company of all rights, funds or property arrested, seized, garnished or attached in any such legal, arbitration, insolvency, enforcement or other proceedings,

with no order as to costs within fourteen (14) days from the Effective Date, failing which, the Company shall be entitled to seek the appropriate orders or awards against the Scheme Creditor from the relevant court or tribunal to enforce and/or give effect to this undertaking. The Scheme Creditor shall be liable for any costs incurred by the Company in enforcing and/or giving effect to the undertaking under the Scheme on an indemnity basis.

4.5 **Moratorium**

- 4.5.1 Pursuant to Clause 4 of the Scheme, save as expressly provided in the Scheme, during the Scheme Period, no Scheme Creditor shall, whether directly or indirectly, take any steps to initiate, commence, procure, or continue any legal or other proceedings against the Company or any of its assets and properties in respect of any Claims in any jurisdiction including, but not limited to, court action (including winding up proceedings, judicial management and any analogous proceedings in any other jurisdiction), arbitration, the appointment of a receiver or receiver and manager, and/or the enforcement of any judgment or court order.
- 4.5.2 Any Scheme Creditor who receives or recovers, at any time, on or after the Ascertainment Date, from the Company any sum in discharge of any portion of its Approved Claim, shall within the timeframe stipulated in Clause 4.2 of the Scheme, notify the Company of the amount and currency so received, how it was received or recovered and whether it represents principal or interest or other sums. Such Scheme Creditor shall, within two (2) Business Days after receiving a request from the Company, pay to the Company an amount equal to the sum so received or recovered

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(free and clear of all deductions or withholdings).

4.6 Determination of Approved Claims

- 4.6.1 All Approved Claims, which will in turn determine the Scheme Creditors' entitlement to receive benefits under the Scheme and vote at the Scheme Meeting and any General Meeting, shall be determined as at the Ascertainment Date.
- 4.6.2 Please refer to paragraphs 2.3.1.1 and 2.3.1.2 above for the procedure for the submission of Voting Instructions Forms and Proofs of Debt.
- 4.6.3 Subject to Clauses 5.7 and 5.11 of the Scheme, the adjudication of the Proofs of Debt and Voting Instruction Forms for the purposes of determining the Approved Claim of each Scheme Creditor shall be carried out in accordance with section 68 of the Insolvency, Restructuring and Dissolution Act 2018 read with the provisions of the Insolvency, Restructuring and Dissolution (Proofs of Debt in Schemes of Arrangement) Regulations 2020.
- 4.6.4 For the purpose of determining the Noteholders' Approved Claims, the Claim of a Noteholder will be admitted based on the aggregate of:
- (a) the principal amount of the Notes held by a Noteholder recorded in the books of the CDP as at the Ascertainment Date; and
 - (b) any and all interest accruing on the Notes up to and including the Ascertainment Date which shall be calculated by the Company (subject to review by the Chairman, Independent Assessor or Scheme Manager, as the case may be, pursuant to the adjudication of the Voting Instruction Forms in accordance with the terms of the Scheme).
- 4.6.5 Any Scheme Creditor who fails to raise a dispute in relation to the rejection of its Proof of Debt or Voting Instruction Form as the case may be in accordance with section 211F of the Act read with the provisions of the Companies (Proofs of Debt in Schemes of Arrangement) Regulations 2017 shall be deemed to have admitted and accepted the decision or determination of the Chairman or the Independent Assessor (as the case may be) as regards its Claim in its Proof of Debt and the amount(s) of its Approved Claim.
- 4.6.6 Pursuant to Clause 5.10 of the Scheme, notwithstanding the completion of the adjudication of any Proof of Debt or Voting Instruction Form in accordance with section 211F of the Act, in the event the Scheme becomes effective in accordance with its terms, the Scheme Manager may adjudicate any Proof of Debt or Voting Instruction Form *de novo*, or review and revise any past adjudication of any Proof of Debt or Voting Instruction Form, at his sole and absolute discretion. Any Scheme Creditor who wishes to dispute such fresh adjudication of its Approved Claim must comply with the procedure set out in Clause 5.11 of the Scheme.

4.7 Restructuring Plan

The Lenders

- 4.7.1 **The Lenders' Approved Claim.** Each Lender's Approved Claim shall be restructured under the Scheme as follows:
- (a) Each Lender may elect to take delivery of or instruct the Company to procure the sale of all or some of its Secured Assets by submitting a written notice to the Company within the timeframe stipulated in the Scheme identifying which of its

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Secured Assets it wishes to take delivery of or instruct the Company to procure the sale of. If a Lender does not submit a written notice, the Lender shall be deemed to have elected to take delivery of all its Secured Assets.

- (b) Each Lender who has elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets shall be allocated and issued Scheme Shares for the whole of its Approved Claim in accordance with Clause 6.1(e) of the Scheme.
- (c) With respect to each Lender who elects to take delivery of its Secured Asset(s), the Company shall procure that each Lender's Secured Assets are delivered or transferred to the Lender by no later than the date falling 6 months after the Effective Date on such terms as may be agreed upon in writing between the Company and the relevant Lender (each party acting reasonably). All costs and expenses incurred in connection with the delivery and/or transfer of a Secured Asset shall be borne by the Lender. Upon election by the Lender to take delivery of or instruct the Company to procure the sale of its Secured Asset(s), the Lender shall be solely responsible for all costs and expenses in connection with the Secured Asset and the Group shall have no further obligations to pay any such costs and expenses. With respect to each Lender who elects to instruct the Company to procure the sale of all or some of its Secured Assets, the Company shall assist the Lender in procuring a purchaser willing to pay the full sale proceeds in respect of the Secured Asset(s) into and held in an escrow account pending completion of the sale. Pending completion of the sale of the Secured Asset(s) on terms to be approved by the Lender, the Group shall continue to manage the Secured Asset(s) and all costs and expenses in connection with the Secured Asset(s) incurred up till completion of the sale shall be debited from any earnings generated by the Secured Asset(s).

The terms of the delivery and/or transfer will need to be discussed between the Company and the relevant Lenders as some of the Vessels may still be working and generating revenue.

- (d) All Secured Assets shall be sold or disposed of by the Lender who has elected to take delivery of or instruct the Company to procure the sale of all of its Secured Assets by no later than the Disposal Date and the net proceeds of sale from the Lender's Secured Assets shall be applied towards reducing the Lender's Approved Claim. If a Lender fails to sell or dispose of any of its Secured Assets by the Disposal Date, any portion of the Lender's Approved Claim which remains unsatisfied shall automatically be deemed to have been settled in full and the Lender shall not be entitled to receive any Allocated Shares.
- (e) With respect to any Lender who has elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets and who has sold or disposed of all of its Secured Assets by no later than the Disposal Date, the Company shall issue the Allocated Shares to that Lender within the timeframe stipulated in the Scheme in full and final settlement of such portion of the Lender's Approved Claim which remains unsatisfied pursuant to the sale or disposal of the Secured Assets as at the Disposal Date. Any Allocated Shares which are not issued to such Lender shall be distributed in accordance with Clause 6.6 of the Scheme.
- (f) With respect to any Lender who has not elected to take delivery of or instruct the Company to procure the sale of all of its Secured Assets, any portion of the Approved Claim of the Lender which remains unsatisfied pursuant to the sale or disposal of the Secured Assets as at the Disposal Date shall be settled in accordance with Clause 6.3 of the Scheme.

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4.7.2 **Remaining Secured Assets.** With respect to any Lender who has not elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets, pursuant to Clause 6.3 of the Scheme, the Company shall make payment to the Lender in respect of its Approved Claim as follows. For the avoidance of doubt, Clauses 6.3(a) to 6.3(s) of the Scheme do not apply to a Lender who has elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets or to any Secured Assets which has been transferred or delivered to a Lender pursuant to Clause 6.1 of the Scheme:

- (a) Cross-collateralisation and further security. The securities held by a Lender in respect of the Lender's Approved Claim shall be cross-collateralised (if not already done) at the option of the relevant Lender over securities granted in its favour in accordance with the terms of the Scheme to secure the Lender's Approved Claim. All costs and expenses to be incurred in connection with the cross-collateralisation exercise shall be borne by the Lender. For the avoidance of doubt, a Lender's securities will not be cross-collateralised with the securities held by another Lender.
- (b) Where the Secured Asset(s) which the Lender has elected not to take delivery of or instruct the Company to procure the sale of in accordance with the terms of the Scheme comprise Vessels, the Company shall procure the establishment of a Designated Account for the Lender (if one has not already been established) and shall execute or procure the execution of (as may be applicable) a charge over the Designated Account established in favour of the Lender.

Cash management principles under the Cash Waterfall

- (c) Vessel Income. All Vessel Income shall first be credited into the Group's Bank Mandiri Account. Within T+3 business days of receipt of any Vessel Income attributable to the Lender's Vessels into the Group's Bank Mandiri Account (where "T" is the date of receipt of such Vessel Income in the Group's Bank Mandiri Account), the Group shall issue letter(s) of instruction to Bank Mandiri for all such Vessel Income to be transferred to the relevant Designated Account established by the Group for the Lender.
- (d) Cash Waterfall. The Vessel Income shall be applied in the following manner:
 - (i) First, payment of Vopex for the Lender's Vessels in accordance with L1.

Under L1, the Vopex for a given month shall be debited from the Total Vessel Income every month based on the Vopex Budget agreed with the Lender or the actual Vopex incurred, whichever is lower. If the actual Vopex incurred exceeds the Vopex Budget, the Group must obtain the prior written consent from the relevant Lender before debiting any amount exceeding the Vopex Budget from the Total Vessel Income for the settlement of the additional Vopex incurred.

- (ii) Second, payment of the Lender's Interest in accordance with L2.

Under L2, any surplus funds in a Designated Account after compliance with L1 shall be applied towards payment of the Lender's COF and 0.25% Margin.

Contractual interest and default interest shall continue to accrue on the Principal, but shall not be compounded and shall be paid in accordance with the Cash Waterfall.

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Subject to the completion of the Scheme in accordance with Clause 9.1 of the Scheme and without prejudice to Clause 6.3(m) of the Scheme, upon the expiry of the Scheme Period, the Lender agrees to, in good faith, consider waiving, releasing and discharging (be it in whole or in part) the Company from any and all claims for any default interest payable to the Lender which remains outstanding at the end of the Scheme Period, but for the avoidance of doubt is not bound to do so.

Any available funds in a Designated Account (after taking into account any deductions allowed by the Account Holder under L1) shall be applied towards payment of the Lender's Interest on a monthly basis.

- (iii) Third, payment of Administrative Overheads in accordance with L3.

Under L3, the Lender agrees to bear the Administrative Overheads.

Subject to Clause 6.3(l)(ii) of the Scheme, the Lender's contribution to the Administrative Overheads shall be debited from its Designated Account. The maximum amount of Administrative Overheads which may be debited from the Designated Account shall be the Administrative Overheads Budget agreed with the Lender or the actual Administrative Overheads incurred, whichever is lower.

If the actual Administrative Overheads incurred exceeds the Administrative Overheads Budget, the Group will have to obtain the Lender's prior written consent before debiting any amount exceeding the Administrative Overheads Budget from the Designated Account for the settlement of the excess Administrative Overheads incurred.

- (iv) Fourth, payment of the Remaining Margin (subject to Reserve) in accordance with L4.

Under L4, any available funds in a Designated Account (after taking into account any deductions under L1 to L3) shall be applied towards payment of the Remaining Margin subject to there being sufficient funds in the Designated Account to satisfy the Reserve.

In the event there are insufficient funds in the Designated Account to pay the Remaining Margin, any shortfall in the payment of the Remaining Margin shall be paid in subsequent months when there is a surplus in the Designated Account after settling the Remaining Margin payable to the Lender for a given month.

- (v) Fifth, repayment of Principal in accordance with L5.

Under L5, starting from the second year of the Scheme Period, any available funds in a Designated Account (after taking into account any deductions under L1 to L4) shall be applied towards payment of the Principal due and owing to the Lender under the Lender's Facilities subject to there being sufficient funds in the Designated Account to satisfy the Reserve.

For the avoidance of doubt, any and all Vessel Income from a Lender's Vessels shall only be applied for the benefit of that Lender.

Sale of Non-Performing Vessels

- (e) Sale of Non-Performing Vessels. The Lender shall have the right to sell and/or request that the Company use all reasonable endeavours to procure the sale or scrapping of a Non-Performing Vessel, on terms to be agreed between the

EXPLANATORY STATEMENT

Company and the Lender (each, acting reasonably). The Lender shall use all reasonable endeavours to procure that any Existing Security in respect of the Non-Performing Vessel shall be discharged in order to facilitate any such sale.

- (f) Application of Proceeds. Any proceeds from the sale or scrap of any Non-Performing Vessel shall be applied in the following order of priority:
- (i) first, towards payment of any expenses incurred in relation to and/or payable for the purpose of giving effect to the sale or scrap of the Non-Performing Vessel (e.g. shipyard dues and government tariffs etc.);
 - (ii) second, towards payment of the Principal due and owing to the relevant Lender;
 - (iii) third, towards payment of any remaining balance of the relevant Lender's Approved Claim (including interest);
 - (iv) fourth, to the Company.
- (g) **Disposal of other Secured Assets**. Without prejudice to paragraph 4.7.3(e) above, and subject to paragraph 4.7.3(h) below, during the Scheme Period, the Company may with the prior written consent of the relevant Lender dispose of any Secured Asset. Any proceeds from such disposal shall be applied in the order of priority set out in paragraph 4.7.3(f) above save that, with respect to paragraph 4.7.3(f)(i), the reference to expenses incurred in relation to and/or payable for the purpose of giving effect to the sale or scrap of the Non-Performing Vessel shall be deemed to be a reference to expenses incurred in relation to and/or payable for the purpose of giving effect to the any disposal pursuant to this paragraph. The Lender shall use all reasonable endeavours to procure that any Existing Security in respect of the Vessel shall be discharged in order to facilitate any such sale.
- (h) The Company shall have the right to deal with, sell or scrap a Non-Performing Vessel as it deems fit if the Company has provided the relevant Lender with a request in writing to dispose of the Non-Performing Vessel pursuant to paragraph 4.7.3(g) above, and such Lender fails to respond within 3 weeks of the date of such written request. In the event the Lender informs the Company of its refusal to consent to the Company's request to dispose of a Non-Performing Vessel (such notice of refusal to be given in writing by a Lender no later than 3 weeks from the date of the written request by the Company), starting from the date of the Lender's notice of refusal, the Lender shall bear all Administrative Overheads in respect of such Non-Performing Vessel even if the actual Administrative Overheads incurred exceeds the Administrative Overheads Budget, and shall continue to do so until the earlier of such time as the Vessel is no longer a Non-Performing Vessel or the Vessel is sold, scrapped or otherwise disposed of.
- (i) In the event all Secured Assets over which a Lender holds an Encumbrance have been sold, scrapped and/or disposed of in accordance with the terms of the Scheme and the Approved Claim of the relevant Lender has not been settled in full, notwithstanding that the Scheme Period has not expired, the remaining Approved Claim shall be automatically, completely and absolutely released and discharged, and the Company and the relevant companies in the Group shall have no further obligations and liabilities to the relevant Lender in respect of such remaining Approved Claim. The relevant Lender shall, if called upon to do so, execute and deliver to the Company such forms of release, discharge or discontinuance of any undertakings and/or liability as the Company may reasonably require.

EXPLANATORY STATEMENT

- (j) If a Lender's Approved Claim has not been settled in full at the end of the Scheme Period, the outstanding balance of the Lender's Approved Claim shall be sustained post-Scheme Period. Within three (3) months after the last day of the Scheme Period (or other such date as may be agreed upon in writing between the Company and the Lender), the Company shall either refinance the amount of Approved Claim sustained post-Scheme Period or the Company or the Lender shall renegotiate and enter into a new agreement governing the repayment of the amount of Approved Claim sustained post-Scheme Period, failing which the Lender shall be entitled to enforce all its rights under the Lender's Facilities.

Reporting Requirements

- (k) At every monthly interval following the Effective Date, the Company shall:
- (i) provide an MVF Report to the Lender and the Scheme Manager;
 - (ii) provide a D&C Status Report to the Lender and the Scheme Manager.
- (l) The Scheme Manager shall at every 3-month interval following the Effective Date prepare and provide a monitoring report to the Lender based on the MVF Report, the D&C Status Report and any and all other information that the Scheme Manager may require and request from the Company as the Scheme Manager may in his sole and absolute discretion deem appropriate.

Scheme Shares

4.7.3 **Total Eligible Debt.** The Total Eligible Debt which shall participate in the issuance of Scheme Shares by the Company shall comprise of the following:

- (a) the FEG Eligible Debt; and
- (b) the AMPL Eligible Debt (which shall be treated as an indebtedness of the Company).

4.7.4 **Share Recipient.** The following persons shall be eligible to participate in the issuance of Scheme Shares in accordance with the terms of the Scheme:

- (a) the Unsecured Creditors;
- (b) the Lenders who have elected to take delivery of or instruct the Company to procure the sale of all of its Secured Assets pursuant to Clause 6.2 of the Scheme; and
- (c) the AMPL Scheme Creditors.

4.7.5 **Scheme Share Issuance.** The Total Eligible Debt shall be settled as follows:

- (a) The Total Eligible Debt shall be converted into Scheme Shares.
- (b) The number of Scheme Shares to be allotted to each Share Recipient shall be determined by the following formula:

$$\frac{\text{Approved Claim of the Share Recipient}}{\text{Total Eligible Debt}} \times 90\% \text{ of the enlarged share capital of the Company}$$

- (c) The Scheme Shares shall (i) be duly authorised, validly issued and credited as fully paid-up; (ii) rank *pari passu* in all respects with any other shares of the

EXPLANATORY STATEMENT

Company then in issue; and (iii) free from all encumbrances and entitled to all rights attached thereto on or after the date of issue.

- (d) The Scheme Shares shall be issued by the Company to Unsecured Creditors and the AMPL Scheme Creditors within 2 weeks of the Implementation Date.
- (e) The Scheme Shares shall be issued by the Company to the Lenders who have elected to take delivery of or instruct the Company to procure the sale of all Secured Assets pursuant to Clause 6.2 of the Scheme in accordance with Clause 6.1 of the Scheme (summarised at paragraph 4.7.1(a) above). Any Allocated Shares which are not issued to a Lender in accordance with Clause 6.1 of the Scheme shall be distributed *pari passu* to all Share Recipients.

4.8 **Related Creditor Claims.** Related Creditors shall not be entitled to receive any distributions, payments or benefits under the Scheme or vote at any General Meeting, and the Company shall be completely and absolutely released and discharged from all Related Creditor Claims on and from the Effective Date.

4.9 Completion and termination

4.9.1 Pursuant to Clause 9.1 of the Scheme, the Scheme shall terminate by performance when:

- (a) the Scheme Manager (acting reasonably) certifies under hand that the Scheme has been completed or so substantially completed that it cannot be continued without needlessly protracting this Scheme;
- (b) the Scheme Creditors in General Meeting resolve by Special Resolution to terminate this Scheme upon issuance of the Scheme Manager's certification pursuant to Clause 9.1.1(a) of the Scheme that the Scheme has been completed or so substantially completed that it cannot be continued without needlessly protracting this Scheme; or
- (c) an order of the Court sanctioning the termination of the Scheme is obtained.

4.9.2 Pursuant to Clause 9.2 of the Scheme, the Scheme shall also terminate if the Scheme Creditors in general meeting resolve by Special Resolution to terminate this Scheme upon any of the following events occurring:

- (a) if the Company does not comply with any provision of the Scheme, provided that no failure of the Company to comply with any provision of the Scheme shall be deemed to have occurred if the failure to comply is capable of remedy and is remedied within thirty (30) days of any Participating Scheme Creditor giving notice to the Company;
- (b) if the Company ceases or threatens to cease to carry on its business or any material part thereof or materially changes the nature or mode of conduct of its trading in any material aspect;
- (c) an order is made for the Company to be placed under judicial management and for the appointment of a judicial manager;
- (d) if a receiver and/or manager or other similar officer is appointed over the undertakings, properties, assets, or revenues of the Company;
- (e) if an order is made for the winding up of the Company or a resolution passed or if a notice is issued convening a meeting for the purpose of passing any such resolution;

EXPLANATORY STATEMENT

- (f) if, in Singapore or elsewhere, the Company is declared by the Minister to be a declared company under the provisions of Part IX of the Companies Act;
- (g) if the AMPL Scheme is terminated; or
- (h) if a material situation shall arise which in the opinion of any of the Creditors (acting reasonably) makes it improbable that the Company will be able to perform its obligations under the Scheme.

4.9.3 Pursuant to Clause 9.3 of the Scheme, in the event that the Scheme is terminated under Clause 9.2 of the Scheme, the Scheme shall cease to be binding on the Scheme Creditors and each Scheme Creditor shall be entitled to exercise any and all of its rights, powers and remedies against the Company for any outstanding part of the Scheme Creditor's Approved Claim which the Company has failed to settle in accordance with the terms of the Scheme.

4.10 Scheme Manager

4.10.1 The proposed Scheme Managers are Wong Pheng Cheong Martin and Toh Ai Ling of KPMG, acting jointly and severally, or any other person appointed in accordance with Clause 10 of the Scheme.

4.10.2 The Scheme Manager shall oversee the implementation of and the Company's compliance with the provisions of the Scheme and shall have the power to do all such things as he may consider necessary or desirable towards that end.

5. ACTIONS TO BE TAKEN IN IMPLEMENTING THE SCHEME

5.1 Adjudication of Voting Instruction Form and Proof of Debt

5.1.1 The Voting Instruction Forms and the Proofs of Debt submitted by the Scheme Creditors shall be adjudicated by the Chairman in accordance with Clause 5.7 to 5.11 of the Scheme. For the avoidance of doubt, the Voting Instruction Form shall be deemed to be a Noteholder's proof of debt for purposes of section 211F of the Act.

5.1.2 The timelines in relation to the adjudication of Voting Instructions Forms and Proof of Debt which Scheme Creditors should take note of are set out in **Appendix M** hereto.

5.1.3 Scheme Creditors who fail to submit a Voting Instruction Form or Proof of Debt as the case may be in accordance with Clause 5.2 of the Scheme on or before the Voting Instruction Form Submission Date or Proof of Debt Submission Date as the case may be shall be considered a Non-Participating Scheme Creditor unless so admitted at the discretion of the Chairman / Scheme Managers. A Non-Participating Scheme Creditor shall not be entitled to any distributions, payments or benefits under this Scheme or be entitled to vote at the Scheme Meeting and any General Meeting (unless so admitted at the discretion of the Chairman / Scheme Manager) but shall, nonetheless, be bound by the terms of the Scheme in the event that it becomes effective and shall have its Claim compromised or waived under the terms of this Scheme.

5.2 Scheme Meeting and Classification of Scheme Creditors

5.2.1 In accordance with the directions of the Court, separate meetings for the Lenders, the Unsecured Creditors (not including Associated Creditors) and the Associated Creditors will be held for the purpose of considering and, if thought fit, approving the Scheme. If the Company were to be placed in liquidation, the Lenders would be treated as unsecured creditors of the company. However, under the terms of the Scheme, the Lenders will be treated as secured creditors on the basis of the security provided by

EXPLANATORY STATEMENT

other entities in the Falcon Group. As such, the Lenders will vote in a separate class from the general body of unsecured creditors of the Company. Further, Mr Tan Pong Tyea, Mr Lien Kait Long, Mr Mak Yue-Chen Andrew who are directors of the Company, and Mr Tan Tee Beng who is a former director of the Company, who are intended Unsecured Creditors under the Scheme, will abstain from voting at the Scheme Meeting.

- 5.2.2 Given that Related Creditor Claims will be released and discharged in full, the Related Creditors will be classed separately from the Lenders and the general body of Unsecured Creditors. In any event, the Related Creditors will abstain from voting on the Scheme.
- 5.2.3 The Scheme Meeting will be held via Video-Conference on the date and at the time set out in the notice of Scheme Meeting and in accordance with the Protocol enclosed herein at **Appendix N**. Scheme Creditors are requested to take note of the date and time of the Scheme Meeting, and the guidance given in the Protocol in relation to attending the Scheme Meeting via Video-Conference.
- 5.2.4 Before the Scheme can be sanctioned by the Court, it must first be approved by a majority (over 50%) in number and representing seventy-five percent (75%) in value of the Scheme Creditors or class of the Scheme Creditors present and voting at Scheme Meeting (whether in person or by proxy).
- 5.2.5 Scheme Creditors who have any issues in relation to the proposed Scheme are encouraged to contact the Chairman's office at the 16 Raffles Quay, #22-00, Hong Leong Building, Singapore 048581. Scheme Creditors will also be given an opportunity to raise any questions they have in relation to the proposed Scheme at the Scheme Meeting. The Company may require that the Scheme Creditors or their proxies (if applicable), send to the Chairman, by post or electronic mail, the matters which the Scheme Creditors wish to raise at the Scheme Meeting, and each matter, if substantial and relevant and sent within a reasonable time before the Scheme Meeting, is to be responded to at or before the Scheme Meeting by electronic means.

5.3 **Approval by the Court**

- 5.3.1 Provided that the Scheme is approved by the Scheme Creditors at the Scheme Meeting, the Company will make an application to the Court for Court approval of the Scheme.
- 5.3.2 Scheme Creditors will be entitled to attend the hearing(s) of the Company's application to the Court to approve the Scheme. Scheme Creditors will be provided with the relevant court papers upon request.

6. **OVERSEAS SCHEME CREDITORS**

6.1 **Overseas Scheme Creditors**

- 6.1.1 The applicability of the Scheme to Scheme Creditors whose addresses are outside Singapore as shown in the records of the Company (each, an "**Overseas Scheme Creditor**"), may be affected by the laws of the relevant overseas jurisdictions. In particular, the distribution of this Scheme Document in jurisdictions outside Singapore may be affected by law. Accordingly, all Overseas Scheme Creditors should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.
- 6.1.2 Where there are potential restrictions on sending this Scheme Document to any overseas jurisdiction, the Company reserves the right not to send such documents to the Overseas Scheme Creditor in such overseas jurisdiction.

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6.1.3 **Overseas Scheme Creditors who are in doubt as to their positions should consult their own professional advisers in the relevant jurisdictions.**

6.1.4 For the avoidance of doubt, this Scheme is proposed to all Scheme Creditors and applies to all Scheme Creditors, including those to whom this document has not been and will not be sent. Notwithstanding that such Scheme Creditors (including but not limited to Overseas Scheme Creditors) may not receive notices or documents relating to this Scheme, they shall be bound by the Scheme if the Scheme becomes effective.

6.2 Copies of the Scheme Document

6.2.1 Overseas Scheme Creditors (and any other Scheme Creditors) may obtain an electronic copy of this Explanatory Statement at the website of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Alternatively, an Overseas Scheme Creditor may write in to the Company at the Specified Address or Specified E-Mail Address to request for this Explanatory Statement and any related documents to be sent to an address in Singapore by ordinary post, or an e-mail address specified by the Overseas Scheme Creditor, up to 7 days prior to the date of the Scheme Meeting at such Scheme Creditor’s own risk.

6.2.2 It is the responsibility of any Overseas Scheme Creditor who wishes to request for this Explanatory Statement and any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements. If any Overseas Scheme Creditor is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.

7. LIQUIDATION SCENARIO

7.1 KPMG had issued a report dated 11 October 2019, which was supplemented by a report dated 26 November 2019, to express their views on the viability and projected earnings of the Company post-implementation of the Scheme and setting out a liquidation scenario analysis. A copy of KPMG’s report dated 11 October 2019 and supplemental report dated 26 November 2019 are enclosed herewith at **Appendix L**.

7.2 Based on the liquidation scenario analysis prepared by KPMG in October 2019, the general body of unsecured creditors of the Company are likely to receive approximately a 0.72% return if the Company were to be placed in liquidation. In contrast, the estimate recovery to the Unsecured Creditors under the proposed Scheme is approximately between 58% to 91%, using 50% and 80% of last traded share price as an indication. While it is expected that recovery under the Scheme will be reduced in view of the current global economic conditions, recovery under the proposed Scheme is nonetheless still expected to be higher than in liquidation. Accordingly, the proposed Scheme is a better alternative than placing the Company into liquidation, as liquidation of the Company will provide a much lesser return to the Scheme Creditors.

8. MATERIAL INTERESTS OF DIRECTOR

8.1 As at 9 February 2021, the directors have shareholding interests in the Company as follows:

Name of Director	No. of Ordinary Shares (Direct)	No. of Ordinary Shares (Indirect)
Tan Pong Tyea	384,334,972	-
Lien Kait Long	75,000	-
Mak Yen-Chen Andrew	-	-
Tan Sooh Whye (alternate to Tan Pong Tyea)	10,000,000	4,209,500

EXPLANATORY STATEMENT

8.2 As at 9 February 2021, none of the directors of the Company have shareholding interests in the subsidiaries of the Group.

9. RISK FACTORS

9.1 In considering whether to vote in favour of the Scheme, each Scheme Creditor should carefully consider all the information contained in this document in particular the risk factors described below. These risk factors described below are not exhaustive and Scheme Creditors should also consider all other risks relevant in the circumstances.

9.2 Even if the appropriate level of support is obtained from the Scheme Creditors at the Scheme Meeting (which cannot be assured), approval of the Scheme is at the discretion of the Court. Whilst the Company believes that the relevant statutory formalities have been complied with, the Court could determine that the Explanatory Statement is inadequate, that the solicitation of votes was improper due to the inadequacy of disclosure or for other reasons, and/or could determine that the Scheme fails to meet various other requirements, and require amendments or modifications which might not be acceptable to the Company or the Scheme Creditors or may not be accomplished in a timely manner. The Court could also differ from the selection and/or classification of creditors of the Company as Scheme Creditors.

9.3 Further, appeals or requests for other reviews in respect of the Scheme and appeals against the Sanction Order could delay the effectiveness of the Scheme.

10. RECOMMENDATIONS

10.1 The proposed Scheme is a better alternative than placing the Company into liquidation, as liquidation of the Company will provide a much lesser return to the Scheme Creditors.

10.2 In the circumstances, the board of directors of the Company recommend that Scheme Creditors vote in favour of the Scheme at the Scheme Meeting.

Yours faithfully

Tan Pong Tyea
Director

For and on behalf of Falcon Energy Group Limited

APPENDIX A – NOTICE OF SCHEME MEETING

IN THE GENERAL DIVISION OF THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

HC/OS 32/2021)

In the Matter of Part VII, Section 210 of the Companies Act (Cap. 50)

FALCON ENERGY GROUP LIMITED
(Singapore UEN No. 200403817G)

... Applicant(s)

SCHEME OF ARRANGEMENT
Under Section 210 of the Companies Act (Cap. 50)

Between

FALCON ENERGY GROUP LIMITED
(Singapore UEN No. 200403817G)
(the “**Company**”)

And

THE SCHEME CREDITORS
(as defined in the Scheme)

NOTICE OF SCHEME MEETING

NOTICE IS HEREBY GIVEN that pursuant to an Order of Court dated 3 February 2021 (the “**Order**”) made in the above matter, the following meetings of the Scheme Creditors (as defined in the Scheme referred to below) of Falcon Energy Group Limited (Singapore UEN No. 200403817G) (the “**Company**”) will be held for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme of Arrangement dated 10 February 2021 (the “**Scheme**”) proposed to be made pursuant to section 210 of the Companies Act (Cap. 50) (the “**Act**”) between the Company and the Scheme Creditors:

- (a) The Lenders’ Scheme Meeting will be held on **30 April 2021 at 9.30AM (Singapore time) via Video-Conference**;
- (b) The Unsecured Creditors’ Scheme Meeting will be held on **30 April 2021 at 10.30AM (Singapore time) via Video-Conference** ; and
- (c) The Associated Creditors’ Scheme Meeting will be held on **30 April 2021 at 12.00PM (Singapore time) via Video-Conference** .

Unless otherwise notified by the Company, the Scheme Meeting shall be held by way of Video-Conference in accordance with the Protocol set out in **Appendix N** of the Scheme Document (as defined below).

Pursuant to the said Order, Wong Pheng Cheong Martin, care of KPMG Services Pte. Ltd. of 16 Raffles Quay #22-00, Hong Leong Building Singapore 048581, shall be appointed as chairman (the “**Chairman**”) of the Scheme Meeting.

APPENDIX A – NOTICE OF SCHEME MEETING

The Scheme and other related documents are incorporated in the Explanatory Statement required to be furnished pursuant to section 211 of the Act, of which this Meeting Notice forms part (the aforesaid documents shall collectively be referred to as “**Scheme Document**”). Copies of the Scheme Document have been sent: (a) by ordinary or registered post, hand delivery or courier as is appropriate to the Scheme Creditors who are not Noteholders (the “**Other Creditors**”) for whom the Company has an address, which address the Company understands to be the last known address of that Scheme Creditor; and/or (b) by electronic mail to the Other Creditors for whom the Company has an E-Mail address, which E-mail address the Company understands to be the last known E-mail address of that Scheme Creditor or any director, employee, agent or representative of that Scheme Creditor; save that, where there are potential restrictions on sending the Scheme Document to any overseas jurisdiction, the Company need not send the Scheme Document to the Scheme Creditors in such overseas jurisdiction.

With respect to Scheme Creditors who are Noteholders, the Company has sent the Scheme Document (including this Meeting Notice) to the Account Holders for whom the Company has an address and/or E-Mail address (which address or E-Mail address the Company understands to be the last known address or E-Mail address of that Account Holder) by post, hand delivery, courier or electronic means, as the Company may deem appropriate.

Additional copies of the Scheme Document may also be obtained by the Scheme Creditors from the offices of the Company, at 10 Raeburn Park #01-33B Singapore 088702 (“**Specified Address**”) or by writing in to scheme@feg.com.sg (“**Specified E-Mail Address**”) during normal business hours on any day (other than a Saturday, Sunday or public holiday) prior to the day appointed for the Scheme Meeting.

An electronic copy of the Scheme Document shall be made available at the website of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). A Scheme Creditor in an overseas jurisdiction may also write to the Company at the Specified Address or Specified E-Mail Address to request for the Scheme Document to be sent to an address in Singapore by ordinary post, or an e-mail address specified by the Overseas Scheme Creditor, up to 7 days prior to the date of the Scheme Meeting at such Scheme Creditor’s own risk.

For the purpose of participating and voting at the Scheme Meeting:

- (a) Every Noteholder must submit a duly completed Voting Instruction Form (the form of which may be found at **Appendix C** of the Scheme Document) in respect of its Notes (as defined in the Scheme) through the Account Holder to the Company at the Specified Address or Specified E-Mail Address, by no later than 5:00PM on 24 February 2021;
- (b) Every Other Scheme Creditor must submit a duly completed Proof of Debt (the form of which may be found at **Appendix D** of the Scheme Document) in respect of its Claim (as defined in the Scheme) against the Company as at the Ascertainment Date (as defined in the Scheme) to the Company at Specified Address or Specified E-Mail Address by no later than 5:00PM on 24 February 2021.

Any Scheme Creditor who fails to submit a duly completed Voting Instruction Form or Proof of Debt as the case may be in the manner and within the period stated in this Notice will not be allowed to vote (whether in person or by proxy) at the Scheme Meeting and any General Meeting (as defined in the Scheme) and will not be entitled to any distribution, payments or benefits under this Scheme (unless so admitted at the discretion of the Chairman / Scheme Manager) but shall, nonetheless, be bound by the terms of the Scheme in the event that it becomes effective, and shall have its Claim compromised or waived under the terms of this Scheme.

Each Scheme Creditor shall be entitled to attend and vote at the Scheme Meeting either in person or by proxy:

- (a) A Noteholder who wishes to attend and vote at the Scheme Meeting in person will need to instruct the relevant Account Holder to record in the Voting Instruction Form that the Noteholder wishes to attend and vote at the Scheme Meeting in person. A Noteholder who wishes to appoint a proxy

APPENDIX A – NOTICE OF SCHEME MEETING

to attend and vote will need to instruct the relevant Account Holder to record in the Voting Instruction Form that the Noteholder wishes to appoint a proxy and the voting instructions;

- (b) Any Other Creditor who wishes to appoint a proxy to attend and vote on its behalf at the Scheme Meeting will need to submit a Proxy Form (the form of which may be found at **Appendix E** of the Scheme Document) to the Company at the Specified Address or Specified E-Mail Address by no later than 10:00AM on 27 April 2021.

If a Scheme Creditor fails to lodge a valid Voting Instruction Form (including the proxy instruction) or Proxy Form as the case may be in the manner and within the period stated in this Notice, the proxy of such Scheme Creditor shall not be entitled to vote at the Scheme Meeting unless so admitted to vote at the discretion of the Chairman.

Submitting a proxy instruction via the Voting Instruction Form or a duly completed Proxy Form (as the case may be) will not prevent the Scheme Creditor from attending the Scheme Meeting and voting in person should it wish to do so. In the event the Scheme Creditor attends and votes in person, the proxy instruction via the Voting Instruction Form or Proxy Form (as the case may be) shall become null and void.

Dated this 10th day of February 2021

APPENDIX B – SCHEME

IN THE GENERAL DIVISION OF THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

HC/OS 32/2021)

In the Matter of Part VII, Section 210
of the Companies Act (Cap. 50)

And

In the Matter of FALCON ENERGY GROUP LIMITED.
(Singapore UEN No. 200403817G)

SCHEME OF ARRANGEMENT
under Section 210 of the Companies Act (Cap. 50)

Between

FALCON ENERGY GROUP LIMITED.
(Singapore UEN No. 200403817G)

And

THE SCHEME CREDITORS
(as defined herein)

Dated the 10th day of February 2021

APPENDIX B – SCHEME

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17. Severability
18. Governing Law and Jurisdiction
19. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore

Schedule A – Form of Transfer Instrument

Schedule B – List of the Company's relevant subsidiaries and associates

Schedule C – List of Lender's Facilities/Liabilities subject to the Scheme

Schedule D – List of sundry creditors identified in the Scheme who provide essential services to the Company as at 31 March 2020

Schedule E – List of Related Creditors as of 31 March 2020

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PREAMBLE

- (A) The Company (as defined in Clause 1 below) was listed on the SGX SESDAQ on 2 December 2004 through a reverse takeover of Sembawang Music Holdings Limited and changed its name to “Falcon Energy Group Limited” on 6 November 2006.
- (B) The Company is experiencing financial difficulties and proposes, *inter alia*, to restructure and repay its unsecured liabilities in accordance with the terms set out herein.
- (C) This Scheme (as defined in Clause 1 below) is entered into between the Company and the Scheme Creditors (as defined in Clause 1 below) and is proposed under section 210 of the Act (as defined in Clause 1 below).

1. DEFINITIONS

- 1.1 In this Scheme (as defined below), except where the context or subject matter otherwise indicates or requires, the following words and phrases shall have the meanings set out opposite them:

“ 0.25% Margin ”	:	0.25% of the margin applicable to the Lender’s facilities.
“ Account Holder ”	:	A person who is recorded in the books of the CDP as being a holder of a book entry interest in the Notes in an account with the CDP or, as the context may require, is or was recorded in such books as being such a holder of Notes in such an account at the Ascertainment Date.
“ ACRA ”	:	The Accounting and Corporate Regulatory Authority of Singapore.
“ Act ”	:	The Companies Act (Cap. 50).
“ Administrative Overheads ”	:	Any and all ship management costs in respect of a Lender’s Vessels, such amounts to be determined by the Company.
“ Administrative Overheads Budget ”	:	The maximum amount of a Lender’s contribution to Administrative Overheads which shall be agreed in writing between the Lender and the Company (and which may be amended by mutual consent in writing from time to time by the Company and the Lender).
“ Allocated Shares ”	:	As defined in Clause 6.1(b) below.
“ AmBank ”	:	AmBank (M) Berhad
“ AMPL ”	:	Asetanian Marine Pte Ltd
“ AMPL Eligible Debt ”	:	The aggregate of the approved claims of the AMPL Scheme Creditors.
“ AMPL Scheme ”	:	The scheme of arrangement proposed to be entered into between AMPL and the AMPL Scheme Creditors subject to any modifications approved or imposed by the

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	relevant creditors and/or the Court.
“AMPL Scheme Creditors”	: The creditors of AMPL who are subject to and entitled to participate in the AMPL Scheme.
“AMPL Scheme Meeting”	: The meeting of the AMPL Scheme Creditors to be convened pursuant to AMPL’s application under section 210 of the Act for the purpose of considering, and if thought fit, approving (with or without modification) the AMPL Scheme.
“Approved Claim”	: The Claim of a Scheme Creditor against the Company to the extent admitted in accordance with Clause 5 below.
“Ascertainment Date”	: 31 March 2020
“Associated Creditors”	: The following Unsecured Creditors: (a) CH Offshore Limited; (b) TS Amber Limited; (c) TS Pearl Limited; and (d) TS Drilling Pte Ltd.
“Associated Creditors’ Scheme Meeting”	: The meeting of the Associated Creditors who are associated creditors of the Company to be convened pursuant to the Company’s application under section 210(1) of the Act for the purpose of considering and, if thought fit, approving with or without modification, the Scheme.
“Bank Mandiri Account”	: USD account no. 117-000-6132-385 and IDR account nos. 117-000-6132-377 and 117-000-6263-503.
“Business Day”	: A day (excluding Saturdays, Sundays and gazetted public holidays) on which commercial banks are open for business in Singapore.
“Cash Waterfall”	: As defined in Clause 6.3(d) below.
“CDP”	: The Central Depository (Pte) Limited
“Chairman”	: Wong Pheng Cheong Martin of KPMG
“CHO”	: CH Offshore Limited
“CHO Shares”	: Energian Pte. Ltd’s shares in CHO
“CIMB”	: CIMB Bank Berhad
“Claim”	: Any claim or right in respect of the indebtedness or any other liability of the Company to any Scheme Creditor arising out of, in relation to and/or in connection with any and all agreements, transactions,

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dealings and matters effected or entered into or occurring at any time on or prior to the Ascertainment Date (whether the claim be present or contingent or whether liquidated or sounding only in damages and whether in contract or tort or howsoever arising including, but not limited to, all interest, default interest, premium, principal, additional amounts, make whole amounts, fees and commissions accruing on or payable in respect of, or any other accretions whatsoever arising in respect of, such claims or rights whether on or prior to the Ascertainment Date).

“Code”	:	Singapore Code on Take-overs and Mergers
“COF”	:	Cost of funds
“Company”	:	Falcon Energy Group Limited
“Court”	:	The High Court of the Republic of Singapore, or where applicable on appeal, the Court of Appeal of the Republic of Singapore.
“D&C Status Report”	:	As defined in Clause 6.3(r)(ii) below.
“Delivered Vessels”	:	Any and all Vessels which a Lender elects to take delivery of in accordance with Clause 6.2 below.
“Depositor”	:	As defined in section 81SF of the Securities and Futures Act (Cap. 289).
“Designated Account”	:	All account(s) established / to be established by the Group for a Lender into which all Vessel Income for the Lender’s Vessels shall be transferred, and which shall be subject to a charge in favour of the Lender, in accordance with Clause 6.3(b) below.
“Disposal Date”	:	The date falling 30 months after the Effective Date.
“Disputed Claim”	:	Any Claim (or part thereof) stated in a Proof of Debt or Voting Instruction Form which is disputed and subject to adjudication in accordance with section 211F of the Act read with the provisions of the Companies (Proofs of Debt in Schemes of Arrangement) Regulations 2017.
“Effective Date”	:	As defined in Clause 2.1 below.
“Encumbrances”	:	Any claim, charge, mortgage, security,

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- lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind.
- “Exchange Rate”** : The currency conversion rate to be ascertained for the conversion of an amount denominated in a foreign currency amount into an amount in US\$, such conversion rate being the foreign exchange rate published or reported in Reuters for the conversion of that currency into US\$.
- “Excluded Creditor”** : Any of the following persons or entities:
- (a) KPMG Services Pte. Ltd;
 - (b) Rajah & Tann Singapore LLP;
 - (c) Any person or entity whose claim against the Company would be entitled to priority under section 328 of the Act in the event of liquidation of the Company including but not limited to the Inland Revenue Authority of Singapore and the Company’s employees; and
 - (d) The creditors listed in **Schedule D** hereto.
- “Existing Security”** : Any mortgage, pledge, lien, charge, assignment, debenture or other security on or against a Non-Performing Vessel which is required to be discharged in order to facilitate the sale of the said Non-Performing Vessel in accordance with Clause 6.3(j) below.
- “Explanatory Statement”** : The explanatory statement relating to this Scheme issued by the Company pursuant to section 211 of the Act.
- “FEG”** : Falcon Energy Group Limited
- “FEG Eligible Debt”** : The aggregate of (i) the Approved Claims of the Unsecured Creditors and (ii) the Approved Claims of the Lenders who elect to take delivery of all their Secured Assets in accordance with Clause 6.2 below.
- “General Meeting”** : Any meeting of the Participating Scheme Creditors convened in accordance with Clause 14 below.
- “Group”** : The Company and the subsidiaries set out in **Schedule B** hereto.
- “Implementation Date”** : The Effective Date or date on which all

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	Disputed Claims are resolved in accordance with the terms of the Scheme, whichever is later.
“Independent Assessor”	: An independent assessor appointed in accordance with Clause 5.11(b) below.
“Intermediary”	: A person who holds an interest in any Notes on behalf of another person or persons (or, as the context may require, who held an interest at the Ascertainment Date).
“KPMG”	: KPMG Services Pte. Ltd.
“Lenders”	: Collectively refers to (i) AmBank, (ii) CIMB, (iii) Maybank, and (iv) OCBC, and each a “Lender” .
“Lender’s Facilities”	: The facilities granted to the Group, details of which are set out at Schedule C hereto.
“Lenders’ Scheme Meeting”	: The meeting of the Lenders to be convened pursuant to the Company’s application under section 210(1) of the Act for the purpose of considering and, if thought fit, approving with or without modification, the Scheme.
“Lodgement Date”	: The date on which a copy of the Sanction Order is lodged with ACRA in accordance with section 210(5) of the Act, or such earlier date as the Court may determine and as may be specified in the Sanction Order.
“Maybank”	: Malayan Banking Berhad
“MVF Report”	: As defined in Clause 6.3(r)(i) below.
“Non-Performing Vessel”	: As defined in Clause 6.3(j) below.
“Non-Participating Scheme Creditor”	: Any Scheme Creditor who fails to submit a Voting Instruction Form or Proof of Debt as the case may be in accordance with Clause 5.2 below on or before the Voting Instruction Form Submission Date or Proof of Debt Submission Date as the case may be or whose Approved Claim is determined to be nil in accordance with the terms of the Scheme.
“Notes”	: The Series 001 SGD50 million Notes issued by the Company pursuant to a Multicurrency Medium Term Note programme signed with Standard Chartered Bank.

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“Noteholders”	:	Any person or entity with an economic or beneficial interest as principal in the Notes.
“Notes Trustee”	:	Deutsche Bank AG in its capacity as trustee of the Notes
“OCBC”	:	Oversea-Chinese Banking Corporation Limited
“Ordinary Resolution”	:	A resolution passed at any General Meeting with the support of a majority in number of each class of Participating Scheme Creditors present and voting (whether in person or by proxy) on the resolution and whose Approved Claims at that time in aggregate constitute more than fifty percent (50%) in value of the total Approved Claims of each class of all the Participating Scheme Creditors present and voting (whether in person or by proxy) on the resolution.
“Other Creditor”	:	A Scheme Creditor (including, for the avoidance of doubt, a Lender) who is not a Noteholder
“Participating Creditor”	Scheme :	Any and all Scheme Creditors except the Non-Participating Scheme Creditors.
“Principal”	:	The principal debt due and owing under a Lender’s Facilities, details of which are set out in Schedule C hereto.
“Proof of Debt”	:	A proof of debt of a Scheme Creditor in respect of its Claim the form of which is set out in Appendix D of the Scheme Document.
“Proof of Debt Submission Date”	:	24 February 2021, 5:00PM (Singapore time)
“Proxy Form Submission Date”	:	27 April 2021, 10:00AM (Singapore time)
“Related Creditor”	:	The creditors of the Company listed in Schedule E hereto.
“Related Creditor Claims”	:	The aggregate of the Claims of all Related Creditors.
“Requisite Majority”	:	A majority in number representing three-fourths in value of the relevant creditors or class of creditors present and voting either in person or by proxy at each Scheme Meeting.
“Reserve”	:	An amount equivalent to the aggregate of 3 months of Vopex and Administrative

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	Overheads, or such other amount as may be agreed in writing between the Lender and the Company from time to time.
“Sanction Order”	: The order of the Court approving the Scheme under section 210(4) of the Act.
“Scheme”	: This scheme of arrangement proposed by the Company under section 210 of the Act in its present form or with or subject to any modifications, additions or conditions approved or imposed by the Court or the Scheme Creditors.
“Scheme Conditions”	: As defined in Clause 2.1 below.
“Scheme Creditor”	: A creditor of the Company who holds a Claim except Excluded Creditors.
“Scheme Manager”	: Wong Pheng Cheong Martin and Toh Ai Ling of KMPG Services Pte. Ltd., acting jointly and severally, or any other person appointed in accordance with Clause 10.4 below.
“Scheme Manager Claim”	: Any claim by a Scheme Manager against any person to enforce this Scheme.
“Scheme Proceeding”	Manager : Any legal proceeding in any jurisdiction in which any Scheme Manager Claim is made against any person (whether as a claim, counterclaim or otherwise).
“Scheme Meeting”	: Together, the Lenders’ Scheme Meeting, the Unsecured Creditors’ Scheme Meeting and the Associated Creditors’ Scheme Meeting, or any one of them (as the case may be).
“Scheme Period”	: A period of 5 years starting from the Effective Date or the period starting from the Effective Date to the Termination Date, whichever is shorter.
“Scheme Shares”	: Shares forming 90% of the enlarged share capital of the Company.
“Secured Assets”	: Any and all assets which form the subject matter of the Security Documents including, for the avoidance of doubt, the Vessels and any CHO Shares.
“Securities Account”	: A securities account maintained by a Depositor with the CDP, but does not include a securities sub-account.
“Security”	: Any mortgage, pledge, lien, charge, assignment, debenture or other security on or against any property, right or entitlement or other security interest given

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- by the Company.
- “Security Documents”** : The documents to be designated by the Company as a Security Document for the purpose of cross-collateralising the securities held by a Lender (if necessary) to secure the Approved Claim of the relevant Lender pursuant to Clause 6.3(a) below and the charges over each Designated Account referred to in Clause 6.3(b) below.
- “SGX-ST”** : The Singapore Exchange Securities Trading Limited.
- “Share Recipient”** : The persons eligible to participate in the issuance of Scheme Shares in accordance with the terms of the Scheme as described in Clause 6.5 below.
- “Shares”** : Ordinary shares in the capital of the Company
- “SIC”** : Securities Industry Council
- “Special Resolution”** : A resolution passed at any General Meeting with the support of a majority in number of the Participating Scheme Creditors present and voting (whether in person or by proxy) on the resolution and whose Approved Claims at that time in aggregate constitute more than seventy-five percent (75%) in value of the total Approved Claims of all the Participating Scheme Creditors present and voting (whether in person or by proxy) on the resolution.
- “Specified Address”** : Falcon Energy Group Limited
10 Raeburn Park
#01-33B
Singapore 088702
- “Specified E-Mail Address”** : scheme@feg.com.sg
- “Termination Date”** : The date on which this Scheme is terminated pursuant to Clause 9 below.
- “Total Eligible Debt”** : As defined in Clause 6.4 below.
- “Total Vessel Income”** : The aggregate amount of Vessel Income from a Lender’s Vessels credited into the Group’s Bank Mandiri Account in a given month in accordance with Clause 6.3(c) below for all the Lender’s Vessels.
- “Transfer Instrument”** : A transfer instrument (the form of which is set out in **Schedule A** hereto) to be duly executed by a Scheme Creditor and a transferee in respect of any assignment

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	and transfer of all rights, title, interest and benefits under and arising from the Scheme in relation to a Claim, subject to the terms of the Scheme.
“US\$” or “USD”	: United States Dollars, being the lawful currency of the United States of America.
“Unsecured Creditors”	: All Scheme Creditors who hold an Approved Claim (including, for the avoidance of doubt, the Noteholders) save for the Lenders.
“Unsecured Creditors’ Scheme Meeting”	: The meeting of the Unsecured Creditors (not including Associated Creditors) to be convened pursuant to the Company’s application under section 210(1) of the Act for the purpose of considering and, if thought fit, approving with or without modification, the Scheme.
“Valuation Reports”	: The valuation reports dated 18 September 2019 by Ritchie & Bisset (Asia) Pte. Ltd. on the Vessels of the Group.
“Vessels”	: All vessels owned by the Group which the Lenders hold security over as at the Effective Date, and each a “Vessel” .
“Vessel Income”	: All earnings / proceeds with respect to each Vessel
“Video-Conference”	: Any video-conferencing platform as may be deemed appropriate by the Chairman or Scheme Managers (as the case may be) at their sole and absolute discretion including, but not limited to, Microsoft Teams or Zoom.
“Vopex”	: Any and all operating expenses incurred by any company in the Group in respect of and attributable to a Vessel
“Vopex Budget”	: The maximum amount of a Lender’s contribution to Vopex which shall be agreed in writing between the Lender and the Company (and may be amended by mutual consent in writing from time to time by the Company and the Lender).
“Voting Instruction Form Submission Date”	: 24 February 2021, 5:00PM (Singapore time)

1.2 The headings in this Scheme are inserted for convenience only and shall be ignored in construing this Scheme.

1.3 Words denoting the singular number only shall, where applicable, include the plural number and *vice versa*, and words denoting persons only shall, where applicable, include firms and corporations.

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- 1.4 Any reference to any document or agreement shall include a reference to such document or agreement as amended, modified, supplemented and/or varied from time to time.
- 1.5 Words importing any gender shall, where applicable, include the other gender and references to any person shall, where applicable, include that person's successor and permitted assigns.
- 1.6 Any reference to a statutory provision shall include such provision and any regulations made in pursuance thereof as may from time to time be modified or re-enacted whether before or after the date of this Scheme.
- 1.7 Any reference in this Scheme to a time of day and date shall be a reference to Singapore time and date, unless otherwise stated.

2. SCHEME CONDITIONS, EFFECTIVENESS AND IMPLEMENTATION OF THE SCHEME

- 2.1 This Scheme shall become effective on the date on which all the following conditions precedent ("**Scheme Conditions**") have been satisfied or, where applicable, waived, in accordance with the terms of the Scheme ("**Effective Date**"):
- (a) the approval of the Scheme by the Requisite Majority at the Scheme Meetings;
 - (b) the approval of the AMPL Scheme by the Requisite Majority at the AMPL Scheme Meeting;
 - (c) the approval of the Scheme by the Court with or without modifications, additions or conditions imposed by the Court pursuant to section 210 of the Act;
 - (d) the approval of the AMPL Scheme by the Court with or without modifications, additions or conditions imposed by the Court pursuant to section 210 of the Act;
 - (e) a copy of the Orders of Court sanctioning the Scheme being lodged with ACRA in accordance with section 210(5) of the Act;
 - (f) a copy of the Orders of Court sanctioning the AMPL Scheme being lodged with ACRA in accordance with section 210(5) of the Act;
 - (g) the approval of the SGX-ST for the listing and quotation of the Scheme Shares;
 - (h) the approval of the SGX-ST for the resumption of trading of the Company's shares on the SGX-ST;
 - (i) the approval of the shareholders of the Company being obtained at an extraordinary general meeting for the allotment and issue of the Scheme Shares;
 - (j) the SIC granting a whitewash waiver from the requirement to make a mandatory general offer pursuant to the Code in connection with the allotment and issue of the Scheme Shares and independent shareholders of the Company approving the whitewash waiver at an extraordinary general meeting;
 - (k) all necessary governmental and regulatory approvals and consents to the Scheme and the AMPL Scheme and underlying transactions thereunder being obtained; and
 - (l) the execution of the Security Documents.

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- 2.2 All the above conditions are inter-conditional and are required to be fulfilled or waived in order for the Scheme to become effective. Accordingly, if any of the above conditions are not fulfilled or are not waived, the Scheme will not become effective.
- 2.3 The Scheme Conditions in Clause(s) 2.1(a) to 2.1(h) above are not capable of being waived.
- 2.4 The Scheme Conditions in Clauses 2(i) to 2(j) above may only be waived by the relevant regulatory authorities while the Scheme Condition in Clause 2.1(l) above may only be waived by the relevant Lender whose Security Documents are to be dispensed with (to the extent legally permissible).
- 2.5 Upon the Effective Date:
- (a) this Scheme shall be binding on all Scheme Creditors regardless of whether such Scheme Creditors attended or voted (in favour of or against the Scheme) at the Scheme Meeting;
 - (b) all rights of each Scheme Creditor to the payments and distributions in accordance with the Scheme shall be accepted in full and final settlement and absolute discharge of all of its Claims; and
 - (c) The Company shall take the necessary steps to implement the Scheme.

3. RELEASE AND DISCHARGE

On and from the Effective Date:

- 3.1 the Company shall be completely and absolutely released and discharged from all Claims to each Scheme Creditor (regardless of whether or not it has submitted a Proof of Debt or Voting Instruction Form under this Scheme);
- 3.2 unless otherwise expressly provided in the Scheme, the Scheme Creditors waive:
- (a) all default interest, premium, additional amounts, make whole amounts, fees, commissions and penalties chargeable, accruing on, or payable in respect of, or any other accretions whatsoever arising in respect of the Claims, as at or after the Ascertainment Date under or in connection with any other agreement relating to a Claim;
 - (b) any and all right to claim for any legal fees incurred by the Scheme Creditors arising out of and/or in connection with the Claims other than those awarded under an order of court or arbitral award made on or before the Ascertainment Date or agreed to be paid by the Company, which shall be subject to this Scheme;
- 3.3 Each of the Scheme Creditors shall (regardless of whether or not it has submitted a Proof of Debt or Voting Instruction Form under this Scheme):
- (a) discontinue, withdraw and/or terminate any and all legal, arbitration, insolvency, enforcement or other proceedings commenced by that Scheme Creditor against the Company or any assets of the Company in any jurisdiction for the payment or recovery of its Claims; and
 - (b) release or take all such action (b) required for the release to the Company of all rights, funds or property arrested, seized, garnished or attached in any legal, arbitration, insolvency, enforcement or other proceedings referred to in Clause 3.3(a) above,

with no order as to costs within fourteen (14) days from the Effective Date, failing which, the Company shall be entitled to seek the appropriate orders or awards against the Scheme Creditor from the relevant court or tribunal to enforce and/or give effect to this undertaking. The Scheme

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Creditor shall be liable for any costs incurred by the Company in enforcing and/or giving effect to this undertaking on an indemnity basis.

4. MORATORIUM

- 4.1 Save as expressly provided under the Scheme, during the Scheme Period, no Scheme Creditor shall, whether directly or indirectly, take any steps to initiate, commence, procure, or continue any legal or other proceedings against the Company or any of its assets and properties in respect of any Claims in any jurisdiction including, but not limited to, court action (including winding up proceedings, judicial management and any analogous proceedings in any other jurisdiction), arbitration, the appointment of a receiver or receiver and manager, and/or the enforcement of any judgment or court order.
- 4.2 Any Scheme Creditor who receives or recovers, at any time, on or after the Ascertainment Date, from the Company any sum in discharge of any portion of its Approved Claim, shall within two (2) Business Days after it receives or recovers such sum (other than the payments made pursuant to this Scheme), notify the Company of the amount and currency so received, how it was received or recovered and whether it represents principal or interest or other sums. Such Scheme Creditor shall, within two (2) Business Days after receiving a request from the Company, pay to the Company an amount equal to the sum so received or recovered (free and clear of all deductions or withholdings).

5. DETERMINATION OF APPROVED CLAIMS

- 5.1 All Approved Claims, which will in turn determine the Scheme Creditors' entitlement to receive distributions, payments or benefits under the Scheme and vote at the Scheme Meeting and any General Meeting, shall be determined as at the Ascertainment Date.
- 5.2 **Subject to Clauses 5.3 and 5.4 below, Scheme Creditors who fail to submit a Proof of Debt or Voting Instruction Form (through any relevant Account Holder) as the case may be in accordance with Clause 5.5 and 5.6 below before the Proof of Debt Submission Date or Voting Instruction Form Submission Date as the case may be shall be considered a Non-Participating Scheme Creditor. A Non-Participating Scheme Creditor shall not be entitled to any distributions, payments or benefits under this Scheme or be entitled to vote at the Scheme Meeting and any General Meeting but shall, nonetheless, be bound by the terms of the Scheme in the event that it becomes effective and shall have its Claim compromised or waived under the terms of this Scheme.**
- 5.3 The Chairman may at his sole and absolute discretion accept and admit a Proof of Debt or Voting Instruction Form as the case may be submitted by a Scheme Creditor for voting purposes at the Scheme Meeting notwithstanding that the Scheme Creditor has not submitted its Proof of Debt or Voting Instruction Form at the Specified Address or the Specified E-Mail Address on or before the Proof of Debt Submission Date or Voting Instruction Form Submission Date as the case may be.
- 5.4 The Scheme Manager may at his sole and absolute discretion accept and admit a Proof of Debt or Voting Instruction Form as the case may be submitted by a Scheme Creditor for purposes of receiving distributions, payments and benefits under the Scheme and voting at any General Meeting notwithstanding that the Scheme Creditor has not submitted its Proof of Debt or Voting Instruction Form at the Specified Address or the Specified E-Mail Address on or before the Proof of Debt Submission Date or Voting Instruction Form Submission Date as the case may be.

Noteholders

- 5.5 The Account Holders shall obtain from Noteholders on whose behalf they hold interests in the Notes, whatever information or instructions they may require to submit a duly completed Voting Instruction Form in respect of the each Noteholder's Claim up to and including the Ascertainment Date to the Company at the Specified Address or the Specified E-Mail Address by no later than the Voting Instruction Form Submission Date.

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Other Creditors

- 5.6 Each Other Creditor shall submit a Proof of Debt in respect of its Claim up to and including the Ascertainment Date to the Company at the Specified Address or the Specified E-Mail Address by no later than the Proof of Debt Submission Date.

Adjudication Procedure

- 5.7 Subject to Clause 5.11 below, the adjudication of the Proofs of Debt and Voting Instruction Forms for the purposes of determining the Approved Claim of each Scheme Creditor shall be carried out in accordance with section 68 of the Insolvency, Restructuring and Dissolution Act 2018 read with the provisions of the Insolvency, Restructuring and Dissolution (Proofs of Debt in Schemes of Arrangement) Regulations 2020. For the avoidance of doubt, the Voting Instruction Form shall be deemed to be a Noteholder's proof of debt for purposes of section 68 of the Insolvency, Restructuring and Dissolution Act 2018.
- 5.8 For the purpose of determining the Noteholders' Approved Claims, the Claim of a Noteholder will be admitted based on the aggregate of:
- (a) the principal amount of the Notes held by a Noteholder recorded in the books of the CDP as at the Ascertainment Date; and
 - (b) any and all interest accruing on the Notes up to and including the Ascertainment Date which shall be calculated by the Company (subject to review by the Chairman, Independent Assessor or Scheme Manager, as the case may be, pursuant to the adjudication of the Voting Instruction Forms in accordance with the terms of this Scheme).
- 5.9 Any Scheme Creditor who fails to raise a dispute in relation to the rejection of its Proof of Debt or Voting Instruction Form as the case may be in accordance with section 68 of the Insolvency, Restructuring and Dissolution Act 2018 read with the provisions of the Insolvency, Restructuring and Dissolution (Proofs of Debt in Schemes of Arrangement) Regulations 2020 shall be deemed to have admitted and accepted the decision or determination of the Chairman or the Independent Assessor (as the case may be) as regards its Claim in its Proof of Debt or Voting Instruction Form and the amount(s) of its Approved Claim.
- 5.10 Notwithstanding the completion of the adjudication of any Proof of Debt or Voting Instruction Form in accordance with section 68 of the Insolvency, Restructuring and Dissolution Act 2018, in the event the Scheme becomes effective in accordance with its terms, the Scheme Manager may adjudicate any Proof of Debt or Voting Instruction Form *de novo*, or review and revise any past adjudication of any Proof of Debt or Voting Instruction Form, at his sole and absolute discretion.
- 5.11 Following the adjudication of any Proof of Debt or Voting Instruction Form pursuant to Clause 5.10 above:
- (a) The Scheme Manager shall give written notice to each Scheme Creditor of the results of his adjudication pursuant to Clause 5.10 above and of the Scheme Creditor's Approved Claim within three (3) months of the Effective Date or such longer period as the Scheme Manager may reasonably determine at his discretion;
 - (b) Any Scheme Creditor who wishes to dispute any aspect of the Scheme Manager's determination as notified to such Scheme Creditor by the Scheme Manager pursuant to Clause 5.11(a) above must give written notice of such dispute to the Scheme Manager at the 16 Raffles Quay, #22-00, Hong Leong Building, Singapore 048581 within seven (7) Business Days after the date of the Scheme Manager's notice, after which the Scheme Creditor shall be deemed to have admitted and accepted the decision or determination of the Scheme Manager as regards its Approved Claim pursuant to Clause 5.10 above. If a Scheme Creditor gives such notice of dispute to the Scheme Manager, such Scheme Creditor shall send a written request to the Scheme Managers to seek their agreement on the appointment of an Independent Assessor. If no agreement can be reached on the

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appointment of an Independent Assessor within fourteen (14) Business Days after the date of the Scheme Manager's notice, the Scheme Creditor may take out an application to the Court to determine the appointment of the Independent Assessor;

- (c) After the appointment of the Independent Assessor, the Scheme Manager is to, as soon as practicable, provide the relevant Proof of Debt or Voting Instruction Form to the Independent Assessor;
- (d) After the Independent Assessor has been provided with the Proof of Debt or Voting Instruction Form, he must, within seven (7) Business Days, make a decision on the dispute and send a written notice of the decision along with the reasons for his decision to the Scheme Manager, the Company and the Scheme Creditor referred to in this Clause;
- (e) The costs of any Independent Assessor shall in any event be borne by the Scheme Creditor wishing to dispute the result of the Scheme Manager's adjudication pursuant to Clause 5.11(b) above;
- (f) Any determination or decision by any Independent Assessor appointed under this Clause shall be subject to appeal to the Court within 7 calendar days of such determination or decision, and for the avoidance of doubt, neither the Company nor the Scheme Manager shall be liable in any event for any such costs, fees and expenses incurred by such Scheme Creditor in relation to or arising from such Scheme Creditor's submission of an application to the Court; and
- (g) Any part of the Claim that is admitted pursuant to such fresh adjudication shall be the relevant Scheme Creditor's Approved Claim for the purpose of receiving distributions, payments and benefits under the Scheme and voting at any General Meeting.

5.12 Each Scheme Creditor shall promptly provide the Scheme Manager with all such information and documents requested by the Chairman or the Scheme Manager (as the case may be) which are relevant to its Claim in its Voting Instruction Form or Proof of Debt (as the case may be), or to the determination of the amount of its Approved Claim.

5.13 The Claims of each Scheme Creditor shall be:

- (a) for the purposes of computation under the Scheme, insofar as the Claim is in a currency other than US\$, the value of such Claim shall be converted to US\$ at the Exchange Rate;
- (b) reduced by any amount paid or distributed by the Company to that Scheme Creditor under this Scheme;
- (c) reduced by any amount recovered or received by or for the account of that Scheme Creditor under or arising from any guarantee given to that Scheme Creditor by any person with respect to any indebtedness or liability of the Company as at the Ascertainment Date to that Scheme Creditor;
- (d) where there have been any mutual credits, mutual debits or other mutual dealings between the Company and any Scheme Creditor as at the Ascertainment Date, the debts and liabilities to which each party is or may become subject as a result of such mutual credits, debits or dealings as at the Ascertainment Date shall be set off against each other and only the balance, if any, shall be used for the purposes of calculating and determining a Scheme Creditor's Approved Claim;
- (e) where a Scheme Creditor submits more than one Voting Instruction Form or Proof of Debt as the case may be (each Voting Instruction Form or Proof of Debt being submitted in respect of a separate Claim against the Company), the amounts under all Voting Instruction Forms or Proofs of Debt as the case may be submitted by such Scheme Creditor shall be totalled, and treated as one amount and one vote;

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- (f) for Claims that contain an interest, commission and/or fee component, only interest, commissions and/or fees accruing up to the Ascertainment Date may be set out in a Voting Instruction Form or Proof of Debt as the case may be relating to such Claim, and (as the case may be) admitted and no interest shall accrue on any commission or fee;
- (g) where the Scheme Creditor is a Lender, reduced by any amount paid to, recovered or received by or for the account of that Lender before the Effective Date under or arising from any Security held by that Lender over any Secured Assets.

6. RESTRUCTURING PLAN

The Lenders

6.1 **Principal terms.** Each Lender's Approved Claim shall be restructured under the Scheme as follows:

- (a) Each Lender may, in accordance with Clause 6.2 below, elect to take delivery of or instruct the Company to procure the sale of all or some of its Secured Assets;
- (b) Each Lender who has elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets shall be allocated and issued Scheme Shares for the whole of its Approved Claim in accordance with Clause 6.1(e) below (the "**Allocated Shares**");
- (c) With respect to each Lender who elects to take delivery of its Secured Asset(s), the Company shall procure that each Lender's Secured Assets are delivered and/or transferred to the Lender by no later than the date falling 6 months after the Effective Date on such terms as may be agreed upon in writing between the Company and the relevant Lender (each party acting reasonably). All costs and expenses incurred in connection with the delivery and/or transfer of a Secured Asset shall be borne by the Lender. Upon election in accordance with Clause 6.2 below, the Lender shall be solely responsible for all costs and expenses in connection with the Secured Asset and the Group shall have no further obligations to pay any such costs and expenses.

With respect to each Lender who elects to instruct the Company to procure the sale of all or some of its Secured Assets, the Company shall assist the Lender in procuring a purchaser for the Secured Asset(s) and shall endeavour to find a purchaser willing to pay the full sale proceeds in respect of the Secured Asset(s) into and held in an escrow account pending completion of the sale. Pending completion of the sale of the Secured Asset(s) on terms to be approved by the Lender, the Group shall continue to manage the Secured Asset(s) and all costs and expenses in connection with the Secured Asset(s) incurred up till the completion of sale shall be debited from any earnings generated by the Secured Assets.

- (d) All Secured Assets shall be sold or disposed of by the Lender who has elected to take delivery of or instruct the Company to procure the sale of all of its Secured Assets by no later than the Disposal Date and the net proceeds of sale from the Lender's Secured Assets shall be applied towards reducing the Lender's Approved Claim. If a Lender fails to sell or dispose of any of its Secured Assets by the Disposal Date, any portion of the Lender's Approved Claim which remains unsatisfied shall automatically be deemed to have been settled in full and the Lender shall not be entitled to receive any Allocated Shares;
- (e) With respect to any Lender who has elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets and who has sold or disposed of all of its Secured Assets by no later than the Disposal Date, the Company shall issue the Allocated Shares to that Lender within 2 weeks after the Disposal Date in full and

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final settlement of such portion of the Lender's Approved Claim which remains unsatisfied pursuant to the sale or disposal of the Secured Assets as at the Disposal Date. Any Allocated Shares which are not issued to a Lender shall be distributed in accordance with Clause 6.6 below;

- (f) With respect to any Lender who has not elected to take delivery of or instruct the Company to procure the sale of all of its Secured Assets, any portion of the Approved Claim of the Lender which remains unsatisfied pursuant to the sale or disposal of the Secured Assets as at the Disposal Date shall be settled in accordance with Clause 6.3 below.

6.2 Election for delivery of or instruction to procure sale of Secured Assets. Within 7 days after the Effective Date, each Lender shall submit a written notice to the Company identifying which of its Secured Assets it wishes to take delivery of or instruct the Company to procure the sale of. If a Lender does not submit a written notice in accordance with this Clause 6.2, the Lender shall be deemed to have elected to take delivery of all its Secured Assets.

6.3 Remaining Secured Assets. With respect to any Lender who has not elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets, the Company shall make payment to the Lender in respect of its Approved Claim in accordance with Clauses 6.3(a) to 6.3(s) below. For the avoidance of doubt, Clauses 6.3(a) to 6.3(s) below do not apply to a Lender who has elected to take delivery of or instructed the Company to procure the sale of all of its Secured Assets or to any Secured Assets which has been transferred or delivered to a Lender pursuant to Clause 6.1 above:

- (a) Cross-collateralisation and further security. The securities held by a Lender in respect of the Lender's Approved Claim shall be cross-collateralised (if not already done) at the option of the relevant Lender over securities granted in its favour to secure the Lender's Approved Claim. All costs and expenses to be incurred in connection with the cross-collateralisation exercise shall be borne by the Lender. For the avoidance of doubt, a Lender's securities will not be cross-collateralised with the securities held by another Lender.
- (b) Where the Secured Asset(s) which the Lender has elected not to take delivery of or instruct the Company to procure the sale of in accordance with Clause 6.2 above comprise Vessels, the Company shall procure the establishment of a Designated Account for the Lender (if one has not already been established) and shall execute or procure the execution of (as may be applicable) a charge over the Designated Account established in favour of the Lender.

Cash Management Principles Under The Cash Waterfall

- (c) Vessel Income: All Vessel Income shall first be credited into the Group's Bank Mandiri Account. Within T+3 business days of receipt of any Vessel Income attributable to the Lender's Vessels into the Group's Bank Mandiri Account (where "T" is the date of receipt of such Vessel Income in the Group's Bank Mandiri Account), the Group shall issue letter(s) of instruction to Bank Mandiri for all such Vessel Income to be transferred to the relevant Designated Account established by the Group for the Lender.
- (d) Cash Waterfall: The Vessel Income shall be applied in the following manner:
- (i) First, payment of Vopex for the Lender's Vessels in accordance with L1;
 - (ii) Second, payment of the Lender's Interest in accordance with L2;
 - (iii) Third, payment of Administrative Overheads in accordance with L3;
 - (iv) Fourth, payment of the Remaining Margin (subject to Reserve) in accordance with L4; and

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(v) Fifth, repayment of Principal in accordance with L5.

For the avoidance of doubt, any and all Vessel Income from a Lender's Vessels shall only be applied for the benefit of that Lender.

(e) L1 (Vopex): The Vopex for a given month shall be debited from the Total Vessel Income every month based on the Vopex Budget agreed with the Lender or the actual Vopex incurred, whichever is lower. If the actual Vopex incurred exceeds the Vopex Budget, the Group must obtain the prior written consent from the Lender before debiting any amount exceeding the Vopex Budget from the Total Vessel Income for the settlement of the additional Vopex incurred.

(f) L2 (Lender's Interest): Any surplus funds in a Designated Account after compliance with L1 shall be applied towards payment of the following:

(i) Lender's COF; and

(ii) 0.25% Margin

Contractual interest and default interest shall continue to accrue on the Principal, but shall not be compounded and shall be paid in accordance with the Cash Waterfall.

Subject to the completion of the Scheme in accordance with Clause 9.1 below and without prejudice to Clause 6.3(m) below, upon the expiry of the Scheme Period, the Lender agrees to, in good faith, consider waiving, releasing and discharging (be it in whole or in part) the Company from any and all claims for any default interest payable to the Lender which remains outstanding at the end of the Scheme Period, but for the avoidance of doubt is not bound to do so.

Any available funds in a Designated Account (after taking into account any deductions allowed by the Lender under L1) shall be applied towards payment of the Lender's Interest on a monthly basis.

(g) L3 (Administrative Overheads): The Lender agrees to bear the Administrative Overheads.

Subject to Clause 6.3(l)(ii), the Lender's contribution to the Administrative Overheads shall be debited from its Designated Account. The maximum amount of Administrative Overheads which may be debited from the Designated Account shall be the Administrative Overheads Budget agreed with the Lender or the actual Administrative Overheads incurred, whichever is lower.

If the actual Administrative Overheads incurred exceeds the Administrative Overheads Budget, the Group will have to obtain the Lenders' prior written consent before debiting any amount exceeding the Administrative Overheads Budget from the Designated Account for the settlement of the excess Administrative Overheads incurred.

(h) L4 (Remaining Margin subject to Reserve): Any available funds in a Designated Account (after taking into account any deductions under L1 to L3) shall be applied towards payment of the Remaining Margin subject to there being sufficient funds in the Designated Account to satisfy the Reserve.

In the event there are insufficient funds in the Designated Account to pay the Remaining Margin, any shortfall in the payment of the Remaining Margin shall be paid in subsequent months when there is a surplus in the Designated Account after settling the Remaining Margin payable to the Lender for a given month.

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- (i) L5 (Principal repayment): Starting from the second year of the Scheme Period, any available funds in a Designated Account (after taking into account any deductions under L1 to L4) shall be applied towards payment of the Principal due and owing to the Lender under the Lender's Facilities subject to there being sufficient funds in the Designated Account to satisfy the Reserve.

Sale of Non-Performing Vessels

- (j) Sale of Non-Performing Vessels: The Lender shall have the right to sell and/or request that the Company use all reasonable endeavours to procure the sale or scrapping of a Vessel if the utilisation of the Vessel for a 9-month rolling period starting from the Effective Date is less than 30% ("**Non-Performing Vessel**"), on terms to be agreed between the Company and the Lender (each, acting reasonably). The Lender shall use all reasonable endeavours to procure that any Existing Security in respect of the Non-Performing Vessel shall be discharged in order to facilitate any such sale.

- (k) Application of proceeds: Any proceeds from the sale or scrap of any Non-Performing Vessel shall be applied in the following order of priority:

- (i) First, towards payment of any expenses incurred in relation to and/or payable for the purpose of giving effect to the sale or scrap of the Non-Performing Vessel (e.g. shipyard dues and government tariffs etc.);
- (ii) Second, towards payment of the Principal due and owing to the relevant Lender;
- (iii) Third, towards payment of any remaining balance of the relevant Lender's Approved Claim (including interest);
- (v) Fourth, to the Company.

- (l) **Disposal of other Secured Assets**. Without prejudice to Clause 6.3(j) above:

- (i) Subject to Clause 6.3(l)(ii), during the Scheme Period, the Company may with the prior written consent of the relevant Lender dispose of any Secured Asset. Any proceeds from such disposal shall be applied in the order of priority set out in Clause 6.3(k) above save that, with respect to Clause 6.3(k)(i), the reference to expenses incurred in relation to and/or payable for the purpose of giving effect to the sale or scrap of the Non-Performing Vessel shall be deemed to be a reference to expenses incurred in relation to and/or payable for the purpose of giving effect to the any disposal pursuant to this Clause 6.3(l). The Lender shall use all reasonable endeavours to procure that any Existing Security in respect of the Secured Asset shall be discharged in order to facilitate any such sale.
- (ii) The Company shall have the right to deal with, sell or scrap a Non-Performing Vessel as it deems fit if the Company has provided the relevant Lender with a request in writing to dispose of the Non-Performing Vessel pursuant to Clause 6.3(l)(i), and such Lender fails to respond within 3 weeks of the date of such written request. In the event the Lender informs the Company of its refusal to consent to the Company's request to dispose of a Non-Performing Vessel (such notice of refusal to be given in writing by Lender no later than 3 weeks from the date of the written request by the Company), starting from the date of the Lender's notice of refusal, the Lender shall bear all Administrative Overheads in respect of such Non-Performing Vessel even if the actual Administrative Overheads incurred exceeds the Administrative Overheads Budget, and shall continue to do so until the earlier of such time as the Vessel

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is no longer a Non-Performing Vessel or the Vessel is sold, scrapped or otherwise disposed of.

- (m) If a Lender's Approved Claim has not been settled in full at the end of the Scheme Period, the outstanding balance of the Lender's Approved Claim shall be sustained post-Scheme Period. Within three (3) months after the last day of the Scheme Period (or such other date as may be agreed upon in writing between the Company and the Lender), the Company shall either refinance the amount of Approved Claim sustained post-Scheme Period or the Company and the Lender shall renegotiate in good faith and enter into a new agreement governing the repayment of the amount of Approved Claim sustained post-Scheme Period, failing which the Lender shall be entitled to enforce all its rights under the Lender's Facilities.

Reporting requirements

- (r) At every monthly interval following the Effective Date, the Company shall:
- (i) provide a monthly fund movement report prepared by the Company to the Lender and the Scheme Manager setting out the Vessel Income and Vopex for the preceding month in respect of all Vessels which remain mortgaged to the Lender as at the date of the report (the "**MVF Report**");
 - (ii) provide a report prepared by the Group to the Lender and the Scheme Manager setting out an update on the deployment and charter status for the preceding month of all Vessels which remain mortgaged to the Lender as at the date of the report (the "**D&C Status Report**").
- (s) The Scheme Manager shall at every 3-month interval following the Effective Date prepare and provide a monitoring report to the Lender based on the MVF Report, the D&C Status Report and any and all other information that the Scheme Manager may require and request from the Company as the Scheme Manager may in his sole and absolute discretion deem appropriate.

Scheme Shares

6.4 **Total Eligible Debt.** The Total Eligible Debt which shall participate in the issuance of Scheme Shares shall comprise the following:

- (a) the FEG Eligible Debt; and
- (b) the AMPL Eligible Debt (which shall be treated as an indebtedness of the Company).

6.5 **Share Recipient.** The following persons shall be eligible to participate in the issuance Scheme Shares in accordance with the terms of the Scheme:

- (a) the Unsecured Creditors;
- (b) the Lenders who have elected to take delivery of or instruct the Company to procure the sale of all of its Secured Assets pursuant to Clause 6.2 above; and
- (c) the AMPL Scheme Creditors.

6.6 **Scheme Share Issuance.** The Total Eligible Debt shall be settled as follows:

- (a) The Total Eligible Debt shall be converted to Scheme Shares.
- (b) The number of Scheme Shares to be allotted to each Share Recipient shall be determined by the following formula:

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$$\frac{\text{Approved Claim of the Share Recipient}}{\text{Total Eligible Debt}} \times 90\% \text{ of the enlarged share capital of the Company}$$

- (c) The Scheme Shares shall (i) be duly authorised, validly issued and credited as fully paid-up; (ii) rank *pari passu* in all respects with any other shares of the Company then in issue; and (iii) free from all Encumbrances and entitled to all rights attached thereto on or after the date of issue.
- (d) The Scheme Shares shall be issued by the Company to Unsecured Creditors and the AMPL Scheme Creditors within 2 weeks of the Implementation Date.
- (e) The Scheme Shares shall be issued by the Company to the Lenders who have elected to take delivery of all Secured Assets pursuant to Clause 6.2 above in accordance with Clause 6.1 above. Any Allocated Shares which are not issued to a Lender in accordance with Clause 6.1 above shall be distributed *pari passu* to all Share Recipients.

7. DISTRIBUTION AND PAYMENT MECHANISM

7.1 Any and all distributions or payments under this Scheme shall:

- (a) in the case of any cash distribution or payment, be made by the Company by cheque or by bank transfer to a bank account designated by the payee, provided that the fees and expenses incurred in connection with such bank transfer shall be borne by the payee and may be deducted from any sum payable to the payee under this Scheme;
- (b) in the case of any distribution of the Scheme Shares to Noteholders, the Company shall allot and issue the Scheme Shares to the relevant Account Holder, who shall distribute the Shares to the relevant Noteholder and pending such distribution, the relevant Account Holder shall hold on trust the Scheme Shares for the Noteholders;
- (c) in the case of Scheme Creditors who are not Depositors or who have not provided the Company with details of a Securities Account, the Company shall execute such instrument(s) or instruction(s) of transfer for the transfer of the relevant number of Scheme Shares to the relevant Scheme Creditors. Thereafter, the relevant share certificate(s) pertaining to such Scheme Shares made out in favour of such Scheme Creditors shall be sent by ordinary post in prepaid envelopes addressed to such Scheme Creditors at their respective registered addresses in Singapore or such other address in Singapore as any such Scheme Creditor may notify to the Company at the sole risk of such Scheme Creditors, and the Company shall not be liable for any delay or loss in transmissions of the relevant share certificate(s);
- (d) on and from the Effective Date, each Scheme Creditor (not being a Depositor or who have not provided the Company with details of a Securities Account) irrevocably agrees and authorises the Company and the Scheme Manager to execute or effect on behalf of such Scheme Creditor any and all instrument(s), document(s) or instruction(s) as shall be necessary or as the Company or the Scheme Manager may reasonably require to give effect to the Scheme. Every such instrument, document or instruction to be executed by the Company and/or the Scheme Manager shall be effective as if it had been executed by the relevant Scheme Creditor;
- (e) on and from the Effective Date, each Scheme Creditor being a Depositor irrevocably agrees and authorises the Company and/or the Scheme Manager to execute or effect on behalf of each such Scheme Creditor any and all instrument(s), document(s) or instruction(s) as shall be necessary or as the Company or the Scheme Manager may reasonably require to give effect to the Scheme. Every such instrument, document or instruction to be executed by the Company and/or the Scheme Manager shall be effective as if it had been executed by the relevant Scheme Creditor.

7.2 If for any reason whatsoever, any distribution or payment made to a Participating Scheme

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Creditor pursuant to this Scheme is not received by that Participating Scheme Creditor and such non-receipt of distribution or payment is not the result of any fault on the part of the Company, such Participating Scheme Creditor shall be deemed to have waived all its rights in relation to that distribution or payment upon the expiry of six (6) months from the date of such payment being made.

8. RELATED CREDITOR CLAIMS

8.1 Related Creditors shall not be entitled to receive any distributions, payments or benefits under this Scheme or vote at any General Meeting, and the Company shall be completely and absolutely released and discharged from all Related Creditor Claims on and from the Effective Date.

9. COMPLETION AND TERMINATION OF THE SCHEME

9.1 The Scheme shall terminate by performance when:

- (a) the Scheme Manager (acting reasonably) certifies under hand that the Scheme has been completed or so substantially completed that it cannot be continued without needlessly protracting this Scheme;
- (b) the Participating Scheme Creditors in General Meeting resolve by Special Resolution to terminate this Scheme on the basis that the Scheme has been completed or so substantially completed that it cannot be continued without needlessly protracting this Scheme; or
- (c) an order of the Court sanctioning the termination of the Scheme is obtained.

9.2 The Scheme shall also terminate if the Participating Scheme Creditors in General Meeting resolve by Special Resolution to terminate this Scheme upon any of the following events occurring:

- (a) if the Company does not comply with any provision of the Scheme, provided that no failure of the Company to comply with any provision of the Scheme shall be deemed to have occurred if the failure to comply is capable of remedy and is remedied within thirty (30) days of any Participating Scheme Creditor giving notice to the Company;
- (b) if the Company ceases or threatens to cease to carry on its business or any material part thereof or materially changes the nature or mode of conduct of its trading in any material aspect;
- (c) an order is made for the Company to be placed under judicial management and for the appointment of a judicial manager;
- (d) if a receiver and/or manager or other similar officer is appointed over the undertakings, properties, assets, or revenues of the Company;
- (e) if an order is made for the winding up of the Company or a resolution passed or if a notice is issued convening a meeting for the purpose of passing any such resolution;
- (f) if, in Singapore or elsewhere, the Company is declared by the Minister to be a declared company under the provisions of Part IX of the Companies Act;
- (g) if the AMPL Scheme is terminated; or
- (h) if a material situation shall arise which in the opinion of any of the Participating Scheme Creditors (acting reasonably) makes it improbable that the Company will be able to perform its obligations under the Scheme.

9.3 In the event that the Scheme is terminated under Clause 9.2, the Scheme shall cease to be

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binding on the Participating Scheme Creditors and each Participating Scheme Creditor shall be entitled to exercise any and all of its rights, powers and remedies against the Company for any outstanding part of the Participating Scheme Creditor's Approved Claim which the Company has failed to settle in accordance with the terms of the Scheme.

10. SCHEME MANAGER

10.1 The Company shall appoint the Scheme Managers before the Effective Date on terms to be agreed between the Scheme Managers and the Company and such appointment shall continue until terminated in accordance with Clause 10.4 below or until completion or termination of the Scheme in accordance with Clause 9 above, whichever is earlier. The Scheme Managers shall be entitled to such reasonable fees and remuneration for their performance of their duties and services as Scheme Managers and for taking any action that they are required, authorised or empowered to take under or in respect of this Scheme as may be agreed with the Company or determined by the Court.

10.2 The Company shall do everything that is necessary to give effect to the directions and instructions of the Scheme Managers, to the extent reasonably necessary and expedient to enable the Scheme Managers to carry out their functions under this Scheme, and the Company shall not prevent, frustrate, object to or otherwise prejudice the carrying out by the Scheme Managers of their duties and functions under this Scheme.

10.3 Duties and powers of Scheme Managers

- (a) The Scheme Managers shall oversee the implementation of and the Company's compliance with the provisions of the Scheme and shall have the power to do all such things as he may consider necessary or desirable towards that end including without limitation:-
- (i) to initiate, prosecute, discontinue, withdraw and/or settle any claim or proceeding against any person to enforce this Scheme;
 - (ii) to appoint an agent to carry out or to assist them in carrying out any of their duties or functions which the Scheme Managers are unable to perform;
 - (iii) to delegate the performance of their duties and the exercise of any of their powers to any suitably qualified person;
 - (iv) to, at the Company's costs and expense, engage lawyers, financial or other professional advisers and consultants to advise and assist the Scheme Managers in the exercise of its rights and the performance or discharge of their duties as the Scheme Managers;
 - (v) to enforce for the benefit of the Scheme Creditors any and all the undertakings and obligations of the Company under this Scheme and to commence proceedings against the Company in their capacity as Scheme Managers to enforce such undertakings and obligations, and in this connection, no Scheme Creditor shall commence any action against the Company to enforce any undertaking or obligation of the Company under this Scheme or to recover any loss arising from any breach by the Company of any such undertaking or obligation;
 - (vi) to enforce for the benefit of the Company any and all the undertakings and obligations of the Scheme Creditors (in whole or in part) under this Scheme and to commence proceedings against any one or more of the Scheme Creditors in their capacity as Scheme Managers to enforce such undertakings and obligations; and
 - (vii) to do everything reasonable or necessary to implement the provisions of this Scheme.

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- (b) To the extent that, in the Scheme Managers' reasonable opinion, there is any doubt as to whether the Scheme Managers may execute, perform or do any act, matter or thing under the powers conferred upon him under this Scheme then that act, matter or thing may be executed, performed or done with the Ordinary Resolution of the Scheme Creditors.
- (c) Subject to Clause 10.3(d) below, the Scheme Managers shall comply with any resolution duly passed at a General Meeting unless and to the extent varied or rescinded by an order of the Court.
- (d) The Scheme Managers may at any time apply to the Court:
 - (i) for any order or direction in relation to any particular matter arising in connection with the carrying out of his powers, duties or functions under this Scheme or the construction or interpretation of any specific provision of this Scheme and shall do all such things as the Court may order or sanction; and/or
 - (ii) for any order or direction in connection with any allegations raised by any Scheme Creditor against the Scheme Managers or in respect of or arising from any resolution passed at a General Meeting.
- (e) The Scheme Managers may rely on any representation, notice or document believed by it to be genuine, correct and appropriately authorised and any statement made by any person regarding any matters which may reasonably be assumed to be within its knowledge or within its power to verify.
- (f) The Scheme Managers shall not be obliged to make or commence or continue any Scheme Manager Claim or Scheme Manager Proceedings or take any action if the Scheme Managers is satisfied that the monies for the time being provided or made available to him by the Company and/or the Scheme Creditors for that purpose are insufficient to pay, defray, reimburse or meet all fees, expenses and liabilities which have been incurred or may otherwise be incurred.
- (g) The Scheme Managers may settle or discontinue or withdraw any Scheme Manager Claim or Scheme Manager Proceedings on such terms as the Scheme Manager considers appropriate (i) if the Scheme Managers are satisfied that the monies for the time being provided or made available to him by the Company and/or the Scheme Creditors for that purpose are insufficient to pay, defray, reimburse or meet all fees, expenses and liabilities which have been incurred or may otherwise be incurred; or (ii) if the Scheme Managers is advised to do so by any legal advisor engaged by the Scheme Managers.
- (h) Notwithstanding anything to the contrary in the Scheme:
 - (i) The Scheme Managers shall not be obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality; and
 - (ii) The Scheme Managers shall act in accordance with any direction or order of the Court and shall not be liable to any person whatsoever for doing so.

10.4 Appointment, Resignation and Removal of the Scheme Managers

- (a) A Scheme Manager shall cease to hold office as the Scheme Manager upon the occurrence of any of the following events:
 - (i) the Scheme Manager may resign at any time by giving at least thirty (30) days' notice to the Company save that the resignation of the Scheme Manager shall not take effect unless and until a new Scheme Manager is appointed. In connection

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herewith, the resigning Scheme Manager or the Company may appoint the successor Scheme Manager, who shall have the capacity and experience to undertake the duties of the Scheme Manager;

- (ii) the passing of a resolution at a General Meeting convened for the purpose of appointing any person or persons to replace the Scheme Manager;
 - (iii) upon the making of an order of the Court, upon an application by the Company or the Scheme Manager, for the removal or replacement of the Scheme Manager; and/or
 - (iv) the death or bankruptcy of the Scheme Manager.
- (b) The Court may, upon an application by the Company or the Scheme Manager, by order appoint any person or persons as Scheme Manager whether in substitution of, or in addition to, the person then holding appointment as the Scheme Manager or to fill any vacancy resulting from death or bankruptcy.
- (c) Every person who ceases to be a Scheme Manager shall make available to its successor such documents and records in its possession and provide such assistance as the successor Scheme Manager may reasonably request for the purposes of performing any functions or duties as Scheme Manager under the Scheme.
- 10.5 The Scheme Managers disclaim all personal liability under any contract, agreement or other arrangement entered into on behalf of the Company, or with regard to any other act or omission to act, in connection with this Scheme.
- 10.6 The Scheme Managers shall not be responsible
- (a) for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Scheme Managers, the Company or any other person given in or in connection with this Scheme; or
 - (b) for the legality, validity, effectiveness, adequacy or enforceability of this Scheme or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with this Scheme.
- 10.7 The Scheme Managers shall not be liable to any Scheme Creditor for any and all losses, damages, charges, costs and expenses of whatsoever nature which such Scheme Creditor may sustain, incur or suffer in connection with or arising from any act or omission on its part in relation to any Scheme Manager Claim or Scheme Manager Proceedings, unless directly caused by fraud, dishonesty or wilful misconduct on their part.
- 10.8 The Scheme Managers will not be responsible for any delay (or any related consequences) in crediting an account with any amount required to be paid to any Scheme Creditor under this Scheme if the Scheme Managers has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any bank used by the Scheme Managers for that purpose.
- 10.9 The Scheme Managers and their delegates appointed under Clause 10.4 shall not be liable for any and all losses, damages, charges, costs and expenses of whatsoever nature which the Company may at any time and from time to time sustain, incur or suffer at any time, whether before or after the Termination Date, in connection with the exercise of their powers in the performance of their duties under this Scheme, unless such losses, damages, charges, costs or expenses arise out of the gross negligence, fraud or wilful default of the Scheme Managers.
- 10.10 In exercising his powers and carrying out his functions under this Scheme, the Scheme Manager shall be deemed at all times to act as agent for and on behalf of the Company. Nothing in this Scheme shall constitute the Scheme Manager as an agent of any Scheme Creditor.

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11. ASSIGNMENT OF APPROVED CLAIM

- 11.1 No Scheme Creditor shall assign or transfer any of its rights, title, interests and/or benefits under the Scheme except as expressly provided hereunder.
- 11.2 A Scheme Creditor (the “**Transferor**”) may at any time absolutely assign and transfer to any person (the “**Transferee**”) its rights, title, interest and benefits under and arising from the Scheme, by delivering to the Scheme Manager a Transfer Instrument executed by both the Transferor and Transferee. Such Transferee shall, by delivery of such Transfer Instrument to the Scheme Manager, be deemed to have agreed to be bound by and subject to the terms of the Scheme.
- 11.3 Notwithstanding service or delivery of a Transfer Instrument to the Scheme Managers, the Scheme Managers shall have no obligation or duty to accept or act upon the Transfer Instrument and may at its absolute discretion withhold making any payment or distribution under the Scheme to the Transferee and the Transferor identified in the Transfer Instrument until:
- (a) the Scheme Managers are satisfied that the Transfer Instrument had been duly, validly and effectively executed by the Transferor and the Transferee (in the form and substance satisfactory to the Scheme Managers) and/or by any person duly and lawfully empowered to do so on behalf of the Transferor and/or the Transferee; and
 - (b) the identities of the Transferor and/or the Transferee have been verified to the satisfaction of the Scheme Managers,
- and the Scheme Managers may for the foregoing purpose require the Transferor and/or Transferee to furnish to the Scheme Managers such information, evidence and/or legal opinion as the Scheme Managers may consider appropriate at the expense of the Transferor or Transferee.
- 11.4 A Transferee shall become a Scheme Creditor in place of the Transferor (and such Transferor shall cease to be a Scheme Creditor) for the purpose of the Scheme on the date that confirmation in writing of the transfer is given by the Scheme Managers to the Transferee. Upon completion of the transfer, the Company and the Transferor shall be released from further obligations towards one another under this Scheme.
- 11.5 No Transferee shall be entitled to receive under this Scheme payment of any amount of any distribution greater than that which the Transferor would have been entitled.
- 11.6 All costs, fees and expenses incurred in relation to any assignment or transfer carried out pursuant to this Clause (including but not limited to any such costs, fees and expenses incurred by the Company) shall be wholly borne by the Transferor.

12. TAXES AND WITHHOLDINGS

- 12.1 All sums payable by the Company under the terms of the Scheme shall be paid:
- (a) Free of any restriction or condition; and
 - (b) Without deduction or withholding (except to the extent required by law) on account of any other amount, whether by way of set-off, counterclaim or otherwise.
- 12.2 If the Company or any other person on its behalf (whether or not a party to this Scheme) must at any time deduct or withhold any tax or other amount from any sum paid or payable by, or received or receivable from, the Company under this Scheme or the other documents contemplated hereby, the Company shall be entitled to deduct an amount equivalent to the tax or other amount withheld, from the amount payable to the Scheme Creditor to which that sum is due.
- 12.3 If the Company or any other person on its behalf (whether or not a party to this Scheme) must at

APPENDIX B – SCHEME

any time pay any tax or other amount on, or calculated by reference to, any sum received or receivable by any Scheme Creditor under this Scheme or the other documents contemplated hereby (except for a payment by any Scheme Creditor of tax on its own overall net income imposed by the jurisdiction of its incorporation, or, in the case of a Scheme Creditor, where its facility office is located), the Company shall pay or procure the payment of that tax or other amount before any interest or penalty becomes payable.

- 12.4 Within thirty (30) days after paying such sum from which it is required by law to make any deduction or withholding, and within thirty (30) days after the due date of payment of any tax or other amount which it is required by Clause 12.3 to pay, the Company shall deliver to the relevant Scheme Creditor receipts or other evidence satisfactory to the relevant Scheme Creditor showing that deduction, withholding or payment and (where remittance is required) the remittance thereof to the relevant taxing or other authority.

13. MODIFICATIONS OR AMENDMENTS TO THE SCHEME

- 13.1 All procedural amendments, including any extension or abridgment of time in connection with anything to be done under the Scheme (save in respect of any Scheme Condition or payment or distribution obligations of the Company under the Scheme), shall be approved by Ordinary Resolution passed at a General Meeting.
- 13.2 All substantive modifications and/or amendments to and decisions to be taken regarding the Scheme shall be approved by Special Resolution passed at a General Meeting. Any proposed modification, amendment and/or decision to be taken with respect to any payment or distribution obligations of the Company under the Scheme shall be regarded as a substantive modification and/or amendment to the Scheme.
- 13.3 Save as provided for under Clauses 13.1 and 13.2 above, any modifications and/or amendments to the terms of the Scheme and any decisions to be taken regarding the Scheme shall be approved by Ordinary Resolution passed at a General Meeting.
- 13.4 Subject to Clauses 13.1 and 13.2 above, the Scheme Manager shall determine whether a proposed modification, amendment and/or decision to be taken regarding the Scheme is procedural or substantive in nature or otherwise and any such determination by the Scheme Manager shall be conclusive and binding on all parties to the Scheme.

14. MEETINGS OF SCHEME CREDITORS

- 14.1 After the Effective Date, the Company or the Scheme Manager may, whenever it thinks fit or appropriate, convene a General Meeting of any or all classes of Participating Scheme Creditors to propose an Ordinary Resolution or (if required by this Scheme) a Special Resolution as the Company or the Scheme Manager may in its sole discretion deem fit, in respect of any matters arising in connection with the terms and/or implementation of the Scheme.
- 14.2 After the Effective Date, the Company shall convene a General Meeting of all classes of Scheme Creditors upon the submission of a written request from any two or more Participating Scheme Creditors in any class whose Approved Claims subsisting at the relevant time in aggregate constitute not less than thirty percent (30%) of the total Approved Claims of all Participating Scheme Creditors subsisting at such relevant time. In the event the Company fails to convene and hold a General Meeting within thirty (30) days after the date of any request of such Participating Scheme Creditors, then those requesting Participating Scheme Creditors may convene a General Meeting. The costs and expenses of convening any such General Meeting shall be borne by the requisitioning Participating Scheme Creditor(s), if so requested in writing by the Company.
- 14.3 The following provisions shall apply to any General Meeting:
- (a) Any accidental omission to give notice of meeting or the non-receipt of notice by any Participating Scheme Creditor shall not invalidate any meeting or the proceedings thereat.

APPENDIX B – SCHEME

- (b) Any notice of meeting shall be accompanied by a Proxy Form to be issued by the Company (in such form as may be determined by the Company) and each Participating Scheme Creditor shall, at least forty-eight (48) hours before the General Meeting, lodge the Proxy Form with the Company at the Specified Address. If a Participating Scheme Creditor fails to lodge a Proxy Form at least forty-eight (48) hours before the General Meeting, that Participating Scheme Creditor shall not be entitled to vote at the General Meeting unless so admitted to vote at the discretion of the chairman of the General Meeting.
- (c) Any Participating Scheme Creditor which is not a natural person must appoint a proxy to attend and vote on its behalf at all General Meetings and any Participating Scheme Creditor may appoint any natural person to be its proxy or attorney to attend and vote on its behalf at any or all General Meetings. No Participating Scheme Creditor shall be entitled to appoint more than one (1) proxy or attorney to attend and vote at any General Meeting and the proxy or attorney shall not be allowed to attend and vote at any General Meeting except in the absence of its appointor. A Participating Scheme Creditor may revoke the appointment of any person as its proxy or attorney by giving written notice thereof to the Company.
- (d) At any such meeting, two (2) Participating Scheme Creditors present in person or by proxy shall form a quorum for the transaction of business and no business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business (unless there is only one (1) Participating Scheme Creditor in a class, in which case that one (1) Participating Scheme Creditor present shall form a quorum and may transact any business which a General Meeting is competent to transact).
- (e) The Company shall be entitled to nominate the chairman of the meeting, but if no representative of the Company is present within thirty (30) minutes of the time appointed for the holding of the meeting, the Participating Scheme Creditors present in person or by proxy shall choose one of their number to be chairman.
- (f) If within half an hour from the time appointed for any meeting, a quorum of Participating Scheme Creditors is not present, the meeting shall stand adjourned to such place and time at the discretion of the chairman, and if at such adjourned meeting, a quorum is still not present, any one (1) Participating Scheme Creditor present shall form a quorum and may transact any business which a General Meeting is competent to transact.
- (g) The chairman may with consent of the meeting adjourn the meeting from time to time and from place to place, to a place and time determined by the Company.
- (h) Any meeting at which it is proposed to: (i) pass an Ordinary Resolution shall be called by giving at least fourteen (14) Business Days' notice in writing to the Participating Scheme Creditors; and/or (ii) pass a Special Resolution shall be called by giving at least twenty-one (21) Business Days' notice in writing to the Participating Scheme Creditors.
- (i) Any Scheme Creditor with a Disputed Claim shall be entitled to have notice of and attend a General Meeting, but shall only be entitled to vote at a General Meeting to the extent that any part of the Scheme Creditor's Claim has been admitted as an Approved Claim.
- (j) For the avoidance of doubt, it shall not be necessary for the Company to hold separate meetings for the Lenders (to the extent that they hold an Approved Claim) and the Unsecured Creditors, if the Scheme Manager in his sole and absolute discretion deem appropriate. However, if a joint meeting of the Lenders (to the extent that they hold an Approved Claim) and the Unsecured Creditors is held, any and all votes cast by the Scheme Creditors present and voting (in person or by proxy) at such meeting will nonetheless be calculated based on their respective classes.

15. NOTICES

APPENDIX B – SCHEME

- 15.1 The sending of notices and other documents by the Scheme Manager to Scheme Creditors under this Scheme shall be in accordance with Regulation 9 of the Companies (Proofs of Debt in Schemes of Arrangement) Regulations 2017, which shall be deemed incorporated by reference herein *mutatis mutandis*. For the purposes of this Clause 15, the Scheme Creditors shall be taken to have previously agreed in writing within the meaning of Regulation 9 to receive notices, requests or other information by way of their electronic mail address or facsimile transmission number (as the case may be) provided in their Proof of Debt or Voting Instruction Form, or last known electronic mail address or facsimile transmission number (as the case may be) given to the Scheme Manager.
- 15.2 Any notice or communication to the Company or the Scheme Manager under this Scheme may be served by posting it by prepaid registered post to the address of the Company or Scheme Manager notified to the Scheme Creditors, and if so posted shall be deemed to have been received by the Company or Scheme Manager respectively, upon actual receipt thereof. Any notice to the Scheme Manager or the Company not in compliance with this Clause 15.2 shall be deemed of no effect for all purposes of the Scheme, save as otherwise permitted by the Scheme Manager in their absolute discretion.
- 15.3 The non-receipt of any notice or other communication sent in accordance with Clause 15.1 above shall not affect any part or provision of this Scheme.

16. CONFLICT AND INCONSISTENCY

In the case of a conflict or inconsistency between the terms of this Scheme and the terms of the Explanatory Statement, the terms of this Scheme shall prevail.

17. SEVERABILITY

- 17.1 If any provision in this Scheme shall be, or at any time shall become invalid, illegal or unenforceable in any respect under any law, such invalidity, illegality or unenforceability shall not in any way affect or impair any other provisions of this Scheme but this Scheme shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.
- 17.2 To the extent it is not possible to delete or modify the provision in whole or in part, under Clause 17.1, then such provision or part of it shall, to the extent that it is invalid, illegal or unenforceable, be deemed not to form part of this Scheme and the validity, legality and enforceability of the remainder of this Scheme shall, subject to any deletion or modification made under Clause 17.1, not be affected.

18. GOVERNING LAW AND JURISDICTION

- 18.1 This Scheme shall be governed by, and construed in accordance with, by the laws of the Republic of Singapore.
- 18.2 The Company and the Scheme Creditors hereby irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore in relation to any dispute arising out of or in connection with this Scheme or its implementation or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT, CHAPTER 53B OF SINGAPORE

Save as expressly provided in this Scheme, a person who is not a party to this Scheme has no right under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, to enforce any term of this Scheme.

SCHEDULE A

Form of Transfer Instrument

This Transfer is made on the [●] day of [●] between:

- (1) [Insert name] (Registration No. [●]) of [insert address] (the “Transferor”); and
- (2) [Insert name] (Registration No. [●]) of [insert address] (the “Transferee”).

(each a “Party” and both collectively referred to herein as the “Parties”)

Whereas:

- (A) By a scheme of arrangement dated 10 February 2021 proposed by Falcon Energy Group Limited under section 210 of the Companies Act (Cap. 50) in HC/OS 32/2021 and approved by the General Division of the High Court of the Republic of Singapore on [●] (the “Scheme”), the Transferor is a Participating Scheme Creditor of the transferee or successor in title of a Participating Scheme Creditor.
- (B) The Transferor has agreed to assign and transfer to the Transferee all of the Transferor’s rights, title, interest and benefits under and arising from the Scheme subject to the terms of the Scheme.

Now it is hereby agreed as follows:

1. Unless otherwise defined, the capitalised terms used throughout this document shall bear the same meanings as defined in the Scheme.
2. The Transferor hereby assigns and transfers absolutely to the Transferee all the Transferor’s rights, title, interests and/or benefits under the Scheme except as expressly provided hereunder under and arising from the Scheme and the full benefit and advantage thereof to hold the same unto the Transferee absolutely with effect from the date hereof.
3. The Transferee hereby absolutely, unconditionally and irrevocably agrees to be bound by and subject to the terms of the Scheme.
4. For purposes of the Scheme:
 - (a) the Transferee hereby requests that all payments and distributions under the Scheme to the Transferee be effected by cheque or by bank transfer to the Transferee’s bank account specified hereunder:

[insert Transferee’s bank account number and address of bank at which the account is established]

The Transferee agrees that the fees and expenses incurred in connection with such bank transfer shall be borne by the Transferee and may be deducted from any sum payable to the Transferee under the Scheme.

- (b) the details of the Transferee for the purposes of Clause 11 of the Scheme are as follows:

Address:[●]

E-mail: [●]

Fax: [●]

APPENDIX B – SCHEME

5. This Transfer Instrument shall be exclusively governed by the laws of the Republic of Singapore and the Parties irrevocably submit to the exclusive jurisdiction of the Courts of the Republic of Singapore.

IN WITNESS WHEREOF, the Parties have executed this Transfer Instrument as a deed on the date first above written.

THE TRANSFEROR

Signed, sealed and delivered)

By **[insert name]**)

For and on behalf of)

[insert name])

In the presence of:

THE TRANSFEREE

Signed, sealed and delivered)

By **[insert name]**)

For and on behalf of)

[insert name])

In the presence of:

APPENDIX B – SCHEME

SCHEDULE B

List of the Company's relevant subsidiaries and associates

<u>No.</u>	<u>Name of Subsidiaries / Associates</u>
1	Asetanian Marine Pte Ltd
2	Bayu Maritime International Pte. Ltd.
3	Century Marine S.A.
4	Energian Pte. Ltd.
5	Excel Marine S.A.
6	Falcon Resources Management Pte Ltd
7	Motley Trio Offshore Pte Ltd
8	Morrision Marine S.A.
9	Oilfield Services Company Limited
10	PT Bayu Maritim Berkah
11	PT Bayu Maritim Makmur
12	Trio Victory Inc.

SCHEDULE C

List of Lender's Facilities/Liabilities subject to the Scheme

<u>No.</u>	<u>Lender</u>	<u>Outstanding as of 31 March 2020 (USD)</u>	<u>Security</u>	<u>Owner of Asset</u>
1	AmBank	23,070,137.21	Support Station 3	Morrison Marine S.A.
			Falcon Warrior	Century Marine S.A.
			Bayu Cakrawala	Excel Marine S.A.
2	CIMB	54,162,829.64	K300	Trio Victory Inc.
			Bayu Laut	PT Bayu Maritim Makmur
			CHO Shares (194,380,175 shares as at 8 July 2020)	Energian Pte. Ltd.
			Berani	Maritim Indah Sdn Bhd
3	Maybank	14,788,549.30	Bayu Constructor	PT Bayu Maritim Bekah
			Garuda Emas	PT Bayu Maritim Bekah
4	OCBC	35,143,645.00	Falcon Chief	Motley Trio Offshore Pte Ltd
			Tirta Samundera	PT Bayu Maritim Bekah
			Tirta Rajawali	PT Bayu Maritim Bekah
			Falcon Force	PT Bayu Maritim Bekah
			Bayu Rajawali	PT Bayu Maritim Bekah
			Tirta Elang	PT Bayu Maritim Bekah
			Tirta Makmur	PT Bayu Maritim Bekah
	Total	127,165,161.20		

APPENDIX B – SCHEME

SCHEDULE D**List of sundry creditors identified in the Scheme who provide essential services to the Company as at 31 March 2020**

<u>No.</u>	<u>Descriptions</u>	<u>Total (USD)</u>
1	AIA Singapore Pte Ltd	11,172.39
2	Auto System Pte Ltd	638.69
3	Cultural & Entertainment Holidays Pte Ltd	24,974.58
4	Candid Water Cooler Pte Ltd	56.80
5	Deloitte & Touche LLP	101,439.61
6	DHL Express (Singapore) Pte Ltd	2.32
7	Elite Trading & Investment Pte Ltd	39,012.18
8	KPMG Services Pte. Ltd. (to add provision)	146,509.41
9	Keppel Electric Pte Ltd	408.03
10	NTC Integration (Pte) Ltd	2,254.21
11	Parkway Shenton Pte Ltd	287.04
12	Singapore Exchange Securities Trading Limited	26,299.16
13	Shell Eastern Petroleum (Pte) Limited	238.90
14	Socio Vitae Pte Ltd	125.00
15	The Central Depository Pte Ltd	7,061.80
16	TTS Copier International Pte Ltd	75.63
17	TNT Express Worldwide (Singapore) Pte Ltd	10.29
18	IRAS	188,182.90
19	Rajah & Tann Singapore LLP	325,406.78
20	Expenses payables - outstanding payroll from Apr19 to Mar'20	449,339.19
21	Provision for unutilised leave	67,869.33
22	Provision for bonus & CPF	62,450.84
23	Salemlaw Office Management Services Pte. Ltd.	31,784.42
24	Pareto SG Pte Ltd	19,926.96
25	Accrued CPF	16,602.52
26	Lien Kait Long	102,703.65
27	Mak Yue-Chen Andrew	79,002.81
28	Tan Tee Beng	43,890.44
	Total	<u>1,747,725.88</u>

APPENDIX B – SCHEME

SCHEDULE E**List of Related Creditors as of 31 March 2020**

<u>No.</u>	<u>Descriptions</u>	<u>Total (USD)</u>
1	Century Marine S.A.	16,427,173.51
2	Oilfield Services Company Ltd	10,803,333.36
3	Trio Victory Inc.	9,330,711.98
4	Excel Marine S.A.	14,986,120.34
5	Imperial Marine S.A.	8,351,645.25
6	Innovest Resources Ltd	21,794,223.44
7	Falcon Energy Projects Pte Ltd	16,579,541.11
8	Morrison Marine S.A.	25,779,714.79
9	CGL Resources Ltd	476,000.00
10	Bayu Maritim International Pte Ltd	908,039.79
	Total	<u>125,436,503.57</u>

**VOTING INSTRUCTION FORM
IN RESPECT OF THE**

**The Series 001 SGD50 million Notes pursuant to a
Multicurrency Medium Term Note programme
(THE “NOTES”)**

Issued by

**FALCON ENERGY GROUP LIMITED
(UEN/Company Registration No. 200403817G)
(Incorporated in the Republic of Singapore)
(the “Company”)**

**For use by the Noteholders
in connection with the Scheme Meeting convened pursuant to
the Order of Court dated 3 February 2021 made in HC/OS 32/2021
and the Scheme**

IMPORTANT NOTICES

This Voting Instruction Form must be duly completed **by the Account Holder** and returned to the Company at 10 Raeburn Park #01-33B Singapore 088702 or via e-mail to scheme@feg.com.sg **before 5:00PM on 24 February 2021** (the “**Voting Instruction Form Submission Date**”) in order for the relevant Noteholders to be eligible to participate in the Scheme Meeting to be held on **30 April 2021, at 10.30AM (Singapore time) via Video-Conference** (unless informed otherwise by the Company) and the Scheme proposed in HC/OS 32/2021.

All Noteholders, Account Holders (who are Noteholders) and Intermediaries are strongly advised to read the Scheme Document and the instructions to Noteholders, Account Holders and Intermediaries included in this Voting Instruction Form, before the Account Holder completes the Voting Instruction Form. If you are in doubt about this document or as to the action which you should take, you should consult your financial or investment adviser, stockbroker, bank manager, solicitor or other professional adviser immediately. You should note that the Scheme Document is not intended to constitute professional advice and that you should seek your own professional advice in relation to the Scheme.

Account Holders are to ensure that they provide all the information requested in this Voting Instruction Form. If the Account Holder completing this form is not a Noteholder, the Account Holder is to ensure that it identifies the Noteholder on whose behalf it is submitting this Voting Instruction Form. If such Noteholder does not wish to provide details of its identity, please identify a person authorised by the Noteholder to act as its representative.

Capitalised terms used herein but not defined shall have the meanings given to them in the Scheme Document dated 10 February 2021. If Noteholder is an individual, please submit copies of his passport or identity card to the Chairman together with this Voting Instruction Form.

APPENDIX C – VOTING INSTRUCTION FORM

To: Falcon Energy Group Limited
10 Raeburn Park
#01-33B
Singapore 088702
(Attention: Ms Tan Sooh Whye / Ms Christina Peh)

I, [name] _____,

of [company/firm where applicable] _____,

of [address] _____,

NRIC/Passport No. _____, do solemnly and sincerely declare that:

1. I/We, the undersigned, being the Account Holder of the Notes of the principal amount and credited to the Direct Securities Account Number(s) or Securities Sub-Account Number(s) specified below, hereby certify that *[I am the holder of the Notes / I am/we are holding the Notes for and on behalf of the Noteholder] specified below. (*Please delete as appropriate.)

2. I/we hereby instruct you and/or the Chairman in respect of the Notes as follows:

APPENDIX C – VOTING INSTRUCTION FORM

Attendance by Noteholder at the Scheme Meeting in person [see note (1) below]

(a) that *[I / the following Noteholders] wish(es) to attend and vote at the Scheme Meeting personally (*Please delete as appropriate):

	Particulars of Noteholder		Contact Details of Noteholder	Principal amount of Notes held as at the Ascertainment Date	Details of Noteholder's Securities Account Number (or Securities Sub-Account Number)	Section to be filled in if the Account Holder is not the Noteholder
No.	Name of Individual / Name of Company	NRIC / Passport No. of Individual / NRIC / Passport No. of authorised employee of Company	Contact details of Individual / Contact details of authorised employee of Company 1) Address 2) Contact No. 3) E-mail address	Principal Amount (\$\$)	*Direct Securities Account Number(s) / *Securities Sub-Account Number(s) of the Noteholders	Name of Account Holder or CDP Depository Agent (applicable where Securities Sub-Account Number is specified)

APPENDIX C – VOTING INSTRUCTION FORM

Attendance by Noteholder at the Scheme Meeting by proxy [see note (1) and (4) below]

(b) that *[I / the following Noteholders] wish(es) to appoint the following proxy to a vote for me / us / the Noteholders and on my / our / the Noteholders' behalf at the Scheme Meeting or at any adjournment of the said meeting, for the purpose of considering and, if thought fit, approving the matters set out in the notice convening the Scheme Meeting, and at such meeting to vote in respect of the Scheme (with or without modification) as indicated in the table below proposed to be made pursuant to section 210 of the Companies Act (Cap. 50) between the Company and the Scheme Creditors cast the vote(s) (*Please delete as appropriate):

Particulars of Noteholder		Contact Details of Noteholder	Principal amount of Notes held as at the Ascertainment Date	Details of Noteholder's Securities Account Number (or Securities Sub-Account Number)	Section to be filled in if the Account Holder is not the Noteholder	Particulars of Proxy [see note (2) below]	Voting Instructions to Proxy [see note (3) below]		
No.	Name of Individual / Name of Company	NRIC / Passport No. / (NRIC / Passport No. of authorised employee)	Contact details / (Contact details of authorised employee) 1) Address 2) Contact No. 3) E-mail address	Principal Amount (S\$)	*Direct Securities Account Number(s) / *Securities Sub-Account Number(s) of the Noteholders	Name of Direct Account Holder or CDP Depository Agent (applicable where Securities Sub-Account Number is specified)	Name and NRIC / Passport No. of Individual & Email address	Voting in respect of the Scheme (PLEASE REFER TO NOTE BELOW)	
								FOR THE SCHEME	AGAINST THE SCHEME

APPENDIX C – VOTING INSTRUCTION FORM

Notes to paragraphs 2(a) and 2(b) above:

- (1) The Account Holder should, on behalf of a Noteholder, fill in the table under either paragraph 2(a) above where the Noteholder wishes to attend the Scheme Meeting in person or paragraph 2(b) above where the Noteholder wishes to attend the Scheme Meeting by proxy.
- (2) **Insert full name of person to be appointed as proxy and a valid e-mail address of the person to be appointed as proxy.** A Scheme Creditor may appoint only a natural person as a proxy (including the Chairman of the Scheme Meeting), and may appoint only one such person as proxy. If no person is named as proxy, the Chairman of the Scheme Meeting shall, by default, be appointed proxy for the purposes of this proxy form. The person who is appointed as a proxy need not be a Scheme Creditor but must attend the Scheme Meeting in person to represent the appointor.
- (3) If you wish your proxy (including any alternate proxy) to approve the Scheme, please check the box under the column "FOR THE SCHEME". If you do not wish your proxy (including any alternate proxy) to approve the Scheme, please check the box under the column "AGAINST THE SCHEME". If neither the column "FOR THE SCHEME" nor the column "AGAINST THE SCHEME" is checked, your proxy shall be deemed to be duly authorised to vote either "for" or "against" the Scheme at his/her discretion at the Scheme Meeting.
- (4) The Chairman of the Scheme Meeting shall be entitled to reject any instrument appointing a proxy if it is incomplete, illegible, fails to comply with these notes or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy.

3. The Account Holder is requested to specify below only **one** CDP Direct Securities Account belonging to the Account Holder to which the Scheme Shares would be credited into pursuant to the Scheme (notwithstanding that the Account Holder is holding the Notes on behalf of one or more Noteholders) and the Account Holder shall distribute the relevant number of Scheme Shares to each Noteholder pursuant to the terms of the Scheme.

Name of Securities Account: _____

Securities Account Number: _____

4. The Account Holder is requested to specify below only one bank account belonging to the Account Holder to which the monies should be credited into pursuant to the Scheme (notwithstanding that the Account Holder is holding the Notes on behalf of one or more Noteholders) and the Account Holder shall distribute the relevant amount of monies to the Noteholder pursuant to the terms of the Scheme.

Bank Name: _____

Bank Swift Code: _____

Account Number: _____

Account Name: _____

5. The Account Holder hereby confirms and declares that the aggregate principal amount of Note(s) which is/are the subject of this Voting Instruction Form is S\$ _____.

APPENDIX C – VOTING INSTRUCTION FORM

6. If required by the Scheme Manager and/or the Chairman, I/we/the Noteholder to which this Voting Instruction Form relates shall provide any supplemental documents requested by the Scheme Manager or the Chairman.

Confirmations:

The Account Holder named below confirms to the Company, the Scheme Manager and the Chairman that:

- (A) In relation to the Notes, the Account Holder has authority to give voting instructions set out in Paragraph 2 of this Voting Instruction Form. Every obligation of the Account Holder under this Voting Instruction Form shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the Account Holder and shall not be affected by, and shall survive, the death or incapacity of the Account Holder and that all of the information in this Voting Instruction Form is complete and accurate.
- (B) That any personal data of any individual provided has been obtained with such individual's consent and hereby consents on behalf of such individual to the collection, use and disclosure of his personal data by the Company, the Scheme Manager, the Scheme Trustee and the Chairman (and any of their respective officers), in each case, in accordance with the provisions of the Singapore Personal Data Protection Act 2012 (No. 26 of 2012) and any consent given hereunder in relation to personal data shall survive death, incapacity, bankruptcy or insolvency of any such individual and the termination or expiration of the Scheme. For the purposes hereunder, "personal data" has the meaning ascribed to it in the Singapore Personal Data Protection Act 2012 (No. 26 of 2012).

And I make this solemn declaration by virtue of the provisions of the Oaths and Statutory Declarations Act 2000 and subject to the penalties provided in that Act for the making of false statements in statutory declarations, conscientiously believing the statements contained in this declaration to be true in every particular.

Declared at)
this day of 2021)

Name:
Telephone No:
E-mail address:
Designation:

APPENDIX C – VOTING INSTRUCTION FORM

APPENDIX TO VOTING INSTRUCTION FORM: INSTRUCTIONS TO NOTEHOLDERS, ACCOUNT HOLDERS (WHO ARE NOT NOTEHOLDERS) AND INTERMEDIARIES

(a) **Noteholder**

You are a Noteholder if you hold an economic or beneficial interest as principal in the Notes as at the Ascertainment Date.

Each Noteholder will need to give instructions to its Account Holder as to voting. If you are a Noteholder, please read the Scheme Document carefully and follow the instructions set out therein.

A Noteholder should immediately contact their Account Holder (through any Intermediaries, if appropriate) to ensure that a valid Voting Instruction Form is submitted through the Account Holder to the Company at 10 Raeburn Park #01-33B Singapore 088702 or via e-mail to scheme@feg.com.sg by the Voting Instruction Form Submission Date in respect of their interests in the Notes.

(b) **Account Holder**

You are an Account Holder in respect of an interest in the Notes held through the CDP if you are recorded as holding a book-entry interest in the Notes in an account with the CDP or, as the context requires, are or were recorded as holding such an interest in such account at the Ascertainment Date. Account Holders consist of those persons holding securities account with the CDP.

If you are an Account Holder who is holding the Notes as a nominee to a Noteholder, you should promptly forward a copy of this Scheme Document to all Noteholders on whose behalf you hold an interest in the Notes.

An Account Holder (who is not a Noteholder) shall not be entitled to vote at the Scheme Meetings in respect of any interest in the Notes.

(c) **Intermediary**

You are an Intermediary if you hold an interest in the Notes on behalf of another person or, as the context requires, if you hold or held such an interest at the Ascertainment Date, and in either case you are not or (as appropriate) were not an Account Holder in respect of that interest. Examples of Intermediaries are stockbrokers, investment managers and nominee companies.

If you are an Intermediary, you should promptly forward a copy of this Scheme Document to all persons on whose behalf you hold an interest in the Notes.

An Intermediary shall not be entitled to vote at the Scheme Meetings in respect of any interest in the Notes.

(d) **Notes Trustee and CDP**

The Notes Trustee and the CDP shall not be entitled to vote at the Scheme Meetings in respect of any interest in the Notes.

What should Noteholders do?

Each Noteholder will need to give instructions to his Account Holder as to voting by way of the Voting Instruction Form.

A Noteholder wishing to attend and vote at the Scheme Meeting in person will need to instruct his Account Holder to record in the Voting Instruction Form that he wishes to attend and vote at the Scheme Meeting in person.

APPENDIX C – VOTING INSTRUCTION FORM

A Noteholder who wishes to appoint a proxy to vote at the Scheme Meeting will need to instruct his Account Holder to record in the Voting Instruction Form that the Noteholder wishes to appoint a proxy identified in the Voting Instruction Form to attend and vote at the Scheme Meeting in accordance with his voting instructions recorded in the Voting Instruction Form.

What should Account Holders do?

It will be the responsibility of the Account Holders to obtain from Intermediaries and/or Noteholders on whose behalf they hold interests in the Notes, whatever information or instructions they may require to submit a duly completed Voting Instruction Form in respect of such Notes to the Chairman. To assist this process, Noteholders (through Intermediaries, if appropriate) are strongly encouraged to contact the Account Holder through which they hold their interest in the Notes to enable that Account Holder to complete a Voting Instruction Form and submit such Voting Instruction Form to the Scheme Manager prior to the Voting Instruction Form Submission Date.

The Voting Instruction Form should be submitted to the Company by no later than the Voting Instruction Form Submission Date. A Voting Instruction Form will be deemed submitted when actually received by the Company, provided that if the Company/Chairman subsequently identifies any error in the Voting Instruction Form or determines that a Voting Instruction Form is not valid, such Voting Instruction Form will not be deemed submitted until all such errors have been rectified or the Voting Instruction Form has been completed to the satisfaction of the Chairman (which may, if reasonably necessary, request that a new Voting Instruction Form be submitted).

If the Company receives a Voting Instruction Form after the Voting Instruction Form Submission Date or a notice of revocation or amendment after the Voting Instruction Form Submission Date, the Company/Chairman will disregard such form or notice and notify the relevant Account Holder that such form or notice is ineffective and the Noteholder or its proxy will not be entitled to vote at the Scheme Meeting unless so admitted to vote at the discretion of the Chairman/Scheme Manager.

Confirmations

By submitting a Voting Instruction Form to the Company, a Noteholder and/or an Account Holder as the case may be is deemed to represent, warrant and undertake to the Company, the Chairman and the proposed Scheme Manager as at the Voting Instruction Form Submission Date, as the case may be, that:

- (a) it has received and reviewed the Scheme Document and all other information as it deems necessary or appropriate in order to make its decision and has undertaken an appropriate analysis of the implications of the Scheme, without reliance on the Company and/or the Chairman;
- (b) it accepts the terms, conditions, risks and other conditions of the Scheme, and the offer and distribution restrictions, all as described in the Scheme Document;
- (c) the Notes are, at the time of the submission of the Voting Instruction Form, and will continue to be held by it through the CDP, until the terms of the Scheme which are applicable to the Noteholders are completed;
- (d) in respect of interest in the Notes held through CDP, the relevant Notes have been blocked in the securities account to which such Notes are credited in CDP with effect from the submission of the Voting Instruction Form until the terms of the Scheme which are applicable to the Noteholders are completed;
- (e) the submission of the Voting Instruction Form is made in compliance with all laws and regulations of its jurisdiction of incorporation or residence; it has obtained all requisite governmental, exchange control or other required consents; complied with all requisite formalities; and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of the Scheme or which will or may result in the Company, the Scheme Manager, the Chairman, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Scheme;

APPENDIX C – VOTING INSTRUCTION FORM

- (f) any personal data of any individual provided has been obtained with such individual's consent and hereby consents on behalf of such individual to the collection, use and disclosure of his personal data by the Company, the Scheme Manager, Chairman and the Account Holders (who are not Noteholders) and any of their respective officers, in each case, in accordance with the provisions of the Singapore Personal Data Protection Act 2012 (No. 26 of 2012) and any consent given hereunder in relation to personal data shall survive death, incapacity, bankruptcy or insolvency of any such individual and the termination or expiration of the Scheme. For the purposes hereunder, "personal data" has the meaning ascribed to it in the Singapore Personal Data Protection Act 2012 (No. 26 of 2012);
- (g) upon the terms and subject to the conditions of the Scheme, upon the completion of the terms of the Scheme applicable to it, it renounces all right, title and interest in and to all such Notes and waives and releases any rights or claims it may have against the Company, the Scheme Manager and the Noteholders' Meeting Agent with respect to any such Notes and the Scheme;
- (h) upon the terms and subject to the conditions of the Scheme, it agrees to ratify and confirm each and every act or thing that may be done or effected by the Company, or by any person nominated by the Company in the proper exercise of his or her powers and/or authority hereunder;
- (i) upon the terms and subject to the conditions of the Scheme, upon the completion of the terms of the Scheme applicable to it, it agrees to do all such acts and things as shall be necessary and execute any additional documents deemed by the Company to be desirable, to cancel the relevant Notes;
- (j) all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and shall not be affected by, and shall survive, its death or incapacity;
- (k) no information has been provided to it by the Company, the Scheme Manager and the Chairman, or any of their respective directors or employees as applicable, with regard to the tax consequences for Noteholders pursuant to the Scheme and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of the Scheme and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Company, the Scheme Manager, the Chairman, or any of their respective directors or employees, as applicable, or any other person in respect of such taxes and payments; and
- (l) it is not a person to whom it is unlawful to make an invitation pursuant to the Scheme under applicable securities laws and it has (before submitting, or arranging for the submission on its behalf, as the case may be, the Voting Instruction Form with respect to its Notes) complied with all laws and regulations applicable to it for the purposes of its participation in the Scheme.

By submitting a Voting Instruction Form to the Company, a Noteholder acknowledges that all authority conferred or agreed to be conferred pursuant to these representations, warranties and undertakings and every obligation of such Noteholder and the tenders given by such Noteholder and shall not be affected by, and shall survive, the death or incapacity of such Noteholder.

Failure to submit a Voting Instruction Form

Save as the Chairman or the Scheme Manager (as may be applicable) may otherwise permit in his absolute discretion, any Noteholder who fails to submit a Voting Instruction Form in accordance with the directions set herein: (a) will not be entitled to vote at the Scheme Meeting or receive distributions, payments or benefits or vote at any General Meeting under the Scheme; and (b) will, nonetheless, have its claim waived, released, discharged and extinguished and will no longer have any rights, interests and claims whatsoever against the Company in respect of such Claim in the event that the Scheme becomes effective.

Failure to specify a valid e-mail address in the Voting Instruction Form

Given that the Scheme Meeting is to be held via Video-Conference, save as the Chairman may

APPENDIX C – VOTING INSTRUCTION FORM

otherwise permit in his absolute discretion, any Noteholder who fails to provide a valid e-mail address (be it for the Noteholder or the proxy, where applicable) in Voting Instruction Form will not be entitled to attend and vote at the Scheme Meeting.

Irregularities

All questions as to the validity, form and eligibility (including the time of receipt) of any Voting Instruction Form or revocation or revision thereof or submission of any Voting Instruction Form will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all Voting Instruction Form not in a form which that is, in the opinion of the Company, acceptable. The Company also reserves the absolute right to waive defects in any Voting Instruction Form with regard to any Notes. None of the Company, the Scheme Manager, the Chairman, any of their respective affiliates, directors or employees or any other person shall be under any duty to give notification of any defects or irregularities in such Voting Instruction Form, nor shall any of such entities or persons incur any liability in connection with such irregularities or for failure to give such notification.

APPENDIX D – PROOF OF DEBT

FALCON ENERGY GROUP LIMITED
(Singapore UEN No. 200403817G)
(the “Company”)

OTHER CREDITORS’ PROOF OF DEBT
For the Scheme Meeting convened pursuant to
the Order of Court dated 3 February 2021 made in HC/OS 32/2021
and the Scheme

- 1 Case Number 2 Name of Company

HC/OS 32/2021	FALCON ENERGY GROUP LIMITED
---------------	-----------------------------

- 3 Particulars Of Scheme Creditor Claiming Debt

<p>Name of Scheme Creditor: _____</p> <p>IC/Passport No/Company/Business Registration No.: _____</p> <p>Postal Address <i>(please see note a):</i> _____</p> <p>_____</p> <p>Contact Nos. (Tel/HP): _____</p> <p>Fax No.: _____</p> <p>E-mail Address <i>(please see note k):</i> _____</p> <p>Bank Name <i>(please see note b):</i> _____</p> <p>Bank Account No. <i>(please see note b):</i> _____</p> <p>Name of Account Holder <i>(please see note b):</i> _____</p> <p>Name of Securities Account <i>(please see note c):</i> _____</p> <p>Securities Account No. <i>(please see note c):</i> _____</p>

- 4 Particulars Of Claim as at the Ascertainment Date

Date Debt Incurred	Details of Debt <i>(Please see notes d, e & f)</i>	Currency	Amount (\$)

APPENDIX D – PROOF OF DEBT

Total Amount Of Debt Claimed (in Figures):	
Total Amount Of Debt Claimed (in Words): _____ _____	

5 Security Held *(Please see note g)*

Brief Description & Value of Securities as at the Ascertainment Date:

6 Particulars Of Person Authorised To Complete This Proof Of Debt Form

(If same as in box 3 above, please indicate "see box 3 above")

Name: _____
NRIC No./Passport No.: _____
Relationship to Scheme Creditor: _____ <i>(State whether director / employee / solicitors / accountant, etc)</i>
Name of Company/Firm: _____ <i>(Where applicable)</i>
Contact Nos. (Tel/HP): _____
Fax No.: _____ E-mail address: _____

7 Signature of Scheme Creditor/Person Authorised To Complete This Proof Of Debt Form

<p>7.1 I do solemnly and sincerely declare that:</p> <p>7.1.1 to the best of my knowledge and belief, the Company owes the Scheme Creditor the amount claimed in box 4 above;</p> <p>7.1.2 neither the Scheme Creditor, nor any person by the order and for the use of the Scheme Creditor, has to my knowledge and belief received any manner of satisfaction or security for the amount or any part of the amount referred to in box 4, save and except as set out in box 5 to this Proof of Debt;</p> <p>7.1.3 the Scheme Creditor that submits this Proof of Debt represents, warrants and undertakes to the Company, the Chairman and the Scheme Manager that any personal data of any individual provided has been obtained with such individual's consent and hereby consents on behalf of such individual to the collection, use and disclosure of his/her personal data by the Company, the Chairman and the Scheme Manager (or their agents), in each case, in accordance with the provisions of the Singapore Personal Data Protection Act 2012 (No. 26 of 2012). Any consent given hereunder in relation to personal data shall survive death, incapacity, bankruptcy or insolvency of any such individual and the termination or expiration of the</p>

APPENDIX D – PROOF OF DEBT

Scheme. For the purposes hereunder, “personal data” has the meaning ascribed to it in the Singapore Personal Data Protection Act 2012 (No. 26 of 2012);

7.1.4 I am duly authorised by the Scheme Creditor to make this statutory declaration, that it is within my own knowledge that the debt declared in this statutory declaration was incurred for the consideration stated, and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied (*Please see note h*).

7.2 And I make this solemn declaration by virtue of the provisions of the Oaths and Declarations Act (Cap. 211), and subject to the penalties provided by that Act for the making of false statements in statutory declarations, conscientiously believing the statements contained in this declaration to be true in every particular.

Declared at)
 this day of) Signature:
 2021)

Notes:

- a. Please inform the Company in the event of any change in address.
- b. If a Scheme Creditor wishes to receive any distributions to be made under the Scheme by way of bank transfer, please provide the relevant bank account details to which payment should be made.
- c. Please provide details of a valid Securities Account maintained by a Depositor with the CDP for the purpose of receiving distribution of the Scheme Shares pursuant to the Scheme. If a Scheme Creditor does not have a Securities Account maintained by a Depositor with the CDP as at the Proof of Debt Submission Date, the Scheme Creditor may provide the Company with details of a valid Securities Account within 3 Business Days of the Effective Date (as defined in the Scheme) of the Scheme.
- d. Examples of Debts are:
 - Goods Supplied - Services Rendered - GST - Others (please specify)
 - Wages and Salaries - Personal Loan - Overdraft facilities
 - Income Tax - Property Tax - CPF
- e. Please attach copies of documents substantiating the debt. The onus is upon the Scheme Creditor to prove the debt.
- f. For claims made by an authorised person on behalf of a group of workmen and others employed by the company, please provide a schedule reflecting the name, identification/passport no., address, debt description, period for which wages are due and the amount due, for each individual workman/employee.
- g. This section is intended to apply to the Lenders. Scheme Creditors who are not Lenders may indicate “Nil” under this section if that Scheme Creditor does not hold any security (including any third party security) in respect of its Claim. A Lender is required to provide details of all securities held by the Lender, including third party securities. If a Lender wishes to assert a different security value than that based on the Valuation Report on the Vessels of the Group, and the market value of the CHO shares as at Ascertainment Date, the Lender shall annex all relevant supporting documents to this Proof of Debt.
- h. If this proof is made by a Scheme Creditor in his/her individual capacity, delete paragraph 7.1.4 in box 7 above.
- i. The Scheme Creditor that submits this Proof of Debt represents, warrants and undertakes to the Company, the Chairman and the Scheme Manager that any personal data of any individual provided has

APPENDIX D – PROOF OF DEBT

been obtained with such individual's consent and hereby consents on behalf of such individual to the collection, use and disclosure of his personal data by the Company, the Chairman and the Scheme Manager (and any of their respective officers), in each case, in accordance with the provisions of the Personal Data Protection Act 2012 (No. 26 of 2012). Any consent given hereunder in relation to personal data shall survive death, incapacity, bankruptcy or insolvency of any such individual and the termination or expiration of the Scheme. For the purposes hereunder, "personal data" has the meaning ascribed to it by the Personal Data Protection Act 2012 (No. 26 of 2012).

- j. Unless expressly stated otherwise, all capitalised terms used herein shall bear the same meanings as ascribed under the Scheme proposed by the Company pursuant to HC/OS 32/2021.
- k. **Given that the Scheme Meeting is to be held via Video-Conference, save as the Chairman may otherwise permit in his absolute discretion, a Scheme Creditor will not be entitled to attend and vote at the Scheme Meeting personally if any Scheme Creditor fails to provide a valid e-mail address.**

APPENDIX E – PROXY FORM

FALCON ENERGY GROUP LIMITED
(Singapore UEN No. 200403817G)

OTHER CREDITORS' PROXY FORM
For the Scheme Meeting convened pursuant to
the Order of Court dated 3 February 2021 made in HC/OS 32/2021

I/We, _____ [see note 1], of
_____ [see note 2]
being a Scheme Creditor (as defined in the Scheme) of Falcon Energy Group Limited (Singapore UEN
No. 200403817G) (the “Company”), HEREBY APPOINT
_____ [see note 3] holder of identity
card/passport number _____ and whose e-mail address is
_____ [see note 4] or failing him/her,
_____ [see note 5] holder of identity
card/passport number _____ and whose e-mail address is
_____ [see note 6], as my/our proxy to vote
for me/ us and on my/our behalf at the Lenders' Scheme Meeting / Unsecured Creditors' Scheme
Meeting / Associated Creditors' Scheme Meeting [see note 7] (as defined in the Scheme referred to
below) of the Company which will be held on **30 April 2021 at 9.30AM (Singapore time)** (the “Lenders'
Scheme Meeting”) / **30 April 2021 at 10.30AM (Singapore time)** (the “Unsecured Creditors'
Scheme Meeting”) / **30 April 2021 at 12.00PM (Singapore time)** (the “Associated Creditors'
Scheme Meeting”) **via Video-Conference** (unless otherwise notified by the Company) or at any
adjournment of the said meeting, for the purpose of considering and, if thought fit, approving the matters
set out in the notice convening the Scheme Meeting, and at such meeting to vote for/against [see note
8] (with or without modification) the Scheme of Arrangement dated 10 February 2021 (the “Scheme”)
proposed to be made pursuant to section 210 of the Companies Act (Cap. 50) between the Company
and the Scheme Creditors.

Dated this _____ day of _____ 2021.

Authorised signature of Scheme Creditor:

IMPORTANT: PLEASE READ THE NOTES BELOW CAREFULLY BEFORE COMPLETING THE PROXY FORM

Notes:

1. Insert full name of Scheme Creditor.
2. Insert postal address of Scheme Creditor.

APPENDIX E – PROXY FORM

3. Insert full name of person to be appointed as proxy. A Scheme Creditor may appoint only a natural person (including the Chairman of the Scheme Meeting) as a proxy, and may appoint only one such person as proxy. If no person is named as proxy, the Chairman of the Scheme Meeting shall, by default, be appointed proxy for the purposes of this proxy form.
4. **Insert a valid e-mail address of the person to be appointed as proxy. Given that the Scheme Meeting is to be held via Video-Conference, save as the Chairman may otherwise permit in his absolute discretion, the nominated proxy (who is not the Chairman) will not be entitled to attend and vote at the Scheme Meeting if any Scheme Creditor fails to provide a valid e-mail address for the nominated proxy.**
5. A Scheme Creditor may nominate one natural person (including the Chairman of the Scheme Meeting) as an alternate proxy. Any Scheme Creditor who wishes to appoint the Chairman of the Scheme as alternate proxy should insert the words “the Chairman”.
6. **Insert a valid e-mail address of the person to be appointed as alternate proxy. Given that the Scheme Meeting is to be held via Video-Conference, save as the Chairman may otherwise permit in his absolute discretion, the nominated alternate proxy (who is not the Chairman) will not be entitled to attend and vote at the Scheme Meeting if any Scheme Creditor fails to provide a valid e-mail address for the nominated proxy.**
7. A Lender who is also an Unsecured Creditor may appoint different proxies for the Lenders’ Scheme Meeting and the Unsecured Creditors’ Scheme Meeting by submitting separate Proxy Forms for each meeting and deleting the reference above to the inapplicable Scheme Meeting (the “Deleted Scheme Meeting”). If a Lender only submits one Proxy Form without deleting the reference to either the Lenders’ Scheme Meeting or the Unsecured Creditors’ Scheme Meeting, the Lender shall be deemed to have appointed the same proxy for both meetings. If a Lender who is also an Unsecured Creditor only submits one Proxy Form and deletes the reference to either the Lenders’ Scheme Meeting or the Unsecured Creditors’ Scheme Meeting without providing a separate Proxy Form for the Deleted Scheme Meeting, the Lender shall be deemed to have not appointed a proxy for the Deleted Scheme Meeting.
8. If you wish your proxy (including any alternate proxy) to approve the Scheme, please strike out the word “against” from this proxy form. If you do not wish your proxy (including any alternate proxy) to approve the Scheme, please strike out the word “for” from this proxy form. If neither the word “for” nor the word “against” is struck out from this proxy form, your proxy shall be deemed to be duly authorised to vote either “for” or “against” the Scheme at his/her discretion at the Scheme Meeting.
9. The person who is appointed as a proxy (or alternate proxy) need not be a Scheme Creditor but must attend the Scheme Meeting in person to represent the appointor.
10. The instrument appointing a proxy must be deposited at the office of the Company at 10 Raeburn Park #01-33B Singapore 088702 (Attention: Ms Tan Sooh Whye / Ms Christina Peh) or submitted via e-mail to scheme@feg.com.sg by no later than 10:00AM on 27 April 2021.
11. Where the Scheme Creditor is a natural person, the instrument appointing a proxy must be under the hand of the appointor or under the hand of his duly authorised attorney. Where the Scheme Creditor is a corporation, the instrument appointing a proxy must have the common seal of the corporation affixed thereto or be executed under the hand of the corporation’s duly authorised signatory. If the corporation does not have a common seal, the instrument appointing a proxy must be executed in the manner set out in the corporation’s constitution for the execution of documents as a deed. In the case of a proxy executed by a Scheme Creditor’s duly authorised signatory, sufficient evidence of the signatory’s due authority must accompany the proxy form and be deposited together therewith before the time stipulated above.
12. A Scheme Creditor which is a corporation may authorise by resolution of its directors or other governing organ such persons as it thinks fit to act as its representative in accordance with its corporate constitution.
13. Any alteration made to this proxy form must be initialed by the person who signs it.

APPENDIX E – PROXY FORM

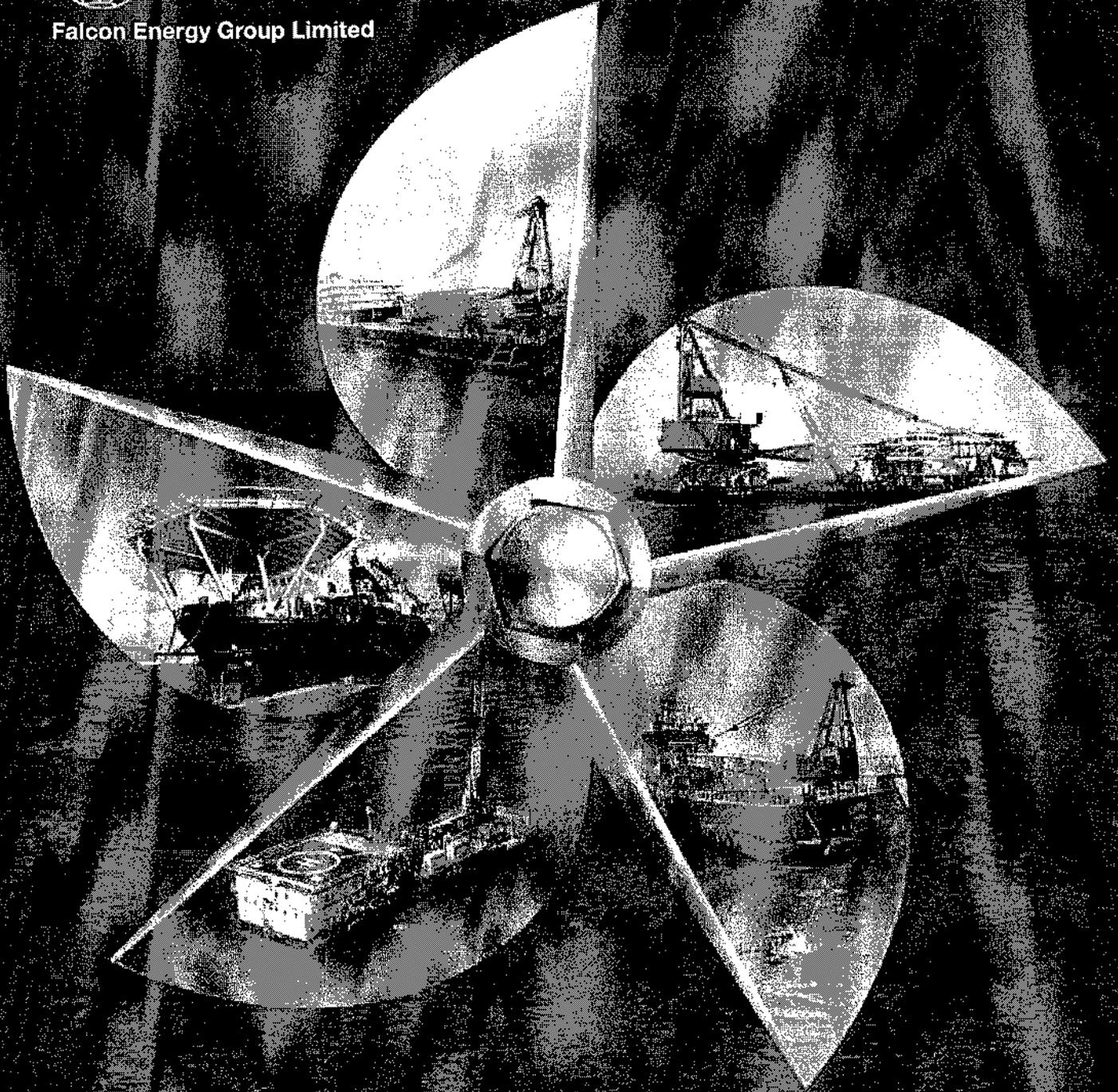
14. The Chairman of the Scheme Meeting shall be entitled to reject any instrument appointing a proxy if it is incomplete, illegible, fails to comply with these notes or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy.

15. The Scheme Creditor that submits this Proof of Debt represents, warrants and undertakes to the Company, the Chairman and the Scheme Manager that any personal data of any individual provided has been obtained with such individual's consent and hereby consents on behalf of such individual to the collection, use and disclosure of his personal data by the Company, the Chairman and the Scheme Manager (and any of their respective officers), in each case, in accordance with the provisions of the Personal Data Protection Act 2012 (No. 26 of 2012). Any consent given hereunder in relation to personal data shall survive death, incapacity, bankruptcy or insolvency of any such individual and the termination or expiration of the Scheme. For the purposes hereunder, "personal data" has the meaning ascribed to it by the Personal Data Protection Act 2012 (No. 26 of 2012).



FEG

Falcon Energy Group Limited



LOOKING AHEAD TO UPTURN

ANNUAL REPORT 2018

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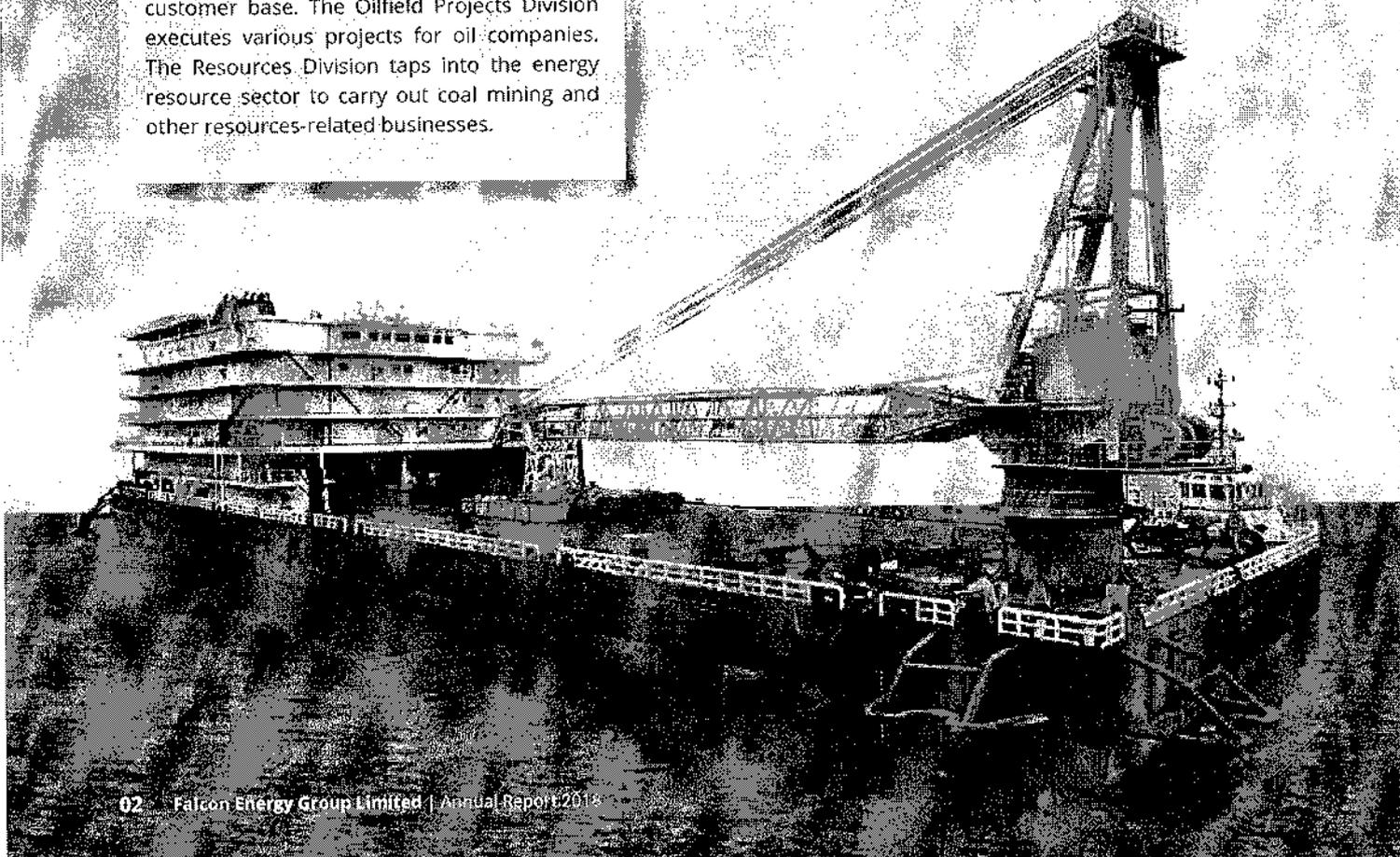


OUR OBJECTIVE

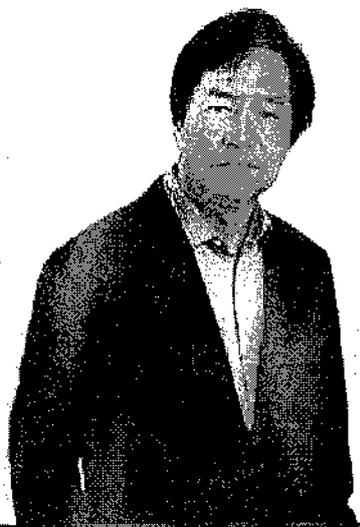
To be a renowned international provider of offshore oil & gas products and services, and to enhance shareholder value in all our business activities in the energy industry.

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\$43.29 million as at FY2017 to US\$62.79 million as at FY2018. As a result, the Group has a negative working capital of US\$11.40 million.

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.

CHAIRMAN'S MESSAGE AND BUSINESS REVIEW

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 new 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 O&S 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

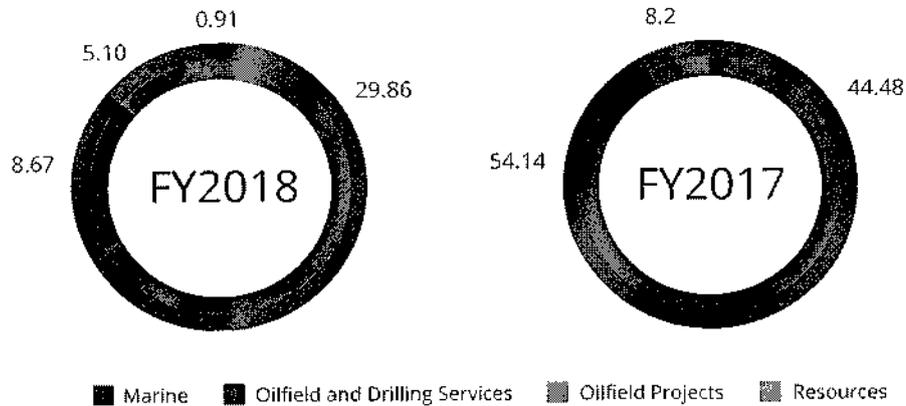
FINANCIAL HIGHLIGHTS

SEGMENTAL REVENUE

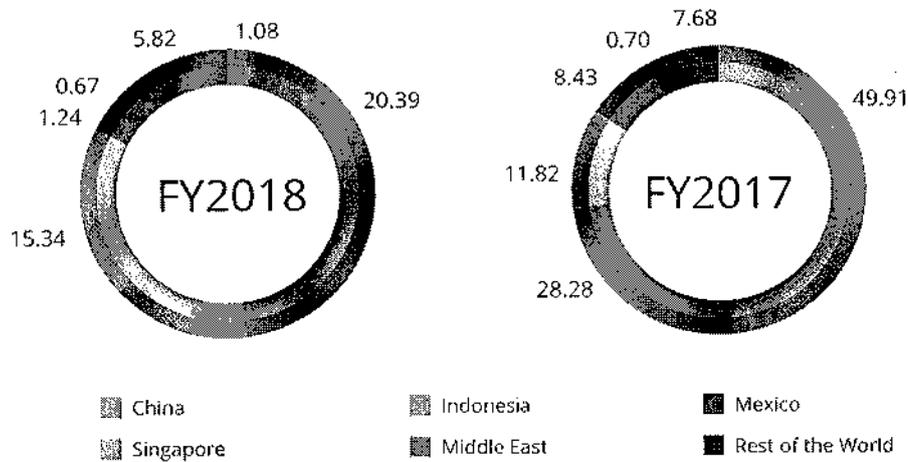
By Business (US\$m)	FY2018	FY2017
Marine	29.86	44.48
Oilfield and Drilling Services	8.67	54.14
Oilfield Projects	5.10	8.2
Resources	0.91	-
Total	44.54	106.82

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

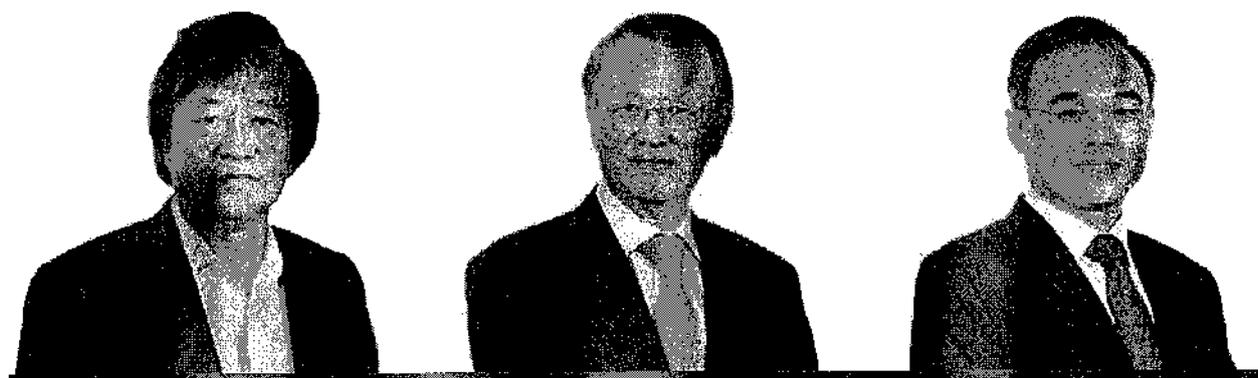
BY BUSINESS (US\$m)



BY GEOGRAPHICAL (US\$m)



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 (PSM) 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

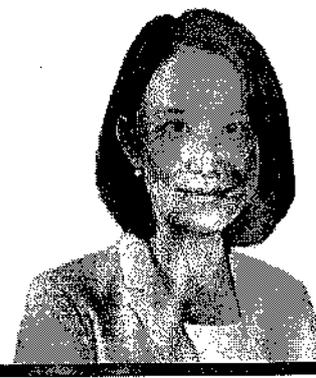
Mr Cai Wenxing was appointed as Executive Director in July 2006 and was last re-elected on December 29, 2017. He is responsible for overseeing the business operations of the Oilfield Services, Oilfield Projects and Drilling Services Divisions for Falcon Energy Group Limited. His role includes the exploration 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 T'YEA
Chairman and Chief Executive Officer

CAI WENXING
Executive Director

TAN SOOH WILYE
Alternate Director

CAI WENTING
Alternate Director

LAM MAY YI
Chief Financial Officer

OILFIELD SERVICES DIVISION

TANG NEE CHIANG
General Manager
Longzhu Oilfield Services (China) Ltd

LIU 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

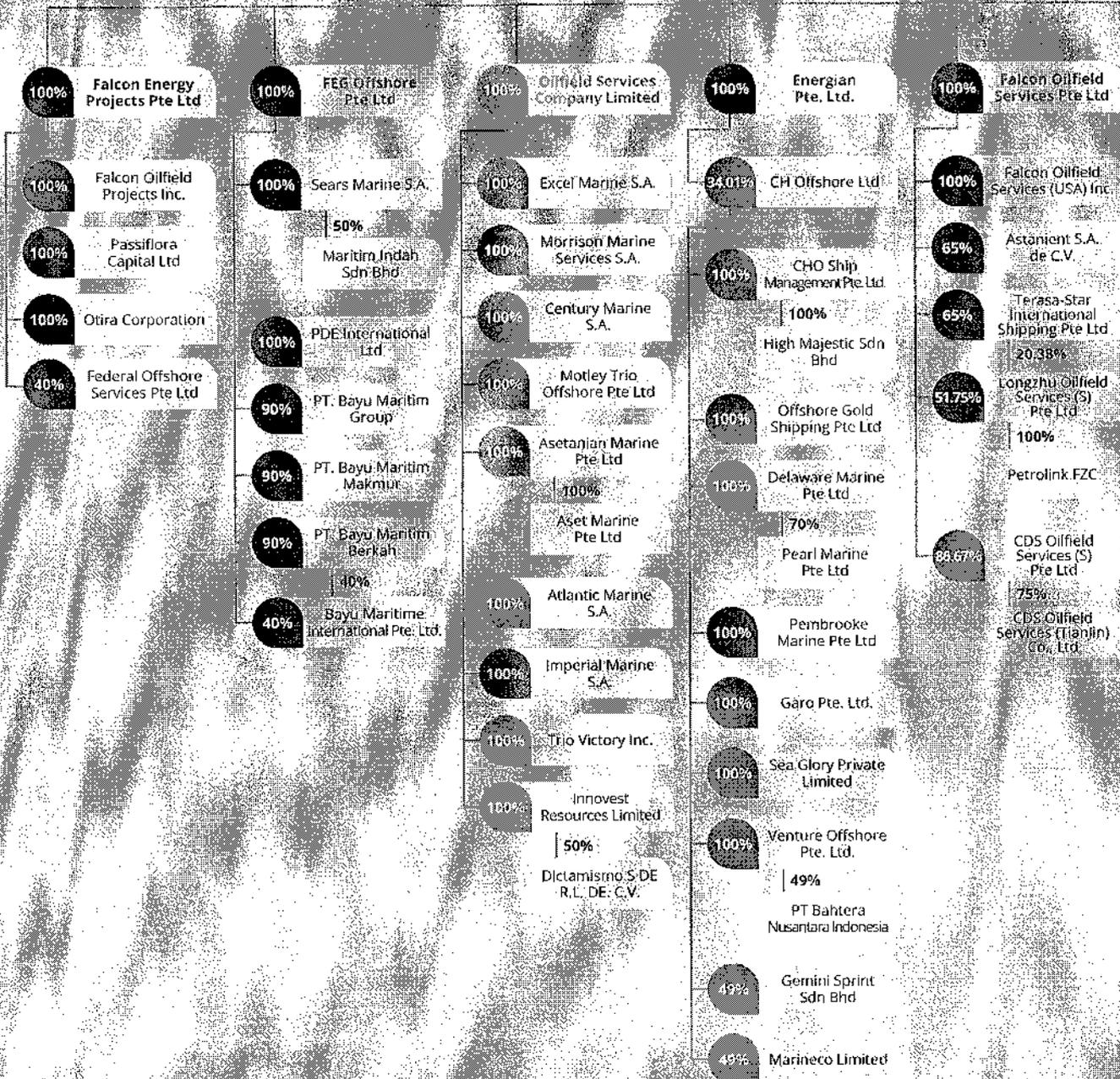
- Towing & mooring of work barges & other construction vessels
- Transportation of cargo, essential supplies, equipment & personnel
- Construction & erection of production facilities
- Cranage & workshop services
- Warehousing & storage
- Pipe laying

POST-PRODUCTION

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

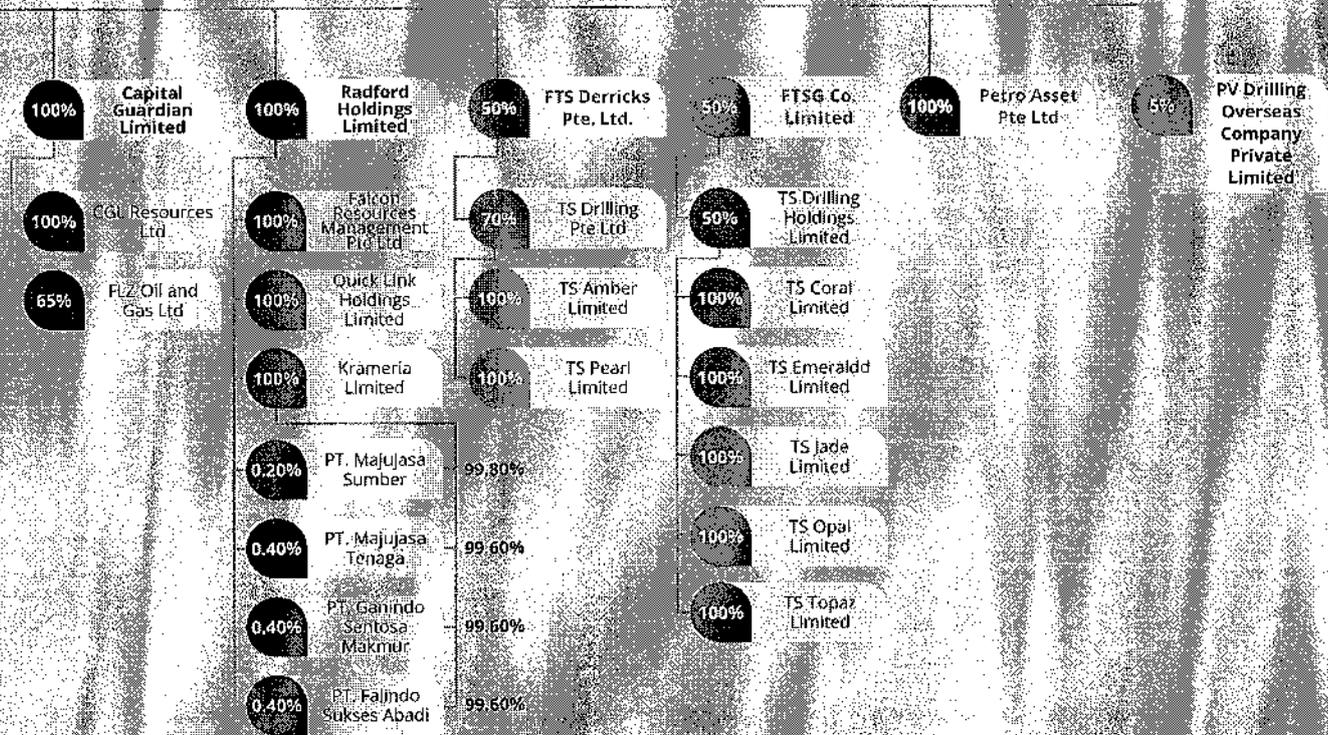
CORPORATE STRUCTURE

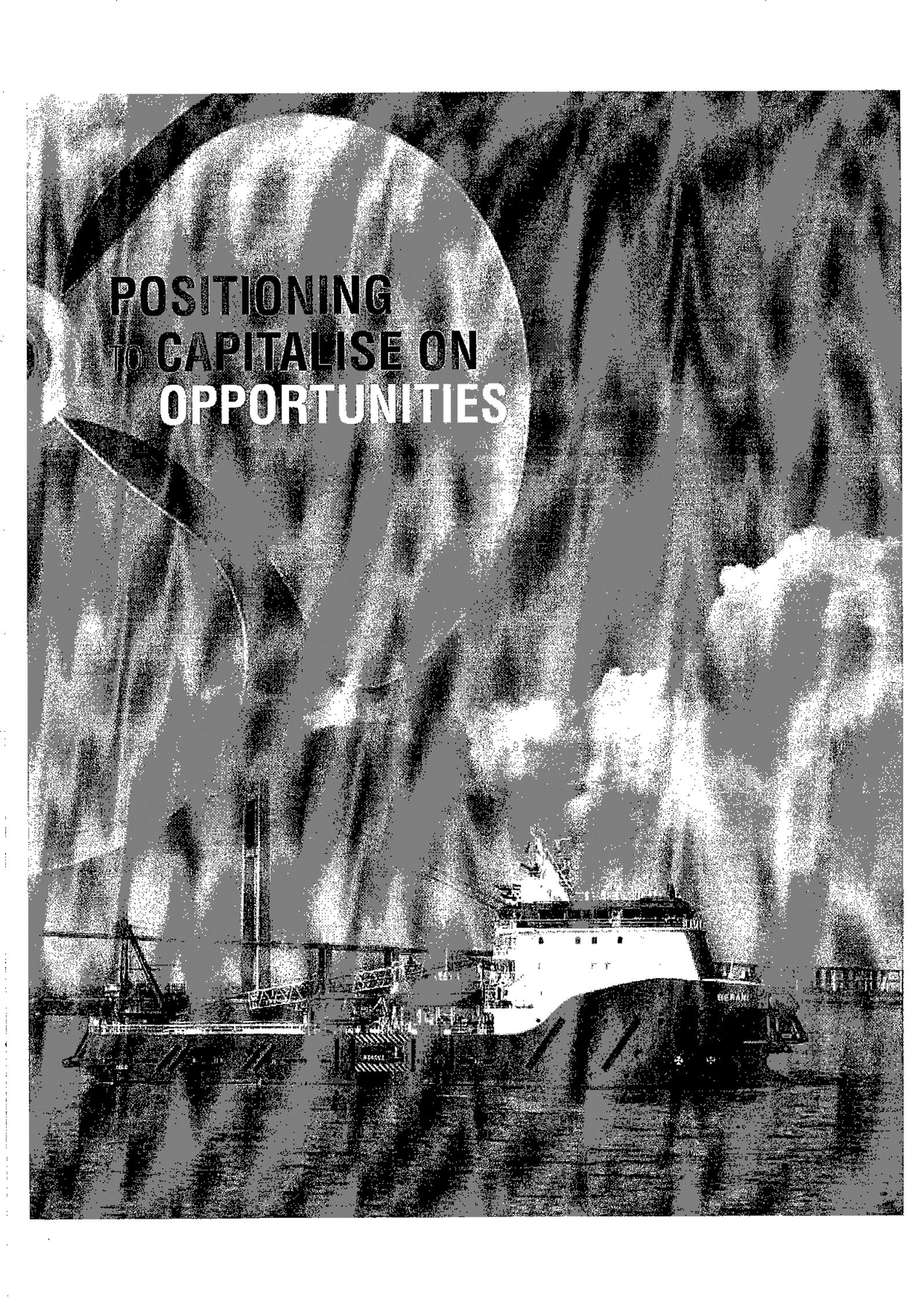
FALCON ENERGY



CORPORATE STRUCTURE

GROUP 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

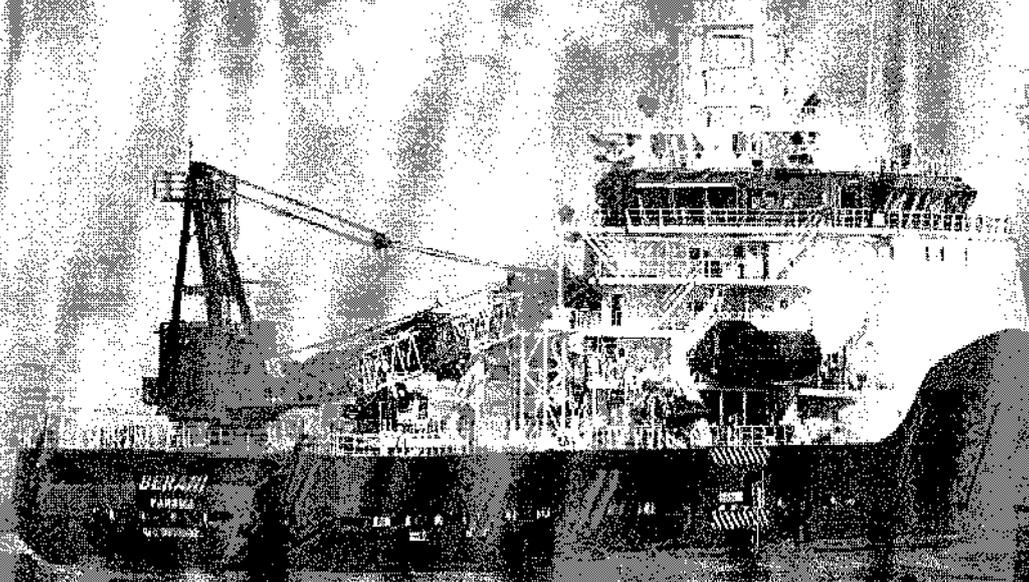
CIMB BANK

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 policies 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.

REPORT ON CORPORATE GOVERNANCE

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	
	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
Names of Directors								
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)

REPORT ON CORPORATE GOVERNANCE

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.

REPORT ON CORPORATE GOVERNANCE

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.

REPORT ON CORPORATE GOVERNANCE

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.

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(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.

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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 ^(b)	Bonus	Profit Sharing	Other Benefits ^(d)	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

^(b) Salary is inclusive of CPF contribution

^(d) 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 ^(b)	Bonus	Profit Sharing	Other Benefits ^(d)	Share Options	Total
	%	%	%	%	%	%	%
Below S\$250,000							
Lam May Yih	-	93	7	-	-	-	100
Tang Nee Chiang	-	93	7	-	-	-	100

^(b) salary is inclusive of CPF contribution;

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

REPORT ON CORPORATE GOVERNANCE

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

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- (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;

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- (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.

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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.

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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.

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(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.

REPORT ON CORPORATE GOVERNANCE

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How has the Company complied?
General	<p>(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.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>(a) The Company has complied with all the principles and guidelines of the Code, save for the following:</p> <ul style="list-style-type: none"> • Chairman and CEO <p>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.</p> <ul style="list-style-type: none"> • Disclosure of the remuneration of directors and key management personnel <p>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.</p> <p>(b)</p> <ul style="list-style-type: none"> • Chairman and CEO <p>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.</p> <ul style="list-style-type: none"> • Disclosure of the remuneration of directors and key management personnel <p>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.</p>

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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	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(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.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p>	<p>(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender, and knowledge.</p> <p>(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.</p> <p>(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.</p>
Guideline 4.4	<p>(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?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>(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.</p> <p>(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.</p> <p>(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.</p>
Board Evaluation		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on as its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>(a) Please refer to the board evaluation process described under the section entitled "Board Performance" in the Corporate Governance Report.</p> <p>(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.</p>

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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.

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Guideline	Questions	How has the Company complied?
Guideline 9.3	<p>(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?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>(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.</p> <p>(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 highly competitive in respect of the recruitment of experienced executive.</p>
Guideline 9.4	<p>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.</p>	<p>Yes. Please refer to the "Remuneration of employees who are immediate family members of a Director or the CEO" section in Corporate Governance report.</p>
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>(a) Please refer to the section entitled "Level and Mix of Remuneration" in the Corporate Governance Report.</p> <p>(b) Please refer to the section entitled "Level and Mix of Remuneration" in the Corporate Governance Report.</p> <p>(c) Please refer to the section entitled "Level and Mix of Remuneration" in the Corporate Governance Report.</p>

REPORT ON CORPORATE GOVERNANCE

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	<p>(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.</p> <p>(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?</p>	<p>(a) Please refer to the section entitled "Risk Management and Internal Control" in the Corporate Governance Report.</p> <p>(b) Yes. Please refer to the section entitled "Risk Management and Internal Control" in the Corporate Governance Report.</p>
Guideline 12.6	<p>(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.</p> <p>(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.</p>	<p>(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.</p> <p>(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.</p>

REPORT ON CORPORATE GOVERNANCE

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	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>(a) Please refer to the section entitled "Communications with Shareholders" in the Corporate Governance Report.</p> <p>(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.</p> <p>(c) Please refer to the section entitled "Communications with Shareholders" in the Corporate Governance Report.</p>
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:

Name of directors and companies in which interest are held	Direct interest		Indirect interest	
	At beginning of year	At end year	At beginning of year	At end of year
<u>The Company</u>				
(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	-	-

DIRECTORS' STATEMENT

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

Name of directors and companies in which interest are held	Direct interest		Indirect interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>The Company</u>				
(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.

DIRECTORS' STATEMENT

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:

- the audit plan of the external auditors, their audit report, their management letter and the management's response;
- the Group's financial and operating results and accounting policies;
- 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;
- 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;
- internal control and procedures, including the internal auditor's internal audit plan and internal audit findings;
- 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;
- to consider and make recommendation on the re-appointment of the external auditors; and
- Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

DIRECTORS' STATEMENT

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

Tan Pong Tyea

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.

INDEPENDENT AUDITORS' REPORT

To the Members of Falcon Energy Group Limited

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
<p>Appropriateness of carrying amounts of vessels</p> <p><i>(Refer to Notes 3(a)(iii), 3(b)(ii) and 11 of the accompanying financial statements)</i></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> 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

INDEPENDENT AUDITORS' REPORT

To the Members of Falcon Energy Group Limited

Key Audit Matters (cont'd)

Key audit matters	How the scope of our audit responded to the key audit matters
<p>Appropriateness of carrying amounts of vessels (cont'd)</p> <p>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.</p> <p>The key sources of estimation uncertainty made in the assessment of recoverable amounts of vessels have been appropriately disclosed in Note 3(b)(ii).</p>	<ul style="list-style-type: none"> reviewed the adequacy of disclosures on the key sources of estimation used in determining the recoverable amount of vessels in the consolidated financial statement. <p>Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations.</p>
<p>Contract for purchase of rigs entered by FTS Derricks Pte Ltd ("FTS")</p> <p><i>(Refer to Notes 37 and 38 of the accompanying financial statements)</i></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In accordance with FRS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, 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.</p>	<p>Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the review on the obligations under FRS 37.</p> <p>We have performed the following:</p> <ul style="list-style-type: none"> 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.

INDEPENDENT AUDITORS' REPORT

To the Members of Falcon Energy Group Limited

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.

INDEPENDENT AUDITORS' REPORT

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		Company	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 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

	Note	Group		Company	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 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 US\$'000	2017 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:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation of foreign entities		65	23
Total comprehensive loss for the year		(93,379)	(163,658)
<u>Loss for the year attributable to:</u>			
Owners of the Company		(76,437)	(121,838)
Non-controlling interests		(17,007)	(41,843)
Total		(93,444)	(163,681)
<u>Total comprehensive loss for the year attributable to:</u>			
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 US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Share option reserve US\$'000	Accumulated profits (losses) US\$'000	Total US\$'000
<i>Company</i>							
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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 ongoing 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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*.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 (July 1, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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*⁽ⁱⁱ⁾
- SFRS(I) 16 *Leases*⁽ⁱⁱⁱ⁾

⁽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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

The Group as lessor

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.

The Group as lessee

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).

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 use 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 depreciation 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 (US\$'000)	2018				2017			
	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	2017
	S\$	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):

Profit or loss (US\$'000)	S\$ Impact		IDR Impact		Euro Impact		Others Impact	
	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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

(ii) 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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
<u>Group</u>					
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
<u>Company</u>					
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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	<u>146,570</u>	<u>158,295</u>
Total equity	<u>97,014</u>	<u>188,912</u>
Net debt to equity ratio	<u>1.51</u>	<u>0.84</u>

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
<u>Associates</u>		
Management fee income	(394)	(648)
Rendering of services	(90)	(1,320)
Interest income	<u>(179)</u>	<u>-</u>
<u>Joint-ventures</u>		
Management fee income	<u>-</u>	<u>(500)</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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
<i>Entities controlled by common directors and shareholders of the Company:</i>		
Rendering of services	(17)	(254)
Purchase of services	138	251
<i>Directors and shareholders of the Company:</i>		
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		

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

8 OTHER RECEIVABLES (cont'd)

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
<u>Non-current portion is made up of:</u>				
Due from associate	-	11,355	-	11,355
Prepayments	1,193	1,223	-	-
Total	1,193	12,578	-	11,355
<u>Movement in the above allowance:</u>				
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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9 ASSETS HELD FOR SALE / LIABILITIES 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

9 ASSETS HELD FOR SALE / LIABILITIES 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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		
	%	%		
<u>Held by the Company:</u>				
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 ⁽²⁾⁽⁵⁾	100	100	Hong Kong	Investment holding
Radford Holdings Limited ⁽⁵⁾	100	100	Hong Kong	Investment holding
<u>Held by Capital Guardian Limited:</u>				
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
<u>Held by Energian Pte Ltd:</u>				
CH Offshore Ltd ⁽²⁾	64.91	64.91	Singapore	Vessel owner and charterer
<u>Held by CH Offshore Ltd:</u>				
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
Pembroke 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12 SUBSIDIARIES (cont'd)

Name of entity	Effective equity interest and voting power held		Place of incorporation/operation	Principal activities
	2018	2017		
	%	%		
<u>Held by CHO Ship Management Pte Ltd:</u>				
High Majestic Sdn Bhd ⁽⁵⁾	64.91	64.91	Malaysia	Vessel owner and charterer
<u>Held by Delaware Marine Pte Ltd:</u>				
Pearl Marine Pte Ltd ⁽⁵⁾	64.91	64.91	Malaysia	Vessel owner and charterer
<u>Held by Falcon Energy Projects Pte Ltd:</u>				
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
<u>Held by Falcon Oilfield Services Pte Ltd:</u>				
Astaniant 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 ⁽²⁾⁽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 demulsifiers

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12 SUBSIDIARIES (cont'd)

Name of entity	Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	2018	2017		
	%	%		
<u>Held by FEG Offshore Pte Ltd:</u>				
PDE International Ltd ⁽²⁾	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
<u>Held by Oilfield Services Company Limited:</u>				
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
<u>Held by Oilfield Services Company Limited:</u>				
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
<u>Held by Radford Holdings Limited:</u>				
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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

12 SUBSIDIARIES (cont'd)

Name of entity	Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	2018	2017		
	%	%		
<u>Held by Radford Holdings Limited:</u> (cont'd)				
PT Falindo Sukses Abadi ⁽¹⁾	100	100	Indonesia	Dormant
PT Majujasa Sumber ⁽²⁾	100	100	Indonesia	Coal trading and mining activities
PT Majujasa Tenaga ⁽³⁾	100	100	Indonesia	Coal trading and mining activities
Quick Link Holdings Limited ⁽⁴⁾	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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Cash flows information	CH Offshore Ltd		Longzhu Oilfield Services (S) Pte Ltd	
	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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 ⁽¹⁾	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

⁽¹⁾ 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		
	%	%		
<u>Held by company:</u>				
FTS Derricks Pte Ltd ⁽¹⁾	50	50	Singapore	Investment holding, rigs owner and operators
<u>Held by Falcon Energy Projects Pte Ltd:</u>				
Federal Offshore Services Pte Ltd ⁽²⁾	40	40	Singapore	Vessel owner and charterer
<u>Held by CH Offshore Ltd:</u>				
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
<u>Held by Venture Offshore Pte. Ltd:</u>				
PT Bahtera Nusantara Indonesia ⁽⁴⁾	31.81	31.81	Indonesia	Vessel owner and charterer

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	<u>4,683</u>	<u>30,901</u>

⁽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	<u>20,548</u>	<u>27,115</u>	<u>(114,904)</u>	<u>(61,375)</u>
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	<u>10,069</u>	<u>21,255</u>	<u>-</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

14 JOINT VENTURES (cont'd)

Effective equity Name of entity	Place of interest and voting power held		Incorporation/ operation	Principal activities
	2018	2017		
	%	%		
<u>Held by the Company:</u>				
FTSG Co. Limited ⁽¹⁾⁽²⁾	50	50	BVI	Investment holding
<u>Held by FTSG Co Limited:</u>				
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
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Held by FEG Offshore Pte Ltd:

Maritim Indah Sdn Bhd ⁽²⁾⁽³⁾	50	50	Brunei	Vessel owner and charterer
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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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 US\$'000	2017 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 assets 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)

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	-	-

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 held for sale in conjunction with the proposed sale of partial 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 are 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

NOTES TO FINANCIAL STATEMENTS

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21 FINANCE LEASES

Group	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	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		Present value of minimum lease payments	
	2018	2017	2018	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).

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	<u>36,657</u>	<u>-</u>

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
	<u>100,534</u>	<u>111,319</u>	<u>29,462</u>	<u>28,468</u>
Unsecured (Note iv)	13,658	21,098	9,992	7,301
	<u>114,192</u>	<u>132,417</u>	<u>39,454</u>	<u>35,769</u>
Repayable:				
Within one year	<u>114,192</u>	<u>132,417</u>	<u>39,454</u>	<u>35,769</u>

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 determine the Group's and the Company's ability to service their borrowings when they fall due.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

	July 1, 2017	Financing activity	Non cash changes	Foreign exchange movement	Other changes	June 30, 2018
	US\$'000	US\$'000	Transfer to liabilities associated with assets held for sale (Note 9) 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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	<u>893,442,375</u>	<u>823,442,375</u>	<u>231,009</u>	<u>229,528</u>

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	<u>16,810,900</u>	<u>16,810,900</u>	<u>4,114</u>	<u>4,114</u>

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 S\$	Number of share options	Weighted average exercise price 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	<u>1,090,000</u>		<u>1,090,000</u>	
Exercisable at end of year	<u>1,090,000</u>		<u>1,090,000</u>	

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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)

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

34 EARNINGS PER SHARE

	Group	
	2018	2017
	US\$'000	US\$'000
<u>Earnings:</u>		
Loss attributable to owners of the Company	(76,437)	(121,838)
<u>Number of shares:</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share ⁽ⁱ⁾	832,289	806,854
<u>Earnings per share (US cents):</u>		
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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

36 SEGMENT INFORMATION (cont'd)

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

	Marine	Oilfield and drilling services	Oilfield projects	Resources	Corporate	Elimination	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2018							
Revenue							
External sales	29,855	8,670	5,104	908	-	-	44,537
Inter-segment sales	199	-	-	-	-	(199)	-
Total revenue	<u>30,054</u>	<u>8,670</u>	<u>5,104</u>	<u>908</u>	<u>-</u>	<u>(199)</u>	<u>44,537</u>
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							<u>(93,444)</u>
2017							
Revenue							
External sales	44,477	54,144	8,203	-	-	-	106,824
Inter-segment sales	730	-	-	-	-	(730)	-
Total revenue	<u>45,207</u>	<u>54,144</u>	<u>8,203</u>	<u>-</u>	<u>-</u>	<u>(730)</u>	<u>106,824</u>
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							<u>(163,681)</u>

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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						
<u>June 30, 2018</u>						
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
<u>June 30, 2017</u>						
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						
<u>2018</u>						
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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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						
<u>2017</u>						
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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 US\$'000 2018	Non-current assets * US\$'000 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 US\$'000 2017	Non-current assets * US\$'000 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.

Information about major customers

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 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Customer 1	-	-	-	30,442	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 ^(a) :		
- purchase of a rig (completed) ^(a)	-	86,939
- purchase of four rigs ^{(a)(i)}	-	-
	-	86,939

^(a) 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.

^(a) 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.

^{(a)(i)} 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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:

- 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.
- 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).
- 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;

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

- (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(B) 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(B) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

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:

- 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.
- 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.
- 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 representatives, 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

10 ANSON ROAD
#33-15 INTERNATIONAL PLAZA
SINGAPORE 079903
www.falconenergy.com.sg

COMPANY REGISTRATION NUMBER: 200403817G

CREB
REG. NO. 120220004

**APPENDIX G – THE COMPANY’S UNAUDITED MANAGEMENT ACCOUNTS AS AT 30 JUNE
2019**

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2019

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
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ASSETS

Current Assets

Non-current assets held for sale	-	9,081,332
Stocks - Finished goods	-	238,314
Stocks - Work In Progress	-	134,759
Trade receivables	-	88,992,601
Provision for bad debts	-	(37,774,011)
Amount due from subsidiary - FOS (non-trade)	9,534,666	-
Less : Impairment on doubtful receivables: FOS (non-trade)	(9,530,436)	-
Amount due from subsidiary - FEG Offshore (non-trade)	16,880,442	-
Less : Impairment on doubtful receivables: FEG Offshore (non-trade)	(18,932,754)	-
Amount due from subsidiary - Energian (non-trade)	104,543,645	-
Less : Impairment on doubtful receivables: Energian (non-trade)	(122,451,360)	-
Amount due from subsidiary - Radford Holdings (non-trade)	15,045,245	-
Amount due from subsidiary - Capital Guardian Ltd	670	-
Less : Impairment on doubtful receivables: Capital Guardian Ltd	(670)	-
Amount due from subsidiary - Atlantic Marine	4,911,802	-
Less : Impairment on doubtful receivables: Atlantic Marine	(4,911,802)	-
Amount due from subsidiary - Motley Trio	12,528,411	-
Less : Impairment on doubtful receivables: Motley Trio	(12,528,411)	-
Amount due from related company - Asetanian Marine	91,896,518	-
Less : Impairment on doubtful receivables: Asetanian Marine Pte Ltd (DFRC)	(91,876,936)	-
Amount due from related company - Petrol Assets	1,221,022	-
Less : Impairment on doubtful receivables: Petrol Assets	(1,220,709)	-
Amount due from related party - PT LPS (trade)	-	383,460
Less : Impairment on doubtful receivables: PT LPS	-	(383,460)
Amount due from related party - Asetanian Offshore Pty Ltd	-	30,000
Less : Impairment on doubtful receivables: Asetanian	-	(30,000)
Amount due from related party - CDS Int'l forwarding	-	184,011
Amount due from associate - FTS Derricks Pte Ltd	25,442,721	36,079,148
Less : Impairment on doubtful receivables: FTS Derricks	(25,437,506)	(36,073,933)
Amount due from associates - TS Drilling Pte Ltd	(145,578)	(7,733)
Less : Impairment on doubtful receivables	-	(125,490)
Amount due from JV company - Maritim Indah Sdn Bhd	-	19,043,339
Amount due from associate - TS Drilling Holding	-	1,190,985
Impairment on TS Drilling Holding	-	(1,190,985)
Amount due from CHO	-	741,542
Impairment on related company receivables(1)	-	20,060
Amount due related party from Greenland Petroleum Operation	-	285,000
Hycotech Sdn Bhd	-	1,326
Other receivables	313.21	7,309,669
Allowance for doubtful receivables	-	(9,240)
Tax recoverable	-	203,028
VAT recoverables	-	448,082
Staff loan	-	207,966
Advance to staff	-	14,858
Deposits	229,782.94	366,500
Prepayment	26,364.84	1,184,027
Withholding tax receivable	-	4,260
GST receivable	19,773.08	32,345
Fixed deposit	-	174,330
Petty cash	808.58	809
Cash at bank	9,291.43	2,118,073
Cash in hand	-	5,580

Total Current Assets

(4,744,685)

92,880,551

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-Current Assets		
Plant, property & equipments	10,774	130,724,018
Intangible assets	-	185,865
Investment in subsidiary - FOS	67,843	-
Investment in subsidiary - FEG Offshore	1	-
Investment in subsidiary - FEP	715,820	-
Investment in subsidiary - OSCL	142,802,904	-
Investment in subsidiary - Energlan	7,123	-
Investment in subsidiary - Petro Asset Pte Ltd	802	-
Impairment on investment (subsidiaries)	(116,194,115)	-
Investment in associates -Federal Offshore	-	4,068,487
Investment in associates -CHO	-	29,560,468
Investment in associates - FTS Derricks Pte Ltd	521	-
Investment in associates - FTSG Co Limited	500	500
Investment in JV - Maritim Indah Sden Bhd	-	3,750,576
Available-for-sale investments	2,098,050	2,098,050
Deferred tax assets	-	555,759
Other receivable - Land use right+keppel deposit	-	1,192,900
	<hr/>	<hr/>
Total Non-Current Assets	29,510,222	172,736,623
	<hr/>	<hr/>
TOTAL ASSETS	24,765,536	265,617,174

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2019**

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
--------------------------------	--------------

LIABILITIES AND EQUITY

Current Liabilities

Non-current liabilities held for sale	-	6,830,589
Trade payables	-	14,381,949
Amount due to subsidiary - FEP	16,593,327	-
Amount due to subsidiary - Excel Marine	14,986,120	-
Amount due to subsidiary - Imperial Marine S.A.	8,351,645	-
Amount due to related company - Longzhu Oilfield	5,761,603	-
Amount due to related company - Morrison Marine S.A.	25,779,715	-
Amount due to related company - Innovest Resources Ltd	21,794,223	-
Amount due to related company - Century Marine S.A.	16,427,174	-
Amount due to related company - OSCL	10,803,333	-
Amount due to related company - Trio Victory	9,330,712	-
Amount due to related company - BMI	569,023	-
Amount due to related company - CH Offshore	4,736,649	4,772,177
Amount due to related company - Chuan Hup Agencies (Pte) Ltd	-	4,325,119
Amount due to related company - CGL Resources Ltd	476,000	-
Amount due to associates - Federal Offshore Services Pte Ltd	-	4,640,400
Amount due to associate - TS Amber	250,000	1,549,250
Amount due to associate - TS Pearl	450,000	450,000
Amount due to related party - PT LPS (trade)	-	248,839
Amount due to related party - CDS Int'l Forwarding	-	1,170,982
Amount due to directors	1,249,910.94	1,250,986
Advance received	10,476.76	20,396,562
Deposit received	54,671.58	3,883,143
Other payables	191,718.20	930,040
Other creditors	1,381,046.92	2,337,364
Interest payables	4,032,146.92	7,708,899
Deferred gain	-	666,765
Tax fee payables	-	36,308
Accruals & other provision	473,775.23	227,652
Provision for audit fee	92,455.62	211,424
Provision for bonus & cpf - directors	65,776.63	66,640
Provision for bonus & cpf - staff	-	105,932
Provision for unutilised leave	67,869.33	67,869
Provision for directors fee	146,079.87	146,080
VAT payable	-	317,806
Withholding tax payable	-	11,014
Finance lease obligations	-	88,503
Provision for taxation	-	3,548,087
Term loan - Am Investment Bank	-	19,326,575
Term loan - Caterpillar Finance	-	737,697
Term loan	-	15,126,613
Medium Term Notes	36,982,248.52	36,982,249
Term loan - CIMB	12,364,889.53	12,364,890
Term loan - May Bank	-	13,200,000
Property Loan - UOB	-	1,913,580
Term loan - OCBC	6,306,130.00	32,652,402
Jamsostek payables	-	52,634

Total Current Liabilities

199,718,722

212,927,020

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2019

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-Current Liabilities		
Obligation under finance lease	-	179,472
Term loan - OCBC - NCL	3,312,991.86	-
Post Employment Obligation	-	778,092
Other payables - Deferred gain	-	12,858,247
Total Non-Current Liabilities	3,312,992	16,915,811
Capital and Reserves		
Share capital	231,008,906	231,008,906
Treasury shares	(4,114,045)	(4,114,045)
Revaluation reserve	-	3,261,768
Merger reserve	-	(154,953,530)
Accumulated profit/(loss)		
Beginning	(412,338,477)	(412,000)
Current	(5,285,569)	(27,521,764)
	(417,624,046)	(27,933,764)
Capital reserve	11,824,207	(19,607,851)
Share option reserve	638,801	638,801
Foreign currency translation reserves	-	(684,724)
Equity Attributable to Owners of the Company	(178,266,177)	27,615,560
Non-Controlling Interest: BS	-	6,158,783
Total Equity	(178,266,177)	33,774,344
TOTAL LIABILITIES AND EQUITY	24,765,537	265,617,174

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Management fees income	-	30,000
Charter hire received	-	20,778,963
Sales of goods	-	865,613
Services rendered	-	4,051,745
Total Revenue	-	25,728,321
Opening stocks	-	62,338
Purchase	-	1,859,863
Cost of sales for services rendered	-	2,037,803
Other vessel operating income cost of sales	-	3,285,256
Purchase from related party - CDS International Forwarding	-	222,709
Freight & transportation (inward)	-	144,183
	-	7,612,153
Less closing stock	-	(153,073)
	-	7,459,079
VESSEL OPERATING COSTS	-	-
OPERATING - CREW MATTERS		
Opt - Crew Wages	-	2,489,577
Opt - Travel & Accomodation	-	148,779
Opt - Food & Provision	-	1,147,046
Opt - Taxes/Permit & Others	-	76,013
	-	3,861,415

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - HSE		
Opt - Crew Training & Safety Courses	-	8,977
Opt - Medical Check Up	-	82,306
Opt - Safety & PPE	-	2,721
	-	94,003
OPERATING - TECHNICAL		
Opt - R&M - Main Engines	-	42,943
Opt - R&M - Mech & Deck Machinery	-	152,505
Opt - R&M - Navigation & Communication Equipment	-	56,646
Opt - R&M - Environmental Protection	-	824
Opt - R&M - Electrical System	-	356,637
Opt - R&M - Airconditioning / Refrigeration Plant	-	101,747
Opt - R&M - Accomodation / Hotel System	-	143,561
Opt - R&M - Crane & Lifting Gears	-	225,454
Opt - R&M - Water Maker	-	59,773
Opt - R&M - Gear Box / Propulsion / Steering / Thruster	-	81,243
Opt - R&M - Bulk Material Handling Equipment	-	2,995
Opt - R&M - Workshop Equipment / Tools	-	26,835
Opt - R&M - Hull / Helideck	-	80,782
Opt - R&M - Control System & Instrumentation	-	14,466
Opt - R&M - Auxiliary Engines	-	325,683
Opt - R&M - Pumps, Pipes & Valves	-	117,812
Opt - R&M - External Fire Fighting Equipment	-	27,175
Opt - R&M - Others	-	154,940
Opt - Design & Consultation	-	20,379
Opt - Dry Docking	-	190,384
	-	2,182,785

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - CLASSIFICATION & FLAG		
Opt - Intermediate / Annual Survey	-	103,064
Opt - Special survey	-	1,784
Opt - Classification Fees	-	10,625
Opt - Classification Others	-	18,330
		133,804
OPERATING - OPERATIONS		
Opt - Insurance (Hull/MCS/IV/War)	-	292,827
Opt - Insurance (PNI/Liability)	-	322,969
Opt - Equipment Rental	-	19,750
Opt - Tug Hire Or Towing Cost	-	283,582
Opt - Logistics Expenses	-	279,465
Opt - Safety Equipments	-	222,860
Opt - Consumables Stores Supply	-	550,948
Opt - Travel	-	6,478
Opt - Fuel	-	471,072
Opt - Lube Oil/Water	-	265,896
Opt - Port Expenses	-	291,194
Opt - Vsl Communication	-	214,474
Opt - Entertainment / PR	-	79,245
Opt - Flag Expenses	-	97,324
Opt - Operating Cost Others	-	332,752
Opt - Agency Fee	-	45,918
Opt - Branch office	-	2,442
Opt - Depreciation of Dry Docking (New)	-	643,498
Opt - Depreciation Of Vessel	-	14,994,459
		19,417,154
OPERATING - MARKETING		
Opt - Agency Fee	-	1,286
Opt - Marketing / Management Travel	-	2,313
Opt - Bank Charges	-	2,654
		6,254

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - ADMINISTRATION		
Opt - Management Fee	-	30,000
Opt - Operations Travel	-	8,427
Opt - Revenue Tax/Vat	-	228,293
Opt - Bank Charges	-	405,162
Opt - Bid/ Performance Bond	-	101,104
Opt - ISM Audit (New)	-	10,404
Opt - Flag Expenses (New)	-	-
Opt - Others	-	601
	-	783,993
Total Cost of Sales	-	33,938,488
	-	(8,212,167)
Gross Profit	-	(8,212,167)
Other vessel operating income	-	888,039
Interest income	3	25,909
Sale of equipment	-	114,950
Fixed deposit Interest	-	142
Gain/(loss) on disposal of fixed asset	148	661
Government grants - job credit scheme	-	22,355
Doubtful Debts/Bad Debt recovered	-	982,576
Other sundry income	257,852	1,829,988
Total Other Operating Income	258,003	3,874,619

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Staff expenses</u>		
Directors' remuneration	494,806	1,519,595
Directors' transport allowance	68,613	92,098
Directors' CPF	10,820	42,487
Salary & allowances	492,806	4,453,014
Staff CPF	51,718	319,941
Bonus & cpf - directors	-	3,856
Bonus & cpf - staff	-	162,883
Skill development fund levy	929	5,040
Staff transport allowance	440	440
Staff accomodation	-	10,476
Economic compensation	-	126,793
Staff welfare	11,599	109,944
Recruitment	-	14,598
Medical fee	4,287	70,787
H&S insurance	5,377	5,373
Unutilised leave	(3,545)	(3,545)
Jamsostek	-	224,025
Total Staff Expenses	1,137,849	7,157,784
<u>Motor vehicle expenses</u>		
Petrol	3,281	58,530
Parking	7,292	43,628
Repair & maintenance - motor vehicles	3,089	15,673
Others - upkeep of motor vehicles	6,606	31,670
Total Motor Vehicle Expenses	20,268	149,501

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Office expenses</u>		
Accountancy fee	-	27,539
Amortisation of intangible assets	-	30,200
Allowance for doubtful debts	-	9,240
Audit fee	87,965	166,511
Bank charges	2,244	51,102
Casual wages	-	11,173
Consultation fee	-	23,668
Contract and manpower charges	-	172,112
Corporate communication expense	709	709
Depreciation on fixed assets	64,761	533,783
Directors' fee	102,697	146,680
Exchange difference	554,436	1,687,951
Impairment loss on related company receivables	-	88,029
Penalty	83,586	83,586
General expenses	64,084	125,902
General insurance	22,010	325,408
Gift & donation	-	9,560
IT & computer cost	-	11,862
Lease rental - Land	-	69,826
Legal & professional fee	258,376	556,574
Licence fee	-	6,466
Listing fee	25,660	25,660
Loss on disposal of fixed assets	-	181,067
Postage & courier charges	720	5,898
Printing & stationery	48,293	71,226
Rental of office premises	716,981	979,125
Repair & maintenance	15,279	44,929
Retainer fee - CDP	5,499	5,499
Retainer fee - secretarial	8,795	18,586
Retainer fee - share registrar	2,423	2,423
Subscription & membership	1,932	28,821
Storage costs	3,589	5,078
Tax fee & GST	3,712	34,733
Taxes & rights	-	70,533
Telephone charges	9,558	81,851
Transport	132	12,823
Travelling expense - office	219	174,276
Upkeep of office	5,017	179,940
Utilities	5,363	24,246
Website expenses	198	5,974
Withholding tax	-	38,157
Others	-	1,153
Total Office Expenses	2,094,238	6,129,878

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Marketing expenses</u>		
Travelling expense	7,252	46,695
Entertainment & refreshment	6,632	243,715
Total Marketing Expenses	13,884	290,410
Total Administrative Expenses	3,266,238	13,727,573
Bank overdraft interest	25	25
MTN interest	(411,978)	(411,978)
Loan interest - UOB	-	109,583
Loan interest - Caterpillar	-	76,000
Loan interest - CIMB (TL)	1,986,189	1,966,189
Loan interest - OCBC Spring loan	-	180,505
Loan interest	523,549	3,562,183
Hire purchase interest	1,478	75,951
Interest expenses	178,071	178,071
Total Finance Costs	2,277,334	5,758,530
Share of loss of associates	-	(2,733,165)
Share of loss of JV - Dictamismo S De R.L. De CV (net of tax)	-	(2,356,956)
Total Share of loss of Associates and Joint Ventures	-	(5,090,120)
Loss before Income Tax	(5,285,569)	(28,911,771)

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Income tax - Current	-	-
Income tax - Deferred	-	-
Total Income Tax	-	-
Loss for the year	(5,285,569)	(28,911,771)
Loss for the year attributable to:		
Owners of the Company	(5,285,569)	(27,451,763)
Non-controlling interests	-	(1,460,008)
Loss for the year	(5,285,569)	(28,911,771)
Loss for the year	(5,285,569)	(28,911,771)
<i>Other Comprehensive Income:</i>		
Foreign currency translation of foreign entities	-	-
Foreign currency translation of foreign entities: NCI	-	-
Total Comprehensive Loss for the year	(5,285,569)	(28,911,771)
Total Comprehensive Loss attributable to:		
Owners of the Company	(5,285,569)	(27,451,763)
Non-controlling interests	-	(1,460,008)
Total Comprehensive Loss for the year	(5,285,569)	(28,911,771)

**APPENDIX H – THE COMPANY’S UNAUDITED MANAGEMENT ACCOUNTS AS AT 31
DECEMBER 2019**

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
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ASSETS

Current Assets

Non-current assets held for sale	-	9,081,332
Stocks - Finished goods	-	220,000
Trade receivables	-	22,854,335
Provision for bad debts	-	(12,957,396)
Amount due from subsidiary - FOS (non-trade)	3,683,975	-
Less : Impairment on doubtful receivables: FOS (non-trade)	(9,530,436)	-
Amount due from subsidiary - FEG Offshore (non-trade)	15,789,582	-
Less : Impairment on doubtful receivables: FEG Offshore (non-trade)	(18,932,754)	-
Amount due from subsidiary - OSCL (non-trade)	-	-
Amount due from subsidiary - Energian (non-trade)	104,815,455	-
Less : Impairment on doubtful receivables: Energian (non-trade)	(122,451,360)	-
Amount due from subsidiary - Radford Holdings (non-trade)	15,113,535	-
Amount due from subsidiary - Capital Guardian Ltd	670	-
Less : Impairment on doubtful receivables: Capital Guardian Ltd	(670)	-
Amount due from subsidiary - Atlantic Marine	4,911,902	-
Less : Impairment on doubtful receivables: Atlantic Marine	(4,911,802)	-
Amount due from subsidiary - Motley Trio	12,528,411	-
Less : Impairment on doubtful receivables: Motley Trio	(12,528,411)	-
Amount due from related company - Asetanian Marine	91,896,916	-
Less : Impairment on doubtful receivables: Asetanian Marine Pte Ltd (DFRC)	(91,876,936)	-
Amount due from related company - Petrol Assets	1,221,022	-
Less : Impairment on doubtful receivables: Petrol Assets	(1,220,709)	-
Amount due from associate - FTS Derricks Pte Ltd	25,442,721	25,442,721
Less : Impairment on doubtful receivables: FTS Derricks	(25,437,506)	(25,437,506)
Amount due from associates - TS Drilling Pte Ltd	(144,263)	(144,263)
Amount due from JV company - Maritim Indah Sdn Bhd	-	19,043,339
Amount due from associate - TS Drilling Holding	-	1,178,425
Impairment on TS Drilling Holding	-	(1,190,985)
Amount due from CHO	-	981,244
Impairment on related company receivables(1)	-	20,060
Hycotech Sdn Bhd	-	1,326
Other receivables	103	9,947,261
Tax recoverable	-	47,815
VAT recoverables	-	298,570
Staff loan	-	19,937
Advance to staff	-	16,066
Deposits	293,801	313,326
Prepayment	16,207	476,552
Withholding tax receivable	-	(425)
GST receivable	10,043	10,069
Fixed deposit	-	117,231
Petty cash	471	471
Cash at bank	24,704	1,583,510
Cash in hand	-	8,389

Total Current Assets

(11,345,328)

51,931,404

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-Current Assets		
Plant, property & equipments	8,510	118,256,428
Investment in subsidiary - FOS	67,843	-
Investment in subsidiary - FEG Offshore	1	-
Investment in subsidiary - FEP	715,820	-
Investment in subsidiary - OSCL	142,802,904	-
Investment in subsidiary - Energian	7,123	-
Investment in subsidiary - Radford Holdings Limited	0	(0)
Investment in subsidiary - Capital Guardian Ltd	0	-
Investment in subsidiary - Petro Asset Pte Ltd	802	-
Impairment on investment (subsidiaries)	(116,194,115)	(0)
Investment in associates -Federal Offshore	-	4,686,683
Investment in associates -CHO	-	29,560,468
Investment in associates - FTS Derricks Pte Ltd	521	-
Investment in associates - FTSG Co Limited	500	500
Investment in JV - Maritim Indah Sden Bhd	-	3,750,576
Available-for-sale investments	2,098,050	2,098,050
Deferred tax assets	-	337,450
Other receivable - Land use right+keppel deposit	-	1,177,800
	<hr/>	<hr/>
Total Non-Current Assets	29,507,958	159,847,951
	<hr/>	<hr/>
TOTAL ASSETS	18,162,630	211,779,355
	<hr/>	<hr/>

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
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LIABILITIES AND EQUITY

Current Liabilities

Non-current liabilities held for sale	-	6,830,589
Trade payables	-	12,534,936
Amount due to subsidiary - FEP	16,584,226	-
Amount due to subsidiary - Excel Marine	14,986,120	-
Amount due to subsidiary - Imperial Marine S.A.	8,351,845	-
Amount due to related company - Morrison Marine S.A.	25,779,715	-
Amount due to related company - Innovest Resources Ltd	21,794,223	-
Amount due to related company - Century Marine S.A.	16,427,174	-
Amount due to related company - OSCL	10,803,333	-
Amount due to related company - Trio Victory	9,330,712	-
Amount due to related company - BMI	909,527	-
Amount due to related company - CH Offshore	4,826,282	4,861,810
Amount due to related company - Chuan Hup Agencies (Pte) Ltd	-	4,325,119
Amount due to related company - CGL Resources Ltd	476,000	-
Amount due to associates - Federal Offshore Services Pte Ltd	-	4,640,400
Amount due to associate - TS Amber	250,000	250,000
Amount due to associate - TS Pearl	450,000	450,000
Amount due to directors	1,080,486	1,086,541
Advanced billings	-	3,351
Advance received	10,516	34,616
Deposit received	54,875	3,574,465
Other payables	323,817	783,014
Other creditors	1,387,004	(3,022,058)
Interest payables	5,307,196	9,044,073
Deferred gain	-	866,765
Tax fee payables	-	23,973
Accruals & other provision	485,121	1,708,514
Provision for audit fee	137,342	263,797
Provision for bonus & cpf - directors	66,021	66,887
Provision for bonus & cpf - staff	-	14,562
Provision for unutilised leave	67,869	67,869
Provision for directors fee	207,869	207,869
VAT payable	-	223,028
Withholding tax payable	-	59,579
Finance lease obligations	-	4,383
Provision for taxation	-	(568)
Term loan - Am Investment Bank	-	19,326,575
Term loan	-	14,874,202
Medium Term Notes	37,119,525	37,119,525
Term loan - CIMB	12,410,787	12,410,787
Term loan - May Bank	-	13,173,316
Term loan - OCBC	6,286,130	32,133,574
Jamsostek payables	-	24,606

Total Current Liabilities

195,913,516

177,966,099

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-Current Liabilities		
Deferred tax liabilities	-	5,100,000
Term loan - OCBC - NCL	3,093,292	-
Post Employment Obligation	-	926,443
Other payables - Deferred gain	-	12,803,099
Total Non-Current Liabilities	3,093,292	18,829,542
Capital and Reserves		
Share capital	231,008,906	231,008,905
Treasury shares	(4,114,045)	(4,114,045)
Revaluation reserve	-	3,261,768
Merger reserve	-	(154,953,530)
Accumulated profit/(loss)		
Beginning	(417,624,046)	(27,933,764)
Current	(2,578,001)	(13,988,693)
	(420,202,047)	(41,922,457)
Capital reserve	11,824,207	(19,607,851)
Share option reserve	638,801	638,801
Equity Attributable to Owners of the Company	(180,844,178)	14,311,591
Non-Controlling Interest: BS	-	672,123
Total Equity	(180,844,178)	14,983,714
TOTAL LIABILITIES AND EQUITY	18,162,630	211,779,355

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Charter hire received	-	14,252,066
Sales of goods	-	19,497
Services rendered	-	189,936
Total Revenue	-	14,461,499
Opening stocks	-	153,073
Purchase	-	(51,506)
Cost of sales for services rendered	-	2,219
Other vessel operating income cost of sales	-	1,638,863
Freight & transportation (inward)	-	123,159
	-	1,865,808
Less closing stock	-	(76,856)
	-	1,788,951
OPERATING - CREW MATTERS		
Opt - Crew Wages	-	1,054,021
Opt - Travel & Accommodation	-	64,175
Opt - Food & Provision	-	940,596
Opt - Taxes/Permit & Others	-	9,170
	-	2,341,820
OPERATING - HSE		
Opt - Crew Training & Safety Courses	-	7,734
Opt - Medical Check Up	-	39,331
Opt - Safety & PPE	-	1,222
	-	49,579

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Charter hire received	-	14,252,066
Sales of goods	-	19,497
Services rendered	-	169,936
Total Revenue		14,461,499
Opening stocks	-	153,073
Purchase	-	(51,506)
Cost of sales for services rendered	-	2,219
Other vessel operating income cost of sales	-	1,638,863
Freight & transportation (inward)	-	123,159
		1,865,808
Less closing stock	-	(76,856)
		1,788,951
OPERATING - CREW MATTERS		
Opt - Crew Wages	-	1,054,021
Opt - Travel & Accomodation	-	64,175
Opt - Food & Provision	-	940,596
Opt - Taxes/Permit & Others	-	9,170
		2,341,820
OPERATING - HSE		
Opt - Crew Training & Safety Courses	-	7,734
Opt - Medical Check Up	-	39,331
Opt - Safety & PPE	-	1,222
		49,579

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - TECHNICAL		
Opt - R&M - Main Engines	-	23,010
Opt - R&M - Mech & Deck Machinery	-	97,303
Opt - R&M - Navigation & Communication Equipment	-	35,885
Opt - R&M - Environmental Protection	-	979
Opt - R&M - Electrical System	-	222,634
Opt - R&M - Airconditioning / Refrigeration Plant	-	55,960
Opt - R&M - Accomodation / Hotel System	-	85,038
Opt - R&M - Crane & Lifting Gears	-	192,797
Opt - R&M - Water Maker	-	25,654
Opt - R&M - Gear Box / Propulsion / Steering / Thruster	-	1,622
Opt - R&M - Bulk Material Handling Equipment	-	7,547
Opt - R&M - Workshop Equipment / Tools	-	50,152
Opt - R&M - Hull / Helideck	-	42,969
Opt - R&M - Control System & Instrumentation	-	3,403
Opt - R&M - Auxillary Engines	-	234,489
Opt - R&M - Pumps, Pipes & Valves	-	73,440
Opt - R&M - External Fire Fighting Equipment	-	3,091
Opt - R&M - Others	-	90,160
Opt - Design & Consultation	-	6,345
Opt - Dry Docking	-	(26,057)
	-	1,366,349
OPERATING - CLASSIFICATION & FLAG		
Opt - Intermediate / Annual Survey	-	22,065
Opt - Classification Others	-	11,856
	-	121,926

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - OPERATIONS		
Opt - Insurance (Hull/MCS/IV/War)	-	51,153
Opt - Insurance (PNI/Liability)	-	153,596
Opt - Tug Hire Or Towing Cost	-	123,310
Opt - Logistics Expenses	-	149,597
Opt - Safety Equipments	-	64,296
Opt - Consumables Stores Supply	-	266,670
Opt - Fuel	-	217,495
Opt - Lube Oil/Water	-	18,336
Opt - Port Expenses	-	61,544
Opt - Vsl Communication	-	51,008
Opt - Flag Expenses	-	55,329
Opt - Operating Cost Others	-	17,434
Opt - Branch office	-	31,799
Opt - Depreciation of Dry Docking (New)	-	246,048
Opt - Depreciation Of Vessel	-	5,869,896
	-	8,678,849
OPERATING - MARKETING		
Opt - Agency Fee	-	1,508
	-	1,508
OPERATING - ADMINISTRATION		
Opt - Management Fee	-	-
Opt - Operations Travel	-	1,451
Opt - Revenue Tax/Vat	-	186,477
Opt - Bank Charges	-	163,233
Opt - Bid/ Performance Bond	-	52,513
	-	405,220
Total Cost of Sales	-	14,754,203
Gross Profit	-	(292,704)

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Other vessel operating income	-	554,676
Interest income	49	8,606
Sale of equipment	-	9,765
Gain on disposal of subsidiaries	-	18,127,495
Fixed deposit interest	-	47
Government grants - job credit scheme	-	7
Other sundry income	933	249,018
Total Other Operating Income	982	18,949,615
Staff expenses		
Directors' remuneration	246,400	563,888
Directors' transport allowance	34,167	38,548
Directors' CPF	5,388	10,017
Salary & allowances	193,925	1,227,036
Staff CPF	20,554	46,342
Bonus & cpf - directors	-	2,281
Bonus & cpf - staff	-	13,319
Skill development fund levy	356	816
Staff transport allowance	219	219
Staff accomodation	-	6,620
Economic compensallon	-	47,071
Staff welfare	-	6,025
Recruitment	-	1,296
Medical fee	1,453	55,984
H&S Insurance	5,450	5,450
Jamsostek	-	120,381
Training	59	308
Total Staff Expenses	507,971	2,145,601
Motor vehicle expenses		
Petrol	1,912	11,767
Parking	3,576	10,900
Repair & maintenance - motor vehicles	1,862	3,246
Road tax, insurance	1,642	3,174
Others - upkeep of motor vehicles	978	2,643
Total Motor Vehicle Expenses	9,971	31,729

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Office expenses</u>		
Accountancy fee	-	2,850
Amortisation of intangible assets	-	15,100
Allowance for doubtful debts	-	40,875,965
Audit fee	43,804	83,840
Write off of other receivables	-	233,371
Bank charges	775	13,655
Casual wages	-	9,129
Consultation fee	-	722
Contract and manpower charges	-	6,059
Depreciation on fixed assets	2,264	84,819
Directors' fee	60,231	64,137
Exchange difference	231,715	313,377
Impairment loss on related company receivables	-	70,796
General expenses	19,924	96,119
General insurance	4,411	62,858
Gift & donation	-	2,002
IT & computer cost	-	2,089
Lease rental - Land	-	5,619
Legal & professional fee	120,745	167,470
Licence fee	-	900
Listing fee	12,944	13,342
Loss on disposal of fixed assets	-	3,402
Postage & courier charges	151	1,375
Printing & stationery	14,062	18,299
Rental of office premises	118,370	148,048
Repair & maintenance	3,741	15,259
Retainer fee - CDP	3,328	3,328
Retainer fee - secretarial	4,387	5,396
Retainer fee - share registrar	1,207	1,207
Subscription & membership	1,636	8,724
Storage costs	2,317	2,457
Tax fee & GST	-	4,725
Taxes & rights	-	21,394
Telephone charges	4,947	13,484
Transport	460	742
Travelling expense - office	-	50,963
Upkeep of office	1,293	13,212
Utilities	1,677	7,890
Website expenses	-	2,525
Withholding tax	-	8,749
Total Office Expenses	654,388	42,455,601

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Marketing expenses</u>		
Travelling expense	125	22,990
Entertainment & refreshment	3,914	28,682
Total Marketing Expenses	4,039	51,672
Total Administrative Expenses	1,176,368	44,684,604
Bank overdraft interest	34	34
Loan interest - UOB	-	4,335
Loan interest - CIMB (TL)	994,889	994,889
Loan interest - OCBC Spring loan	-	81,290
Loan Interest	318,059	1,755,273
Hire purchase interest	-	27,793
Interest expenses	89,632	89,632
Total Finance Costs	1,402,614	2,953,246
Share of (loss)/profit of associates	-	(1,805)
Share of profit of JV - Dictamismo S De R.L. De CV (net of tax)	-	720,329
Total Share of Profit of Associates and Joint Ventures	718,524	718,524
Profit / (Loss) before Income Tax	(2,578,001)	(28,262,414)

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Income tax - Current		37
Income tax - Deferred	-	-
Total Income Tax	-	37
Profit / (Loss) after tax	(2,578,001)	(28,262,452)
Transfer of reserves - ceased as subsidiaries	-	14,489,870
Profit / (Loss) for the period	(2,578,001)	(13,772,581)
Profit / (Loss) for the period attributable to:		
Owners of the Company	(2,578,001)	(13,988,693)
Non-controlling interests	-	216,112
Profit / (Loss) for the period	(2,578,001)	(13,772,581)
Profit / (Loss) for the period	(2,578,001)	(13,772,581)
<i>Other Comprehensive Income:</i>		
Foreign currency translation of foreign entities		-
Foreign currency translation of foreign entities: NCI		-
Total Comprehensive Income for the period	(2,578,001)	(13,772,581)
Total Comprehensive Income attributable to:		
Owners of the Company	(2,578,001)	(13,988,693)
Non-controlling interests	-	216,112
Total Comprehensive Income for the period	(2,578,001)	(13,772,581)

**APPENDIX I – THE COMPANY’S UNAUDITED MANAGEMENT ACCOUNTS AS AT 31 MARCH
2020**

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
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ASSETS

Current Assets	-	9,081,332
Non-current assets held for sale	-	220,000
Stocks - Finished goods	-	23,649,867
Trade receivables	-	(12,682,098)
Provision for bad debts	-	-
Amount due from subsidiary - FOS (non-trade)	3,683,975	-
Less : Impairment on doubtful receivables: FOS (non-trade)	(9,530,436)	-
Amount due from subsidiary - FEG Offshore (non-trade)	15,445,307	-
Less : Impairment on doubtful receivables: FEG Offshore (non-trade)	(18,932,754)	-
Amount due from subsidiary - Energian (non-trade)	104,854,220	-
Less : Impairment on doubtful receivables: Energian (non-trade)	(122,451,360)	-
Amount due from subsidiary - Radford Holdings (non-trade)	15,142,801	-
Amount due from subsidiary - Capital Guardian Ltd	516	-
Less : Impairment on doubtful receivables: Capital Guardian Ltd	(670)	-
Amount due from subsidiary - Atlantic Marine	4,912,002	-
Less : Impairment on doubtful receivables: Atlantic Marine	(4,911,802)	-
Amount due from subsidiary - Motley Trio	12,528,411	-
Less : Impairment on doubtful receivables: Motley Trio	(12,528,411)	-
Amount due from related company - Asetanian Marine	91,896,916	-
Less : Impairment on doubtful receivables: Asetanian Marine Pte Ltd (DFRC)	(91,876,936)	-
Amount due from related company - Petrol Assets	1,221,022	-
Less : Impairment on doubtful receivables: Petrol Assets	(1,220,709)	-
Amount due from associate - FTS Derricks Pte Ltd	25,442,721	25,442,721
Less : Impairment on doubtful receivables: FTS Derricks	(25,437,506)	(25,437,506)
Amount due from associates - TS Drilling Pte Ltd	(213,499)	(213,499)
Amount due from JV company - Maritim Indah Sdn Bhd	-	19,043,339
Amount due from associate - TS Drilling Holding	-	1,178,425
Impairment on TS Drilling Holding	-	(1,190,985)
Amount due from CHO	-	1,030,537
Hycotech Sdn Bhd	-	1,326
Other receivables	-	8,231,505
Tax recoverable	-	72,761
VAT recoverables	-	348,665
Staff loan	-	21,050
Advance to staff	-	13,669
Deposits	251,870	326,047
Prepayment	16,384	606,629
Withholding tax receivable	-	(425)
GST receivable	19,596	19,621
Fixed deposit	-	117,355
Petty cash	299	299
Cash at bank	4,699	2,161,272
Cash in hand	-	7,482
Total Current Assets	(11,683,340)	52,249,410

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-Current Assets		
Plant, property & equipments	7,386	116,969,347
Investment in subsidiary - FOS	67,843	-
Investment in subsidiary - FEG Offshore	1	-
Investment in subsidiary - FEP	715,820	-
Investment in subsidiary - OSCL	142,802,904	-
Investment in subsidiary - Energlan	7,123	-
Investment in subsidiary - Petro Asset Pte Ltd	802	-
Impairment on investment (subsidiaries)	(116,194,115)	-
Investment in associates -Federal Offshore	-	4,675,595
Investment in associates -CHO	-	29,560,468
Investment in associates - FTS Derricks Pte Ltd	521	-
Investment in associates - FTSG Co Limited	500	500
Investment in JV - Maritim Indah Sden Bhd	-	3,750,576
Available-for-sale investments	2,098,050	2,098,050
Deferred tax assets	-	287,872
Other receivable - Land use right+keppel deposit	-	1,170,250
	29,506,835	158,512,657
TOTAL ASSETS	17,823,494	210,762,067

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
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LIABILITIES AND EQUITY

Current Liabilities	-	6,830,589
Non-current liabilities held for sale	-	12,261,673
Trade payables	-	-
Amount due to subsidiary - FEP	16,579,541	-
Amount due to subsidiary - Excel Marine	14,966,120	-
Amount due to subsidiary - Imperial Marine S.A.	8,351,645	-
Amount due to related company - Morrison Marine S.A.	25,779,715	-
Amount due to related company - Innovest Resources Ltd	21,794,223	-
Amount due to related company - Century Marine S.A.	16,427,174	-
Amount due to related company - OSL	10,803,333	-
Amount due to related company - Trio Victory	9,330,712	-
Amount due to related company - BMI	908,040	-
Amount due to related company - CH Offshore	4,870,638	4,906,166
Amount due to related company - Chuan Hup Agencies (Pte) Ltd	-	4,325,119
Amount due to related company - CGL Resources Ltd	476,000	-
Amount due to associates - Federal Offshore Services Pte Ltd	-	4,640,400
Amount due to associate - TS Amber	250,000	250,000
Amount due to associate - TS Pearl	450,000	450,000
Amount due to directors	1,080,486	1,086,541
Advanced billings	-	3,351
Advance received	9,947	30,431
Deposit received	51,711	3,571,302
Other payables	404,983	854,595
Other creditors	1,522,128	(2,909,133)
Interest payables	5,652,083	9,701,835
Deferred gain	-	866,765
Tax fee payables	-	24,330
Accruals & other provision	458,165	1,968,092
Provision for audit fee	150,983	275,245
Provision for bonus & cpf - directors	62,451	63,270
Provision for bonus & cpf - staff	-	13,749
Provision for unutilised leave	67,869	67,869
Provision for directors fee	225,597	225,597
VAT payable	-	288,095
Withholding tax payable	-	51,249
Finance lease obligations	-	2,816
Provision for taxation	-	(538)
Term loan - Am Investment Bank	-	19,326,575
Term loan	-	14,899,546
Medium Term Notes	35,112,360	35,112,360
Term loan - CIMB	11,739,698	11,739,698
Term loan - May Bank	-	13,173,316
Term loan - OCBC	6,286,130	31,790,684
Jamsostek payables	-	21,023
Total Current Liabilities	193,831,733.59	175,913,211

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-Current Liabilities		
Deferred tax liabilities	-	5,100,000
Term loan - OCBC - NCL	2,926,028	-
Post Employment Obligation	-	922,367
Other payables - Deferred gain	-	12,582,824
	<hr/>	<hr/>
Total Non-Current Liabilities	2,926,028	18,605,191
Capital and Reserves		
Share capital	231,008,906	231,008,905
Treasury shares	(4,114,045)	(4,114,045)
Revaluation reserve	-	3,261,768
Merger reserve	-	(154,953,530)
Accumulated profit/(loss)		
Beginning	(417,624,046)	(27,933,764)
Current	(688,090)	(12,788,857)
	<hr/>	<hr/>
	(418,292,137)	(40,722,621)
Capital reserve	11,824,207	(19,607,851)
Share option reserve	638,801	638,801
Foreign currency translation reserves	-	-
	<hr/>	<hr/>
Equity Attributable to Owners of the Company	(178,934,267)	16,511,427
Non-Controlling Interest: BS	-	732,239
	<hr/>	<hr/>
Total Equity	(178,934,267)	16,243,666
TOTAL LIABILITIES AND EQUITY	17,823,494	210,762,067

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Charter hire received	-	21,170,611
Sales of goods	-	19,497
Services rendered	-	189,936
Total Revenue	-	21,380,044
Opening stocks	-	153,073
Purchase	-	(51,506)
Cost of sales for services rendered	-	2,219
Other vessel operating income cost of sales	-	2,535,488
Freight & transportation (inward)	-	123,159
	-	2,762,433
Less closing stock	-	(76,856)
	-	2,685,577
VESSEL OPERATING COSTS		
OPERATING - CREW MATTERS		
Opt - Crew Wages	-	1,922,403
Opt - Travel & Accomodation	-	668,879
Opt - Food & Provision	-	1,308,325
Opt - Taxes/Permit & Others	-	23,107
	-	3,922,714

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - HSE		
Opt - Crew Training & Safety Courses	-	12,624
Opt - Medical Check Up	-	45,485
Opt - Safety & PPE	-	1,804
Opt - ISPC	-	7,246
	-	66,959
OPERATING - TECHNICAL		
Opt - R&M - Main Engines	-	50,271
Opt - R&M - Mech & Deck Machinery	-	167,767
Opt - R&M - Navigation & Communication Equipment	-	47,841
Opt - R&M - Environmental Protection	-	2,888
Opt - R&M - Electrical System	-	368,099
Opt - R&M - Airconditioning / Refrigeration Plant	-	98,140
Opt - R&M - Accomodation / Hotel System	-	100,105
Opt - R&M - Crane & Lifting Gears	-	238,189
Opt - R&M - Water Maker	-	77,098
Opt - R&M - Gear Box / Propulsion / Steering / Thruster	-	1,802
Opt - R&M - Bulk Material Handling Equipment	-	12,054
Opt - R&M - Workshop Equipment / Tools	-	55,303
Opt - R&M - Hull / Helideck	-	93,374
Opt - R&M - Control System & Instrumentation	-	3,559
Opt - R&M - Auxillary Engines	-	391,885
Opt - R&M - Pumps, Pipes & Valves	-	141,113
Opt - R&M - External Fire Fighting Equipment	-	18,578
Opt - R&M - Others	-	131,303
Opt - Design & Consultation	-	9,735
Opt - Dry Docking	-	(12,656)
	-	1,996,446

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
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OPERATING - CLASSIFICATION & FLAG

	-	86,507
Opt - Intermediate / Annual Survey	-	14,855
Opt - Special survey	-	33,786
Opt - Classification Fees	-	15,149
Opt - Classification Others	-	6,286
Opt - Flag Expenses	-	

156,584

OPERATING - OPERATIONS

	-	94,921
Opt - Insurance (Hull/MCS/IV/War)	-	280,640
Opt - Insurance (PNI/Liability)	-	359,816
Opt - Bareboat Charter	-	35,041
Opt - Equipment Rental	-	230,542
Opt - Tug Hire Or Towing Cost	-	226,137
Opt - Logistics Expenses	-	107,135
Opt - Safety Equipments	-	371,582
Opt - Consumables Stores Supply	-	559,243
Opt - Fuel	-	77,437
Opt - Lube Oil/Water	-	605,661
Opt - Port Expenses	-	88,276
Opt - Vsl Communication	-	72,679
Opt - Flag Expenses	-	50,375
Opt - Operating Cost Others	-	19,643
Opt - Branch office	-	324,565
Opt - Depreciation of Dry Docking (New)	-	8,313,942
Opt - Depreciation Of Vessel	-	736,908
Opt - Impairment expenses - Vessel	-	

12,644,540

OPERATING - MARKETING

	-	8,520
Opt - Agency Fee	-	1,944
Opt - Bank Charges	-	

10,463

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - ADMINISTRATION		
Opt - Management Fee	-	-
Opt - Operations Travel	-	20,618
Opt - Revenue Tax/Vat	-	267,457
Opt - Bank Charges	-	265,943
Opt - Bid/ Performance Bond	-	66,804
Opt - Others	-	(14,549)
		606,273
Total Cost of Sales	-	22,089,556
		(709,512)
Gross Profit	-	(709,512)
Other vessel operating income	-	1,606,917
Interest Income	51	12,545
Sale of equipment	-	9,765
Gain on disposal of subsidiaries	-	18,127,495
Fixed deposit interest	-	47
Government grants - job credit scheme	-	7
Other sundry income	1,860	249,946
Total Other Operating Income	1,911	20,006,721

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Staff expenses</u>		
Directors' remuneration	369,694	830,219
Directors' transport allowance	51,264	57,837
Directors' CPF	8,084	13,896
Salary & allowances	271,083	1,713,185
Staff CPF	28,015	57,438
Bonus & cpf - directors	-	2,281
Bonus & cpf - staff	-	13,319
Skill development fund levy	512	1,040
Staff transport allowance	500	500
Economic compensation	-	47,071
Staff welfare	-	19,176
Recruitment	-	1,296
Medical fee	1,770	69,354
H&S insurance	5,450	5,450
Jamsostek	-	176,682
Training	59	960
Total Staff Expenses	736,432	3,009,704
<u>Motor vehicle expenses</u>		
Petrol	2,625	15,480
Parking	5,384	14,508
Repair & maintenance - motor vehicles	1,862	4,305
Road tax, insurance	2,954	4,485
Others - upkeep of motor vehicles	1,456	3,121
Total Motor Vehicle Expenses	14,300	41,899

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Office expenses</u>		
Accountancy fee	-	2,850
Amortisation of intangible assets	-	22,650
Allowance for doubtful debts	-	40,875,965
Audit fee	65,723	113,758
Write off of other receivables	-	233,371
Bank charges	1,100	19,248
Casual wages	-	13,350
Consultation fee	-	722
Contract and manpower charges	-	6,059
Depreciation on fixed assets	3,387	112,251
Directors' fee	90,370	94,276
Exchange difference	(2,955,105)	(2,815,298)
Impairment loss on related company receivables	-	70,796
General expenses	25,319	113,979
General insurance	7,568	94,929
Gift & donation	-	2,245
IT & computer cost	-	3,190
Lease rental - Land	-	5,819
Legal & professional fee	325,152	375,606
Licence fee	-	1,299
Listing fee	19,440	19,440
Loss on disposal of fixed assets	-	3,402
Postage & courier charges	190	2,042
Printing & stationery	21,968	29,981
Rental of office premises	174,793	205,014
Repair & maintenance	4,642	19,069
Retainer fee - GDP	4,993	4,993
Retainer fee - secretarial	5,855	7,302
Retainer fee - share registrar	1,820	1,820
Subscription & membership	1,636	20,802
Storage costs	3,505	3,645
Tax fee & GST	-	6,478
Taxes & rights	-	33,237
Telephone charges	6,820	17,334
Transport	593	875
Travelling expense - office	-	66,096
Upkeep of office	1,649	15,083
Utilities	2,849	11,690
Website expenses	-	3,554
Withholding tax	-	8,749
Total Office Expenses	(2,185,735)	39,827,670

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Marketing expenses</u>		
Travelling expense	125	19,479
Transport	119	5,757
Entertainment & refreshment	4,436	37,787
Others	-	13,294
Total Marketing Expenses	4,679	76,318
Total Administrative Expenses	(1,430,324)	42,955,590
Bank overdraft interest	34	41
Loan interest - UOB	-	4,335
Loan interest - CIMB (TL)	1,494,138	1,494,138
Loan interest - OCBC Spring loan	-	123,094
Loan Interest	472,164	2,601,340
Hire purchase interest	-	39,760
Interest expenses	133,989	133,989
Total Finance Costs	2,100,325	4,396,687
Share of (loss)/profit of associates	-	7,108
Share of profit of JV - Dictamismo S De R.L. De CV (net of tax)	-	1,045,498
Total Share of Profit of Associates and Joint Ventures	-	1,052,605
Profit / (Loss) before Income Tax	(668,090)	(27,002,463)

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Income tax - Current	-	37
Income tax - Deferred	-	-
Total Income Tax	-	37
Profit / (Loss) after tax	(668,090)	(2,702,500)
Transfer of reserves - ceased as subsidiaries	-	14,489,870
Profit / (Loss) for the period	(668,090)	(12,512,630)
Profit / (Loss) for the period attributable to:		
Owners of the Company	(668,090)	(12,788,857)
Non-controlling interests	-	276,228
Profit / (Loss) for the period	(668,090)	(12,512,630)
Profit / (Loss) for the period	(668,090)	(12,512,630)
<i>Other Comprehensive Income:</i>		
Foreign currency translation of foreign entities	-	-
Foreign currency translation of foreign entities: (NCI)	-	-
Total Comprehensive Income for the period	(668,090)	(12,512,630)
Total Comprehensive Income attributable to:		
Owners of the Company	(668,090)	(12,788,857)
Non-controlling interests	-	276,228
Total Comprehensive Income for the period	(668,090)	(12,512,630)

**APPENDIX J – THE COMPANY’S UNAUDITED MANAGEMENT ACCOUNTS AS AT 30 JUNE
2020**

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

ASSETS

Current Assets

	FEG	Consolidated
	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-current assets held for sale	-	9,081,331.95
Stocks - Finished goods	-	220,000.00
Trade receivables	-	23,305,810.43
Provision for bad debts	-	(12,131,376.55)
Amount due from subsidiary - FOS (non-trade)	3,683,974.78	-
Less : Impairment on doubtful receivables: FOS (non-trade)	(9,530,435.86)	-
Amount due from subsidiary - FEG Offshore (non-trade)	15,129,948.59	-
Less : Impairment on doubtful receivables: FEG Offshore (non-trade)	(18,932,753.62)	-
Amount due from subsidiary - Energian (non-trade)	104,879,821.64	-
Less : Impairment on doubtful receivables: Energian (non-trade)	(122,451,360.20)	-
Amount due from subsidiary - Radford Holdings (non-trade)	15,146,660.78	-
Amount due from subsidiary - Capital Guardian Ltd	515.91	-
Less : Impairment on doubtful receivables: Capital Guardian Ltd	(669.59)	-
Amount due from subsidiary - Atlantic Marine	4,912,001.68	-
Less : Impairment on doubtful receivables: Atlantic Marine	(4,911,801.68)	-
Amount due from subsidiary - Motley Trio	12,528,410.97	-
Less : Impairment on doubtful receivables: Motley Trio	(12,528,410.97)	-
Amount due from related company - Asetanian Marine	91,896,916.23	-
Less : Impairment on doubtful receivables: Asetanian Marine Pte Ltd (DFRC)	(91,876,935.64)	-
Amount due from related company - Petro Assets	1,221,022.28	-
Less : Impairment on doubtful receivables: Petrol Assets	(1,220,708.69)	-
Amount due from associate - FTS Derricks Pte Ltd	25,442,720.74	25,442,720.74
Less : Impairment on doubtful receivables: FTS Derricks	(25,437,505.75)	(25,437,505.75)
Amount due from JV company - Maritim Indah Sdn Bhd	-	19,043,338.95
Amount due from associate - TS Drilling Holding	-	1,178,425.00
Impairment on TS Drilling Holding	-	(1,190,985.46)
Amount due from CHO	-	1,030,536.99
Hycotech Sdn Bhd	-	1,325.73
Other receivables	0.10	9,662,980.77
Tax recoverable	-	118,242.06
Advance to staff	-	15,622.35
Deposits	256,922.00	265,374.71
Prepayment	11,371.95	525,720.39
Withholding tax receivable	-	(424.66)
GST receivables	8,069.50	8,095.07
Fixed deposit	-	117,529.59
Petty cash	60.88	60.88
Cash at bank	55,080.26	2,191,709.90
Cash in hand	-	8,166.53
Total Current Assets	(11,717,083.71)	53,456,699.62

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

Non-Current Assets

Plant, property & equipments
Investment in subsidiary - FOS
Investment in subsidiary - FEG Offshore
Investment in subsidiary - FEP
Investment in subsidiary - OSCL
Investment in subsidiary - Energian
Investment in subsidiary - Radford Holdings Limited
Investment in subsidiary - Capital Guardian Ltd
Investment in subsidiary - Petro Asset Pte Ltd
Impairment on investment (subsidiaries)
Investment in associates -Federal Offshore
Investment in associates -CHO
Investment in associates - FTS Derricks Pte Ltd
Investment in associates - FTSG Co Limited
Investment in JV - Maritim Indah Sden Bhd
Available-for-sale investments
Deferred tax assets
Other receivable - Land use right+keppel deposit

FEG	Consolidated
FALCON ENERGY GROUP LIMITED	CONSOLIDATED
5,190.29	114,124,984.28
67,842.59	-
0.67	-
715,819.67	-
142,802,903.97	-
7,122.51	-
0.13	-
0.13	-
801.92	-
(116,194,114.69)	-
-	4,668,711.00
-	29,560,468.06
521.25	-
500.00	500.00
-	3,750,575.98
2,098,050.00	2,098,050.00
-	321,286.73
-	1,162,699.58
29,504,638.44	155,687,275.63
17,787,554.73	209,143,975.25

Total Non-Current Assets

TOTAL ASSETS

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	FEG	Consolidated
	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
LIABILITIES AND EQUITY		
Current Liabilities		
Non-current liabilities held for sale	-	6,830,589.30
Trade payables	-	13,119,229.33
Amount due to subsidiary - FEP	16,578,194.76	-
Amount due to subsidiary - Excel Marine	14,986,120.34	-
Amount due to subsidiary - Imperial Marine S.A.	8,351,645.25	-
Amount due to related company - Morrison Marine S.A.	25,779,714.79	-
Amount due to related company - Innovest Resources Ltd	21,792,396.60	-
Amount due to related company - Century Marine S.A.	16,427,173.51	-
Amount due to related company - OSCL	10,803,333.36	-
Amount due to related company - Trio Victory	9,330,711.98	-
Amount due to related company - BMI	908,039.79	-
Amount due to related company - CH Offshore	4,914,605.31	4,950,133.22
Amount due to related company - Chuan Hup Agencies (Pte) Ltd	-	4,325,119.34
Amount due to related company - CGL Resources Ltd	476,000.00	-
Amount due to associates - Federal Offshore Services Pte Ltd	-	4,640,400.00
Amount due to associates - TS Drilling Pte Ltd	156,749.21	156,749.21
Amount due to associate - TS Amber	250,000.00	250,000.00
Amount due to associate - TS Pearl	450,000.00	450,000.00
Amount due to directors	997,359.97	1,003,414.33
Advanced billings	-	3,351.00
Advance received	10,146.55	33,583.24
Deposit received	52,748.57	3,572,339.24
Other payables	514,044.97	1,088,570.62
Other creditors	1,633,276.17	878,725.85
Interest payables	6,316,839.38	10,647,308.83
Deferred gain	-	866,764.78
Tax fee payables	-	25,306.17
Accruals & other provision	492,216.33	2,546,800.26
Provision for audit fee	175,501.43	311,179.11
Provision for bonus & cpf - staff	63,703.44	78,592.12
Provision for unutilised leave	59,801.87	59,801.87
Provision for directors fee	259,670.47	259,670.47
VAT payable	-	81,107.95
Withholding tax payable	-	1,998.33
Finance lease obligations	-	11,370.61
Provision for taxation	-	(548.42)
Term loan - Am Investment Bank	-	19,326,575.23
Term loan	-	8,502,803.24
Medium Term Notes	35,816,618.91	35,816,618.91
Term loan - CIMB	11,975,165.22	11,975,165.22
Term loan - May Bank	-	13,173,316.16
Term loan - OCBC	6,270,930.00	38,069,186.20
Jamsostek payables	-	25,059.42
Total Current Liabilities	195,842,708.18	183,080,281.14

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATION STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	FEG	Consolidated
	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Non-Current Liabilities		
Obligation under finance lease	-	17,269.88
Deferred tax liabilities	-	5,112,955.37
Term loan - OCBC - NCL	2,977,677.82	-
Post Employment Obligation	-	26,414.00
Other payables - Deferred gain	-	13,410,743.79
Total Non-Current Liabilities	2,977,677.82	18,567,383.04
Share capital	231,008,906.12	231,008,904.77
Treasury shares	(4,114,045.44)	(4,114,045.44)
Revaluation reserve	-	3,261,768.00
Merger reserve	-	(154,953,529.54)
Beginning	(417,624,046.49)	(27,933,763.68)
Current	(2,766,653.93)	(21,459,420.03)
	(420,390,700.42)	(49,393,183.71)
Capital reserve	11,824,207.47	(19,607,850.77)
Share option reserve	638,801.00	638,801.00
Equity Attributable to Owners of the Company	(181,032,831.27)	6,840,864.31
Non-Controlling Interest: BS	-	655,446.75
Total Equity	(181,032,831.27)	7,496,311.06
TOTAL LIABILITIES AND EQUITY	17,787,554.73	209,143,975.24

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Charter hire received	-	26,520,928.69
Sales of goods	-	19,497.45
Services rendered	-	189,935.64
Total Revenue	-	26,730,361.78
Opening stocks	-	153,073.16
Purchase	-	(51,506.26)
Cost of sales for services rendered	-	2,218.93
Other vessel operating income cost of sales	-	3,867,935.17
Freight & transportation (inward)	-	123,158.75
	-	4,094,879.75
Less closing stock	-	(76,856.16)
	-	4,018,023.59
VESSEL OPERATING COSTS	-	-
OPERATING - CREW MATTERS		
Opt - Crew Wages	-	2,801,172.84
Opt - Travel & Accomodation	-	701,269.44
Opt - Food & Provision	-	1,670,411.44
Opt - Taxes/Permit & Others	-	54,929.35
	-	5,227,783.07

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
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OPERATING - HSE

Opt - Crew Training & Safety Courses	-	25,635.12
Opt - Medical Check Up	-	59,415.85
Opt - Safety & PPE	-	1,603.60
Opt - ISPC		7,246.04

-	93,900.61
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OPERATING - TECHNICAL

Opt - R&M - Main Engines	-	50,270.95
Opt - R&M - Mech & Deck Machinery	-	197,861.22
Opt - R&M - Navigation & Communication Equipment	-	67,250.51
Opt - R&M - Environmental Protection	-	2,887.67
Opt - R&M - Electrical System	-	442,347.80
Opt - R&M - Airconditioning / Refrigeration Plant	-	113,029.34
Opt - R&M - Accomodation / Hotel System	-	120,442.55
Opt - R&M - Crane & Lifting Gears	-	345,722.29
Opt - R&M - Water Maker	-	96,966.13
Opt - R&M - Gear Box / Propulsion / Steering / Thruster	-	8,919.25
Opt - R&M - Bulk Material Handling Equipment	-	14,250.05
Opt - R&M - Workshop Equipment / Tools	-	61,971.23
Opt - R&M - Hull / Helideck	-	114,635.22
Opt - R&M - Control System & Instrumentation	-	3,834.18
Opt - R&M - Auxiliary Engines	-	491,232.68
Opt - R&M - Pumps, Pipes & Valves	-	168,406.37
Opt - R&M - External Fire Fighting Equipment	-	20,055.67
Opt - R&M - Others	-	169,942.57
Opt - Design & Consultation	-	10,143.42
Opt - Dry Docking	-	(7,915.33)

-	2,492,253.77
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**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
--------------------------------	--------------

OPERATING - CLASSIFICATION & FLAG

Opt - Intermediate / Annual Survey	-	105,689.54
Opt - Special survey	-	14,855.44
Opt - Classification Fees	-	33,785.98
Opt - Classification Others	-	15,951.00

-	170,281.96
---	-------------------

OPERATING - OPERATIONS

Opt - Insurance (Hull/MCS/IV/War)	-	133,544.29
Opt - Insurance (PNI/Liability)	-	620,552.49
Opt - Bareboat charter	-	359,815.70
Opt - Equipment Rental	-	35,939.85
Opt - Tug Hire Or Towing Cost	-	275,147.24
Opt - Logistics Expenses	-	265,055.80
Opt - Safety Equipments	-	169,645.61
Opt - Consumables Stores Supply	-	515,332.95
Opt - Fuel	-	950,762.77
Opt - Lube Oil/Water	-	156,115.50
Opt - Port Expenses	-	925,443.33
Opt - Vsl Communication	-	131,222.64
Opt - Flag Expenses	-	132,148.57
Opt - Operating Cost Others	-	1,483,334.09
Opt - Branch office	-	32,215.17
Opt - Depreciation of Dry Docking (New)	-	407,166.22
Opt - Depreciation Of Vessel	-	11,327,793.73
Opt - Impairment expenses - Vessel	-	2,323,586.04

-	20,246,152.55
---	----------------------

OPERATING - MARKETING

Opt - Agency Fees	-	26,490.34
Opt - Marketing / Management Travel	-	2,559.84
Opt - Bank Charges	-	120.00

-	34,170.18
---	------------------

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
OPERATING - ADMINISTRATION		
Opt - Operations Travel	-	6,905.58
Opt - Revenue Tax/Vat	-	312,403.08
Opt - Bank Charges	-	373,194.83
Opt - Bid/ Performance Bond	-	82,735.09
Opt - Others	-	2,976.71
	-	778,215.29
Total Cost of Sales	-	33,060,781.02
Gross Profit	-	(6,330,419.24)
Other vessel operating income	-	1,896,116.93
Interest income	51.51	18,884.37
Sale of equipment	-	9,764.80
Gain on disposal of subsidiaries	-	18,127,495.29
Fixed deposit interest	-	47.14
Government grants - job credit scheme	-	24,729.44
Other sundry income	43,773.38	277,894.90
Total Other Operating Income	43,824.89	20,354,932.87

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
<u>Staff expenses</u>		
Directors' remuneration	488,886.23	1,122,349.87
Directors' transport allowance	67,792.23	76,483.54
Directors' CPF	10,350.30	17,306.93
Salary & allowances	347,599.28	2,259,284.61
Staff CPF	36,540.32	69,476.32
Bonus & cpf - directors	-	2,280.57
Bonus & cpf - staff	-	13,318.69
Foreign worker levy	460.01	-
Skill development fund levy	679.30	1,273.43
Economic compensation	-	47,070.92
Staff welfare	-	25,681.30
Recruitment	-	1,296.11
Medical fee	1,995.84	74,890.41
Jamsostek	-	229,868.99
Training	58.52	960.36
Total Staff Expenses	951,631.82	3,938,811.84
<u>Motor vehicle expenses</u>		
	-	
Petrol	2,673.59	17,156.11
Parking	7,153.15	19,391.71
Repair & maintenance - motor vehicles	1,881.62	3,870.05
Road tax, insurance	4,418.51	5,950.28
Others - upkeep of motor vehicles	1,479.75	3,144.41
Total Motor Vehicle Expenses	17,606.62	49,512.56

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

FALCON ENERGY GROUP LIMITED	CONSOLIDATED
--------------------------------	--------------

Office expenses

Accountancy fee	-	2,849.98
Amortisation of intangible assets	-	30,200.04
Allowance for doubtful debts	-	41,004,625.50
Audit fee	86,913.11	136,490.16
Write off of other receivables	-	233,371.12
Bank charges	1,355.35	26,150.90
Casual wages	-	16,677.35
Consultation fee	-	722.38
Contract and manpower charges	-	47,051.28
Depreciation on fixed assets	4,439.12	138,022.80
Directors' fee	119,505.53	123,411.80
Exchange difference	(1,850,161.10)	(1,841,063.38)
Impairment loss on related company receivables	-	70,795.76
General expenses	30,236.66	130,647.90
General insurance	10,480.37	116,057.52
Gift & donation	-	2,558.68
IT & computer cost	-	5,322.41
Impairment of vessel	-	0.00
Lease rental - Land	-	5,818.81
Legal & professional fee	395,376.71	471,610.25
Licence fee	-	3,125.42
Loss on disposal of fixed assets	1,144.24	4,546.41
Postage & courier charges	214.40	2,280.57
Printing & stationery	23,602.24	33,379.96
Rental of office premises	218,067.74	252,147.84
Repair & maintenance	5,582.14	22,028.66
Retainer fee - secretarial	8,674.60	10,545.67
Subscription & membership	1,635.79	21,904.93
Storage costs	4,694.02	4,834.16
Tax fee & GST	-	8,173.44
Taxes & rights	-	40,025.55
Telephone charges	9,727.24	21,646.55
Transport	663.23	945.00
Travelling expense - office	-	75,485.11
Upkeep of office	2,025.77	16,009.68
Utilities	3,639.77	14,234.64
Website expenses	-	4,955.55
Withholding tax	-	8,748.89
Others	-	(0.00)
Total Office Expenses	(887,191.65)	41,301,330.71

FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

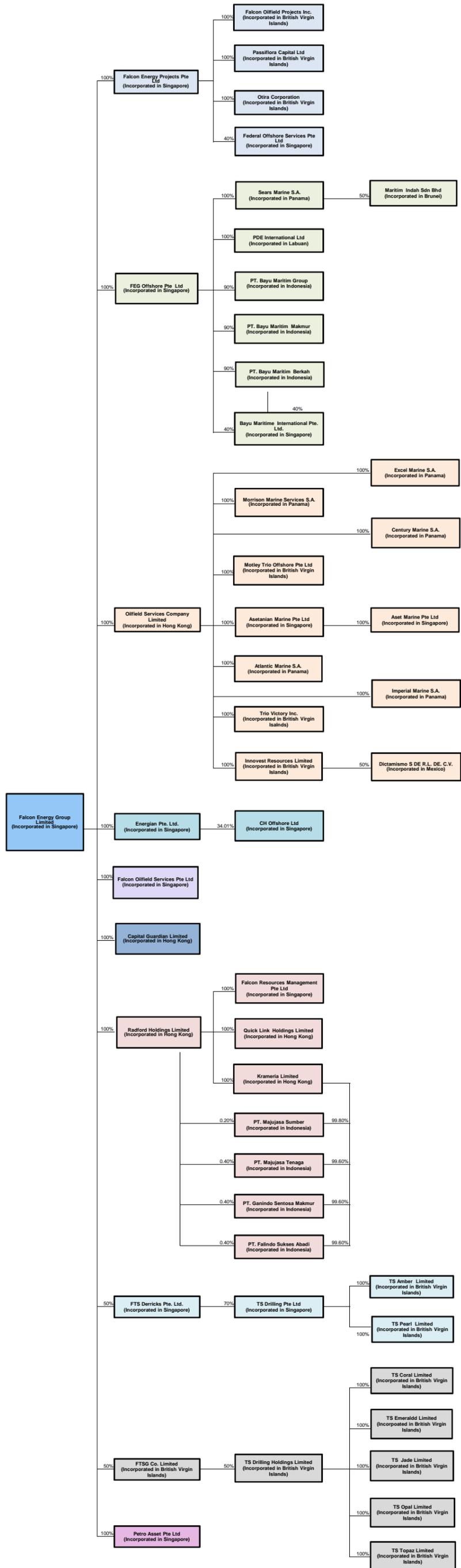
	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Marketing expenses		
Travelling expense	124.57	20,133.17
Transport	1,397.42	7,163.04
Entertainment & refreshment	4,655.62	39,787.26
Others		13,294.05
Total Marketing Expenses	6,177.61	80,377.52
Total Administrative Expenses		
	88,224.40	45,370,032.63
Bank overdraft interest	34.02	48.20
Loan interest - UOB	-	4,334.94
Loan interest - OCBC Spring loan	-	165,264.07
Loan interest	610,164.09	3,333,589.46
Hire purchase interest	-	51,045.85
Total Finance Costs	2,722,254.42	5,666,338.83
Share of (loss)/profit of associates	-	223.60
		-
Share of profit of JV - Dictamismo S De R.L. De CV (net of tax)	-	1,262,276.82
Total Share of Profit of Associates and Joint Ventures	-	1,262,500.42
Profit / (Loss) before Income Tax	(2,766,653.93)	(35,749,357.41)

**FALCON ENERGY GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

	FALCON ENERGY GROUP LIMITED	CONSOLIDATED
Income tax - Current		37.21
Total Income Tax	-	37.21
Profit / (Loss) after tax	(2,766,653.93)	(35,749,394.62)
	-	14,489,870.46
Profit / (Loss) for the year	(2,766,653.93)	(21,259,524.16)
Profit / (Loss) for the period attributable to:		
Owners of the Company	(2,766,653.93)	(21,459,420.03)
Non-controlling interests	-	199,435.86
Profit / (Loss) for the year	(2,766,653.93)	(21,259,984.17)
Profit / (Loss) for the year	(2,766,653.93)	(21,259,984.17)
Total Comprehensive loss for the year	(2,766,653.93)	(21,259,984.17)
Total Comprehensive loss attributable to:		
Owners of the Company	(2,766,653.93)	(21,459,420.03)
Non-controlling interests	-	199,435.86
Total Comprehensive loss for the year	(2,766,653.93)	(21,259,984.16)

APPENDIX K – STRUCTURE CHART OF THE FALCON GROUP AS AT 20 FEBRUARY 2020

Group Structure as at 20 Feb 2020



**APPENDIX L – KPMG REPORT DATED 11 OCTOBER 2019 AND SUPPLEMENTAL REPORT
DATED 26 NOVEMBER 2019**



**Assessment of viability and projected earnings of Falcon
Energy Group Limited post implementation of the Intended
Scheme**

Falcon Energy Group Limited

KPMG Services Pte. Ltd.

11 October 2019



Falcon Energy Group Limited

11 October 2019

Disclaimer

This report is in relation to Falcon Energy Group Limited (the “Company”/”FEG”) and its key subsidiaries (“FEG Group” or the “Group”), and has been prepared pursuant to the Orders of Court dated 22 August 2019 made in HC/OS 956/2019 and HC/OS 957/2019. This report and its contents may not be relied upon, quoted, referred to or shown to any other parties, as well as used by any person, for any other purpose, or used in any other context unrelated to HC/OS 956/2019 and HC/OS 957/2019 without our prior express consent in writing.

Our primary source of information has been FEG’s records, management accounts for the period ended 30 June 2019, explanations and representations made available to us and/or made to us by the Directors and management of FEG (“Management”), publicly available information and published industry reports. We have not sought to establish the reliability or independently verify the accuracy and completeness of the information given to us and disclaim any responsibility for information provided by the Management, which remains the responsibility of the Management.

Whilst all reasonable care has been exercised in the preparation of this report, it should be noted that our work does not constitute an audit in accordance with Singapore Standards on Auditing and Singapore Standards on Review Engagements. Accordingly, no assurance will be expressed. We do not make any representation or warranty, express or implied, pertaining to the achievability or reasonableness of any information provided by the Management on future projections, estimates, prospects or returns contained in this report. The projections are not guarantees of future performance. This report does not purport to contain all of the information that may be material in the assessment of the financial position of FEG and users of the report should seek to obtain their own independent financial and/or legal advice. Any persons who choose to rely upon any of the contents of this report do so at their own risk.

We accept and assume no responsibility whatsoever for any loss or liability of whatsoever nature to any parties howsoever arising out of, in relation to and/or in connection with this report or any part thereof (including but not limited to any use or reliance upon the same) by any party. We are under no obligation to update this report if circumstances or management’s estimates should change after the date of this report.



Falcon Energy Group Limited

11 October 2019

Glossary

Abbreviation	Description
AmBank	AmBank (M) Berhad
Asetanian	Asetanian Marine Pte Ltd
Avg	Average
CAGR	Compound Annual Growth Rate
CIMB	CIMB Bank Berhad
CHO	CH Offshore Ltd and its subsidiaries
DCR	Daily Charter Rate
EOS	Estimated Outcome Statement
ERV	Estimated Realisable Value
FEG/Group	Falcon Energy Group Limited and its subsidiaries
FY	Financial Year ended 30 June
Intended Scheme	The Intended Scheme for FEG
Interco	Intercompany/related parties
Management	Management of FEG
US\$	United States Dollars
Util	Utilisation



Falcon Energy Group Limited

11 October 2019

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Falcon Energy Group Limited

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1 Viability assessment

1.1 The Intended Scheme

Prior to the onset of the oil crisis of 2014, FEG had significantly leveraged its balance sheet to fund aggressive expansion into the offshore and marine sector, more specifically, in the upstream oil and gas segments. Significant acquisitions include CHO and commissioning the build of 5 brand new offshore drilling and production rigs, 1 in Singapore and 4 in shipyards in China.

The collapse of oil prices in 2014 resulted in a catastrophic fall in demand for these assets. All 5 rigs in varying stages of construction were subsequently terminated and/or abandoned, aggregate deposits amounting to US\$27.3 million was forfeited and lost. Similarly, the equity value of CHO fell below acquisition price.

As a consequence of the forgoing, much of the debt incurred to fund the above investments were no longer backed by assets and prospects of repayment looked dismal.

The Intended Scheme has been designed with the underlying intention of restructuring FEG to sustainable levels by deleveraging the balance sheet. Debt holders will be converted to equity and in aggregate will account for up to 90% of FEG's enlarged share capital.

FEG in its current state is unlikely to pique the interest of any white knight. By recapitalising FEG's equity base through a debt-to-equity conversion exercise, the hope is that FEG will be better able to present itself as an investable platform to attract strategic investors who may inject much needed fresh capital. The debt to equity conversion will also permit debt holders to exit FEG by disposing of their shares on the Singapore Exchange once the share trade suspension is lifted.

1.2 Scheme design

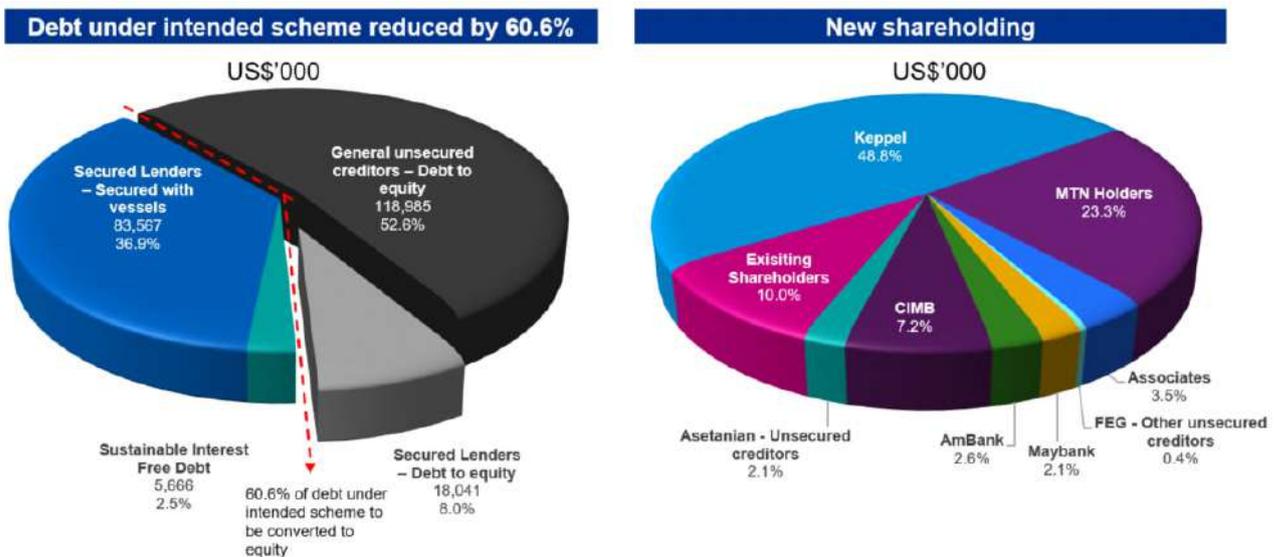
To date, FEG has disposed of all its material unencumbered assets. Proceeds arising from the sale of these assets have been applied towards funding working capital requirements and/or servicing interest payments on its borrowings. The only remaining assets capable of generating cash at present, are its vessels. All of which are secured to various financial institutions.

Under the Intended Scheme:-

- Secured debt amounting to US\$83.56 million will be retained.
- By way of a valuation exercise, it was determined that the value of certain assets exceeded the corresponding secured debt by US\$11.33 million in aggregate (the "Surplus Value").
- This Surplus Value will technically be available to general unsecured creditors after settling the secured debt. This Surplus Value will therefore form the basis in determining the quantum of unsecured debts which FEG may be able to realistically sustain with prospects of a repayment.

- Given the inherent uncertainty as to whether the Surplus Value would eventually materialise, a conservative recovery of 50% was made as regards to the possible realisation value of this Surplus. Premised on this, it was decided that US\$5.66 million of FEG’s unsecured debts will be retained. Aggregated third party debts amounting to circa US\$137 million is converted to equity.
- Given the inter-related and cross default risks posed by Asetanian Marine Pte Ltd. (“Asetanian”) financial obligations to third party creditors and its inability to commercially advance and effect a debt resolution proposal with its creditors. A substantive consolidation approach has been taken to concurrently resolve Asetanian’s financial obligations.
- Inter-company claims are subordinated to third party creditors

1.2.1 Diagrammatic illustration of the Intended Scheme



1.2.2 Debt servicing - secured creditors

Given current market conditions and level of activity or lack of in the oil and gas sector, the risk of defaulting on debt servicing is high. To overcome this the proposed Cash Waterfall Mechanism in the Intended Scheme will serve to minimize default risks.

Under the Cash Waterfall Mechanism, existing contractual repayment obligations will be modified to the extent that repayments are only made when cash surpluses are available after meeting critical expenses necessary for FEG to operate the cash generating assets.

On a collective basis, there appears to be sufficient cash generated by the fleet to adequately sustain operations. On an individual, bank-by-bank basis, 2 lenders, namely CIMB and AmBank are expected to run into cash deficit situations and will likely be required to tap into surpluses from the other banks.

To facilitate the above, banks that are running on cash surpluses at present and likely to do so well into the future, are prepared to allow their surpluses to be used for the greater



Falcon Energy Group Limited

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benefit of all stakeholders subject to there being put in place, super priority rescue financing arrangements within the Intended Scheme.

Premised on the above, the ability of FEG to continue its operations appears positive.

1.2.3 Outcome of Scheme

FEG Group Consolidated Balance Sheet		
	Pre-scheme	Post-scheme
US\$'000	Consolidated financials as at 31 May	
Current assets	93,064	93,064
Non-current assets	176,098	176,098
Total assets	269,162	269,162
Current liabilities	290,560	153,534
Non-current liabilities	21,198	21,198
Total liabilities	311,758	174,732
Equity	(42,596)	94,430
Financial ratios		
Current ratio	0.32	0.61
Total Liability-Asset ratio	1.16	0.65
Total Liability-Equity ratio	(7.32)	1.85

1.2.4 Impact on operations

Business operations continue to be regularly disrupted on account of various creditor actions against both FEG and Asetanian for recoveries of monies owed.

Post implementation of the Intended Scheme, it is anticipated that these disruptions will cease and management will be able to focus its already limited resources on running the business.

1.3 Assessment of consolidated projected earnings of FEG

1.3.1 Cash Flow assumptions

Reference is made to the summated Cash Flow projections and Profit and Loss projections furnished by FEG. We would like to highlight that these have not been prepared on a consolidated basis. These can be found in **Appendix**.

The management of FEG has offered an explanation that consolidated projections were not prepared as all other divisions and subsidiaries within the Group are dormant and

that these summated Cash Flow and Profit and Loss projections are representative of the Group's financial performance.

1.3.1.1 Utilisation rates

- The Cash Flow projections makes the assumption that average utilisation rates will range between 68% to 72% from FY21 to FY27.
- Actual utilisation rate in FY19 was 46%
- The spike in utilisation rate is explained by the reduction of vessels in the fleet.
- In FY19, FEG Group operated 16 vessels, this will be reduced to 13 by FY21 with 3 vessels planned for scraping.
- Assumption appears reasonable against actual fleet performance in recent times.

Vessel Utilisation (All vessels) (US\$)																		
Entity	FY19		FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
	Avg UTIL	Avg DCR																
Group	46%	6,566	64%	7,625	72%	8,013	69%	9,048	68%	10,179	68%	11,247	68%	11,249	68%	11,249	68%	11,249
Vessels	16		16		13		13		13		13		13		13		13	

Note: Vessel utilisation are compiled based on projection made by FEG.

1.3.1.2 Daily charter rates

Average daily charter rates are assumed to escalate from US\$6,566/day in FY19 (actual) to US\$11,249/day in FY27 (projected). This translates to a CAGR of approximately 6.96%.

Whilst we have highlighted that an average daily charter rate growth of 16% in the immediate term from FY19 (actual) to FY20 appears overly bullish, management has explained that based on recent developments in Indonesia where the Group operates predominantly, both demand and rates for the types of vessels operated by FEG have picked up very significantly.

Our view is that the rates used appear overly optimistic in light of current market conditions and unfolding geopolitical developments. Notwithstanding that explanations have been offered to justify the rapid near term rate appreciation, there is little or no evidence to suggest that such appreciation is sustainable into the medium and longer term.

1.3.1.3 Principal repayments to secured creditors

FEG projects that an aggregate sum of US\$35.3 million in principal repayments being made to secured creditors during the course of the proposed 7 year restructuring period.

Premised on our observations highlighted in the paragraph 1.3.1.2, these projections may be overstated.



Falcon Energy Group Limited

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1.3.1.4 Cash balance at the end of 7th year

FEG projects a cash balance of US\$13.5 million at the end of FY27. This appears overly optimistic in our view.

1.3.2 Recommendations

Given the inherent difficulties in formulating Cash Flow projections beyond 3 years. It may be prudent for FEG to consider taking a range-bound approach depicting a worst case, best case and likely case scenario to serve as a guide to stakeholders.

Alternatively, if FEG is confident of these projections, the Company may wish to reconsider shortening the restructuring period and/or increasing the level of sustainable unsecured debt.



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2 Liquidation analysis and comparison

2.1 Liquidation scenario

FEG

Estimated Outcome Statement as at 30 June 2019 (Secured creditors)	
US\$'000	ERV
Securities	
CHO shares	9,599
Total securities	9,599
(less) Secured creditor	(15,940)
Shortfall to secured creditor	(6,341)
Recoverability to secured creditor	60%

Estimated Outcome Statement as at 30 June 2019 (Unsecured creditors)	
US\$'000	ERV
Assets of FEG	
Cash	10
Amount due from interco	2,723
Total assets	2,733
(less) Priority expenses	(638)
Surplus / (shortfall) funds available to unsecured creditors	2,095
Unsecured creditors	(292,754)
Surplus / (shortfall) funds available for shareholders	(290,659)
Recoverability to unsecured creditors	0.72%



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Asetanian

Estimated Outcome Statement as at 30 June 2019	
US\$'000	ERV
Assets of Asetanian	
Cash	3
Amount due from interco	2,490
Others	-
Total assets	2,493
(less) Priority expenses	(20)
Surplus / (shortfall) funds available to unsecured creditors	2,473
Unsecured creditors	(106,925)
Surplus / (shortfall) funds available for shareholder	(104,452)
Recoverability to unsecured creditors	2%

Assumptions for liquidation scenario

Item	Basis of ERV
Cash and cash at bank	Estimated to be fully recoverable – 100%
PPE	Estimated in accordance to nature of each asset <ul style="list-style-type: none"> • Properties: NBV • Vessels : Forced sale value based on 2019 valuation • Motor Vehicles – 20% • Renovation – 0% • Furniture and Fittings – 0% • Computers – 0%
Investment in subsidiaries, associates and JV	Based on estimated outcome of the respective entities
Asset available for sale	0%
Other receivables	Prepayments, deposits, tax advances – 0% Interco interest receivables – 0%
Trade receivables	Estimated based on ageing of each debtor past its stipulated credit terms: <ul style="list-style-type: none"> Outstanding past credit terms by 0 – 30 days – 100% Outstanding past credit terms by 31 – 60 days – 100% Outstanding past credit terms by 61 – 90 days – 100% Outstanding past credit terms by >120 days – 0%
Inventories	Estimated based on nature and its respective disposal value: <ul style="list-style-type: none"> • FEG group – 0%
Intangible assets	Estimated based on nature and its cash value upon sale: <ul style="list-style-type: none"> • Deferred mining expenses and mining rights – 0%
Liquidation and receivership expenses	Liquidation – Estimated based on estimated time to be spent on each entities: <ul style="list-style-type: none"> • FEG - USD300k , BMB – USD550k, other entities with vessel – USD50k each, remaining entities – USD20k each.



Falcon Energy Group Limited

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2.2 Estimated returns under the Intended Scheme

Estimated returns to unsecured creditors		
US\$'000	Scenario 1	Scenario 2
Total unsecured debts (A)	142,691	142,691
Debt converted to equity	137,025	137,025
Debt retained (B)	5,666	5,666
No. of new shares issued	7,889,683,275	7,889,683,275
Total estimated returns to unsecured creditors from shares (C)	123,760	77,350
Total estimated recovery to unsecured creditors (D) = (B) + (C)	129,426	83,016
<i>% of recovery for unsecured creditors (E) = (D)/(A)</i>	<i>91%</i>	<i>58%</i>

Scenario 1: Using 80% of last traded share price at S\$0.027, conversion rate at S\$1 = US\$1.377

Scenario 2: Using 50% of last traded share price

Note: Secured creditors expect a full recovery on their loans.

Appendix



Falcon Energy Group Limited

Projected Profit and Loss - Marine segment											
USD'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Revenue	26,583	20,917	19,035	26,994	26,933	29,797	33,062	36,461	36,461	36,461	36,461
Cost of sales	(14,110)	(12,363)	(13,298)	(12,689)	(14,100)	(14,454)	(15,242)	(16,031)	(16,820)	(17,611)	(18,530)
Gross profit before direct depreciation	12,473	8,554	5,737	14,305	12,833	15,343	17,820	20,430	19,641	18,850	17,931
Direct depreciation	(13,266)	(13,190)	(12,742)	(12,028)	(12,028)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)
Gross profit	(793)	(4,636)	(7,004)	2,277	805	3,732	6,209	8,819	8,030	7,239	6,320
Other operating income	2,677	2,492	3,736	-	-	-	-	-	-	-	-
Admin	(5,879)	(8,676)	(7,150)	(5,808)	(6,098)	(6,404)	(6,723)	(7,059)	(7,412)	(7,783)	(8,173)
Extraordinary items	(11,972)	(19,944)	-	-	-	-	-	-	-	-	-
Finance Cost	(9,221)	(9,342)	(7,793)	(4,719)	(3,099)	(3,061)	(2,938)	(2,671)	(2,233)	(1,788)	(1,425)
Net Profit	(25,187)	(40,106)	(18,212)	(8,250)	(8,392)	(5,732)	(3,452)	(911)	(1,615)	(2,332)	(3,278)
EBITDA	(2,700)	(17,574)	2,323	8,497	6,735	8,939	11,097	13,371	12,229	11,067	9,758
Key Financial Ratios											
Revenue Growth	-	-21%	-9%	42%	0%	11%	11%	10%	0%	0%	0%
GP Margin	-3%	-22%	-37%	8%	3%	13%	19%	24%	22%	20%	17%

N1

N2

N1 Other operating income mainly comprises of exchange gains and interest income.

N2 Extraordinary items mainly comprises of impairment of vessels, impairment loss on investments and write off of other receivables.

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Projected Profit and Loss is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Line Item	Assumptions
Revenue	Projections are based on actual contracts and the Group's best estimate of the future charter income. The revenue projection is recognised based on the period when the revenue is expected to be collected instead of when the services are rendered (i.e. 3 months lag from the period of which the vessel was chartered). This deviation from the Group's accounting policy is solely for the presentation purpose of this report and to assist its users to obtain reference to the cashflow presented - where the same basis has been applied.
Cost of Sales	Projections are based on the Group's best estimate of the future Vopex. Similar to basis of revenue projection, cost of sales projected reflects the 3 months delay in payment, matching the receipt of charter income.
Admin	Consists mainly staff salaries, professional and legal fees, marketing expenses and other administrative expenses. Based on management's best estimate.
Finance Cost	Based on the amount outstanding and the average interest rate as at 30 June 2019.
Depreciation	Based on the Group's best estimate, drawing reference to historical depreciation cost.

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Projected Group Cashflow	FY20		FY21		FY22		FY23		FY24		FY26		FY27						
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total Sep-19 - Jun-20	Jul-20 - Jun-21	Jul-21 - Jun-22	Jul-22 - Jun-23	Jul-23 - Jun-24	Jul-24 - Jun-25	Jul-25 - Jun-26	Jul-26 - Jun-27	
USD ('000)																			
Revenue																			
Net charter income	511	15	817	357	1,481	1,033	1,266	2,152	1,372	1,690	10,694	12,833	15,343	17,820	20,430	19,641	18,850	17,931	
Other Income																			
Remaining proceeds from disposal of shares in Dictamiso	-	-	-	-	-	-	-	-	750	-	750	-	-	-	-	-	-	-	
Proceeds from sale of unencumbered shares in CHO	-	-	-	2,241	-	-	-	-	-	-	2,241	-	-	-	-	-	-	-	
Total inflow (A)	511	15	817	2,598	1,481	1,033	1,266	2,152	2,122	1,690	13,685	12,833	15,343	17,820	20,430	19,641	18,850	17,931	
Finance & operating costs																			
Finance cost	(466)	(466)	(466)	(466)	(466)	(466)	(466)	(770)	(504)	(504)	(5,040)	(5,139)	(6,213)	(9,768)	(11,855)	(9,993)	(10,077)	(5,812)	
Admin	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(4,840)	(6,088)	(6,404)	(6,723)	(7,059)	(7,412)	(7,783)	(8,173)	
Drydocking / Special Survey	-	-	-	-	-	-	-	-	-	-	-	(600)	(950)	(440)	(1,410)	(1,730)	(620)	(420)	
Total outflow	(950)	(950)	(950)	(950)	(950)	(950)	(950)	(1,254)	(988)	(988)	(9,880)	(11,837)	(13,567)	(16,931)	(20,324)	(19,135)	(18,480)	(14,405)	
Net inflow / (outflow)	(439)	(935)	(133)	1,648	531	83	316	898	1,134	702	3,805	966	1,776	889	106	506	370	3,526	
Cash balance brought forward	1,524	1,085	150	17	1,665	2,196	2,279	2,595	3,493	4,627	1,524	5,329	6,325	8,101	8,990	9,096	9,602	9,972	
Cash balance carried forward	1,085	150	17	1,665	2,196	2,279	2,595	3,493	4,627	5,329	5,329	6,325	8,101	8,990	9,096	9,602	9,972	13,498	

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Projected Cashflow	FY20		FY21	FY22	FY23	FY24	FY25	FY26	FY27										
	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Total Sep 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	
USD ('000)																			
OCBC																			
Reserve brought forward	99										99								
Charter Revenue	1,098	709	978	763	1,686	1,475	1,525	2,186	1,556	1,725	13,701	14,369	15,999	17,884	19,779	19,779	19,779	19,779	19,779
Vopec	(377)	(470)	(445)	(681)	(751)	(768)	(765)	(771)	(764)	(773)	(6,565)	(7,400)	(7,677)	(7,369)	(8,309)	(8,452)	(8,895)	(9,088)	(9,088)
Net charter income (accum)	820	539	552	114	529	716	956	1,851	1,819	2,213	7,235	8,624	10,141	13,506	14,530	14,399	13,953	13,760	13,760
COF + 0.25% + min principal	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(2,620)	(3,068)	(3,056)	(2,430)	(1,093)	(884)	(685)	(497)	(497)
Admin	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(2,580)	(3,284)	(3,448)	(3,620)	(3,801)	(3,991)	(4,191)	(4,401)	(4,401)
Surplus for margin (accum)	300	19	32	(406)	9	196	436	1,331	1,299	1,693	2,035	2,272	3,637	7,456	9,646	9,524	9,077	8,862	8,862
Margin	-	-	-	-	-	-	-	(304)	(38)	(38)	(380)	(453)	(446)	(437)	(364)	(255)	(146)	(42)	(42)
Cash balance (accum)	300	19	32	(406)	9	196	436	1,027	1,261	1,655	1,655	1,819	3,191	7,019	9,282	9,289	8,931	8,820	8,820
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	(170)	(3,959)	(6,210)	(6,200)	(5,862)	(2,138)	(2,138)
End cash balance	300	19	32	(406)	9	196	436	1,027	1,261	1,655	1,655	1,819	3,021	3,060	3,072	3,069	3,069	3,069	3,069

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Falcon Energy Group Limited

Projected Cashflow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27				
	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27		
USD ('000)																			
CIMB																			
Reserve brought forward	-	-	-	-	233	225	233	233	210	233	233	233	2,120	2,330	2,330	2,330	2,330	2,330	
Charter Revenue	(36)	(59)	(79)	(80)	(93)	(93)	(95)	(82)	(81)	(81)	(81)	(81)	(936)	(922)	(1,117)	(1,012)	(1,065)	(1,065)	
Net charter income (accum)	(36)	(247)	(478)	(710)	(722)	(742)	(756)	(757)	(780)	(780)	(780)	(780)	(806)	1,461	1,344	1,668	1,670	1,670	
COF + 0.25% + min principal	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(236)	(235)	(233)	(231)	(218)	(218)	(218)
Admin	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(517)	(543)	(570)	(599)	(629)	(629)	(629)
Surplus for margin (accum)	(188)	(399)	(630)	(862)	(874)	(894)	(908)	(909)	(932)	(932)	(932)	(932)	(378)	53	541	838	823	823	823
Margin	-	-	-	-	-	-	-	-	-	-	-	-	-	(552)	(191)	(63)	(58)	(58)	(58)
Cash balance (accum)	(188)	(399)	(630)	(862)	(874)	(894)	(908)	(909)	(932)	(932)	(932)	(932)	(378)	53	350	775	765	765	765
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(370)	(370)	(370)	(370)
End cash balance	(188)	(399)	(630)	(862)	(874)	(894)	(908)	(909)	(932)	(932)	(932)	(932)	53	131	350	405	411	411	411

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Falcon Energy Group Limited

Projected Cashflow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27			
	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	
USD ('000)																		
AmbBank																		
Reserve brought forward	2																	
Charter Revenue	-	(248)	(245)	(245)	(399)	(621)	(617)	(442)	(442)	(438)	934	934	844	844	844	844	844	844
Vopex	(258)	(671)	(760)	(849)	(544)	(428)	(278)	(47)	(442)	(438)	6,067	7,227	7,950	8,738	8,738	8,738	8,738	8,738
Net charter income (accum)	(256)	(671)	(760)	(849)	(544)	(428)	(278)	(47)	(442)	(438)	2,114	3,158	3,700	3,616	3,677	4,046	4,024	4,024
COF + 0.25% + min principal	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(700)	(715)	(709)	(704)	(698)	(693)	(688)	(688)
Admin	(97)	(97)	(97)	(97)	(97)	(97)	(97)	(97)	(97)	(97)	(970)	(1,407)	(1,552)	(1,629)	(1,711)	(1,796)	(1,886)	(1,886)
Surplus for margin (accum)	(423)	(838)	(927)	(1,016)	(711)	(595)	(445)	(120)	(115)	(444)	444	618	1,439	1,283	1,268	1,557	1,450	1,450
Margin	-	-	-	-	-	-	-	-	-	-	-	(81)	(891)	(728)	(426)	(409)	(404)	(404)
Cash balance (accum)	(423)	(838)	(927)	(1,016)	(711)	(595)	(445)	(120)	(115)	(444)	444	537	548	555	842	1,148	1,046	1,046
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
End cash balance	(423)	(838)	(927)	(1,016)	(711)	(595)	(445)	(120)	(115)	(444)	444	537	548	555	842	1,148	1,046	1,046

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Projected Cashflow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
	Sep 19	Total Sep 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27							
USD ('000)																
MayBank																
Reserve brought forward																
Charter Revenue	312	4,214	4,251	4,644	5,108	5,614	5,614	5,614	5,614	5,614	5,614	5,614	5,614	5,614	5,614	5,614
Vopex	(228)	(3,356)	(2,186)	(2,290)	(2,554)	(3,365)	(2,790)	(2,790)	(2,790)	(2,790)	(2,790)	(2,790)	(2,790)	(2,790)	(2,935)	(2,935)
Net charter income (accum)	84	858	1,813	2,652	3,055	3,173	3,751	3,751	3,751	3,751	3,751	3,751	3,751	3,751	3,615	3,615
COF + 0.25% + min principal	(46)	(460)	(450)	(446)	(443)	(385)	(366)	(366)	(366)	(366)	(366)	(366)	(366)	(366)	(331)	(331)
Admin	(65)	(650)	(938)	(985)	(1,034)	(1,140)	(1,197)	(1,197)	(1,197)	(1,197)	(1,197)	(1,197)	(1,197)	(1,197)	(1,257)	(1,257)
Surplus for margin (accum)	(27)	(252)	425	1,221	1,578	1,648	2,188	2,027	2,027	2,027	2,188	2,188	2,188	2,188	2,027	2,027
Margin	-	-	(127)	(720)	(269)	(221)	(205)	(176)	(176)	(176)	(205)	(205)	(205)	(205)	(176)	(176)
Cash balance (accum)	(27)	(252)	298	501	1,309	1,427	1,983	1,851	1,851	1,851	1,983	1,983	1,983	1,983	1,851	1,851
Principal Repayment	-	-	-	-	(394)	(500)	(1,047)	(906)	(906)	(906)	(500)	(500)	(500)	(500)	(906)	(906)
End cash balance	(27)	(252)	298	501	915	927	936	936	936	936	927	927	927	936	945	945

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Projected Cashflow is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Assumptions - Cashflow	
Line Item	
Net Charter Income	Summation of charter income for vessels charged to the Secured Lenders.
Other Income	Includes remaining proceeds from disposal of shares in Dictamismo and disposal of unencumbered shares in CHO. Proceeds from CHO shares are calculated based on the share price of CHO shares as at 30 August 2019.
Finance Cost	Based on finance cost and principal to be paid to the Secured Lenders, according to the Cash Waterfall Mechanism.
Admin	Includes both the Singapore and Indonesia office administrative overheads, professional and legal fees. Estimated to be at USD484,000 per month, with a 5% year-on-year inflation.
Assumptions - Secured Lenders	
Line Item	
Charter Revenue (Income)	Projection based on actual contracts and the Group's best estimate of the future charter income, with a 3 months lag due to various approval processes the charterers have to go through prior to making payment.
Vopex (L1)	Projection based on Group's details budget for FY20, with a 3 months delay in payment, matching the receipt of charter income. Subsequent years are projected to have a 5% year-on-year inflation.
COF + 0.25% margin (L2)	Minimum bank's interest to be paid (COF + 0.25%) are estimated at 3% for projection purpose.
Min principal repayment (L3)	Minimum principal repayment are projected to be USD5,000, regardless vessel is on-hire or off-hire.
Admin (L4)	Admin are to be shared among the Secured Lenders, apportioned by the number of vessels.
Margin (L5)	Secured Lenders' remaining margin to be paid after maintaining 1 month reserve of L2 to L4.
Principal Repayment (L6)	Additional principal to be repaid to Secured Lenders after maintaining 3 months of L2 to L4.

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**Supplemental Report: Assessment of revised consolidated
projected earnings of Falcon Energy Group Limited
Falcon Energy Group Limited**

KPMG Services Pte. Ltd.

26 November 2019



Falcon Energy Group Limited

26 November 2019

Disclaimer

This supplemental report in relation to Falcon Energy Group Limited (the "Company"/"FEG") and its key subsidiaries ("FEG Group" or the "Group") has been prepared pursuant to the hearing of HC/OS 956/2019 and HC/OS 957/2019 on 21 October 2019. This supplemental report and its contents may not be relied upon, quoted, referred to or shown to any other parties, as well as used by any person, for any other purpose, or used in any other context unrelated to HC/OS 956/2019 and HC/OS 957/2019 without our prior express consent in writing.

Our primary source of information has been FEG's records, management accounts for the period ended 30 June 2019, explanations and representations made available to us and/or made to us by the Directors and management of FEG ("Management"), publicly available information and published industry reports. We have not sought to establish the reliability or independently verify the accuracy and completeness of the information given to us and disclaim any responsibility for information provided by the Management, which remains the responsibility of the Management.

Whilst all reasonable care has been exercised in the preparation of this supplemental report, it should be noted that our work does not constitute an audit in accordance with Singapore Standards on Auditing and Singapore Standards on Review Engagements. Accordingly, no assurance will be expressed. We do not make any representation or warranty, express or implied, pertaining to the achievability or reasonableness of any information provided by the Management on future projections, estimates, prospects or returns contained in this supplemental report. The projections are not guarantees of future performance. This supplemental report does not purport to contain all of the information that may be material in the assessment of the financial position of FEG and users of the supplemental report should seek to obtain their own independent financial and/or legal advice. Any persons who choose to rely upon any of the contents of this supplemental report do so at their own risk.

We accept and assume no responsibility whatsoever for any loss or liability of whatsoever nature to any parties howsoever arising out of, in relation to and/or in connection with this supplemental report or any part thereof (including but not limited to any use or reliance upon the same) by any party. We are under no obligation to update this supplemental report if circumstances or management's estimates should change after the date of this supplemental report.



Falcon Energy Group Limited

26 November 2019

Glossary

Abbreviation	Description
Avg	Average
DCR	Daily Charter Rates
FEG/Group	Falcon Energy Group Limited and its subsidiaries
FY	Financial Year ended 30 June
Management	Management of FEG
Prev. Proj.	Previous Projections
SGX	Singapore Exchange Limited
US\$	United States Dollar
Util	Utilisation



Falcon Energy Group Limited

26 November 2019

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1 Assessment of revised consolidated projected earnings of FEG

Reference is made to our report of 11 October 2019 in connection with the assessment of viability and projected earnings of FEG post implementation of the Intended Scheme (the "KPMG report").

FEG has adopted our recommendation of taking a range-bound approach to forecast its projected earnings post implementation of the Intended Scheme. These revised projections can be found in the Appendix to this report which sets out the best, worst and likely scenarios based on Management's assessment and expectations of the markets FEG operates in. The revised projected earnings now takes into consideration and illustrates the potential downside risks to Management's prior projections and makes for a more balanced representation as to FEG's future performance.

We wish to again put on record that these projections have not been prepared on a consolidated basis as the Management is of the view that all other divisions and subsidiaries within the Group are dormant and accordingly summated Cash Flow and Profit and Loss projections are representative of the Group's financial performance.

1.1 Viability of the Intended Scheme vis-à-vis the consolidated projected earnings of FEG.

It would be noteworthy to highlight that the Intended Scheme has been specifically formulated to address the excessive debt levels which was no longer sustainable. This was to be achieved by way of a debt to equity conversion of all debts which was not correspondingly backed by cash generating assets.

Save for interest servicing and principal repayments to FEG's secured creditors which is to be regulated by the proposed Cash Waterfall Mechanism, there is no further requirements and/or expectations for repayments to FEG's unsecured creditors under the Intended Scheme.

In the absence of preset repayment milestones to unsecured creditors under the Intended Scheme, there is little relevance for unsecured creditors to make reference to the projected earnings in order to determine the sustainability of the Intended Scheme. If at all, only secured creditors will find utility in these projections in their assessment as to the likelihood of FEG's ability to meet repayment terms under the Cash Waterfall Mechanism.

Based on actual performance and contracts secured to date, we have noted in the KPMG report that FEG would be able to meet its obligations to secured creditors on an aggregated basis.

1.1.1 Daily charter rates assumption

Vessel Utilisation - Group																		
	FY19		FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
Cash Flow Scenarios	Avg UTIL	Avg DCR (US\$)																
Prev. Proj.	46%	6,566	64%	7,625	72%	8,013	69%	9,048	68%	10,179	68%	11,247	68%	11,249	68%	11,249	68%	11,249
Best	46%	6,566	64%	7,470	72%	7,705	71%	8,537	70%	10,605	70%	10,605	70%	12,693	70%	12,693	70%	12,693
Likely	46%	6,566	64%	7,470	72%	7,705	71%	8,537	70%	9,721	70%	9,721	70%	10,685	70%	10,685	70%	10,685
Worst	46%	6,566	64%	7,470	72%	7,705	71%	7,791	70%	8,837	70%	8,837	70%	9,721	70%	9,721	70%	9,721
Vessels	16		16		13		13		13		13		13		13		13	

Note: Vessel utilisation are compiled based on projections made by FEG.

Management remains stoically confident that the projected rates are attainable in the medium to long term. Historically, actual average daily charter rates of US\$19,825 had been recorded prior to the collapse of oil prices in 2014.

1.1.2 Principal repayment to secured creditors

Projected Principal Repayment to Secured Creditors (US\$' million)	
Cash Flow Scenarios	Projected principal repayment
Prev. Proj.	35.3
Best	56.4
Likely	35.9
Worst	20.9

The above projected principal repayments to secured lenders does not take into consideration sale of secured assets nor the possibility that these assets may be refinanced.

1.1.3 Cash balance at the end of the 7th year

Cash Balance at the end of 7 th year (US\$' million)		
Cash Flow Scenarios	Cash Balance	Free Cash Flow
Prev. Proj.	13.5	11.1
Best	10.2	7.3
Likely	9.8	3.8
Worst	9.9	3.8

In the event the projected fleet utilisation and daily charter rates are achieved, it is likely that FEG may be able to repay residual unsecured debt of US\$5.66 million.



Falcon Energy Group Limited

26 November 2019

2 Liquidation analysis and comparison

The revised projected earnings of FEG has no impact to the liquidation analysis and comparison to the Intended Scheme outcome.

The above analysis presented in section 2.2 of the KPMG report in connection with the estimated returns under the Intended Scheme were based on assumptions in connection with the pricing of FEG's quoted shares on the SGX and makes no reference to a definitive time frame, these assumptions are forward-looking that will as such, involve risks and uncertainty.

Given the risks (both known and unknown), uncertainties and other factors that may result in FEG's actual future results, performance and commercial achievements being materially different from the expected, KPMG is unable to and does not represent or warrants that FEG's actual future share price will be as projected. For purposes of illustration, 2 price points were used to reference a potential indicative yield under the Intended Scheme, one being at a 50% discount to the last traded price before trading in FEG's shares were suspended on 18 January 2019 and a second being at a 80% discount to the last traded price in arriving at an estimated yield between 91% and 58% respectively.

APPENDIX

Best Case Scenario



FALCON ENERGY GROUP LIMITED (Best Case Scenario)

Projected Profit and loss - Marine segment												
USD'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Revenue	26,583	20,917	19,035	24,537	26,119	28,803	34,863	34,992	41,883	41,883	41,883	
Cost of sales	(14,110)	(12,363)	(13,298)	(12,090)	(13,442)	(13,799)	(15,243)	(15,243)	(16,821)	(16,821)	(16,821)	
Gross profit before direct depreciation	12,473	8,554	5,737	12,447	12,677	15,004	19,620	19,749	25,062	25,062	25,062	
Direct depreciation	(13,266)	(13,190)	(12,742)	(12,028)	(12,028)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)	
Gross profit	(793)	(4,636)	(7,005)	419	649	3,393	8,009	8,138	13,451	13,451	13,451	
Other operating income	2,677	2,492	3,736	-	-	-	-	-	-	-	-	
Admin	(5,879)	(8,676)	(7,150)	(5,808)	(6,098)	(6,404)	(6,723)	(7,059)	(7,412)	(7,783)	(8,173)	
Extraordinary items	(11,972)	(19,944)	-	-	-	-	-	-	-	-	-	
Finance Cost	(9,221)	(9,342)	(7,793)	(4,716)	(3,101)	(3,062)	(3,009)	(2,792)	(2,448)	(1,789)	(1,054)	
Net Profit	(25,188)	(40,106)	(18,212)	(10,105)	(8,550)	(6,074)	(1,723)	(1,713)	3,591	3,879	4,223	
EBITDA	(2,701)	(17,574)	2,323	6,639	6,578	8,600	12,897	12,690	17,650	17,279	16,889	
Key Financial Ratios												
Revenue Growth	-	-21%	-9%	29%	6%	10%	21%	0%	20%	0%	0%	
GP Margin	-3%	-22%	-37%	2%	2%	12%	23%	23%	32%	32%	32%	

N1

N2

N1 Other operating income mainly comprises of exchange gains and interest income.

N2 Extraordinary items mainly comprises of impairment of vessels, impairment loss on investments and write off of other receivables.

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FALCON ENERGY GROUP LIMITED
(Best Case Scenario)

Projected Profit and Loss is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Line Item	Assumptions
Revenue	Projections are based on actual contracts and the Group's best estimate of the future charter income. The revenue projection is recognised based on the period when the revenue is expected to be collected instead of when the services are rendered (i.e. 3 months lag from the period of which the vessel was chartered). This deviation from the Group's accounting policy is solely for the presentation purpose of this report and to assist its users to obtain reference to the cashflow presented - where the same basis has been applied.
Cost of Sales	Projections are based on the Group's best estimate of the future Vopex. Similar to basis of revenue projection, cost of sales projected reflects the 3 months delay in payment, matching the receipt of charter income.
Admin	Consists mainly staff salaries, professional and legal fees, marketing expenses and other administrative expenses. Based on management's best estimate.
Finance Cost	Based on the amount outstanding and the average interest rate as at 30 June 2019.
Depreciation	Based on the Group's best estimate, drawing reference to historical depreciation cost.

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FALCON ENERGY GROUP LIMITED
(Best Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27		
	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	
USD ('000)																	
Revenue																	
Net charter income	15	817	357	353	580	797	2,009	1,242	1,556	7,726	12,677	19,620	19,749	25,062	25,062	25,062	
Other Income																	
Remaining proceeds from disposal of shares in Dictamismo	-	-	-	-	-	-	-	750	-	750	-	-	-	-	-	-	
Proceeds from sale of unencumbered shares in CHO	-	-	1,702	-	-	-	-	-	-	1,702	-	-	-	-	-	-	
Total inflow (A)	15	817	2,059	353	580	797	2,009	1,992	1,556	10,178	12,677	19,620	19,749	25,062	25,062	25,062	
Finance & operating costs																	
Repayment to Secured Lenders	(466)	(526)	(496)	(466)	(466)	(466)	(466)	(466)	(643)	(4,461)	(5,493)	(9,846)	(9,836)	(15,884)	(16,665)	(15,992)	
Admin Drydocking / Special Survey	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(4,356)	(6,404)	(6,723)	(7,059)	(7,412)	(7,783)	(8,173)	
	-	-	-	-	-	-	-	-	-	-	(950)	(440)	(1,410)	(1,730)	(620)	(420)	
Total outflow	(950)	(1,010)	(980)	(950)	(950)	(950)	(950)	(950)	(1,127)	(8,817)	(12,218)	(17,009)	(18,305)	(25,026)	(25,068)	(24,585)	
Net inflow / (outflow)	(935)	(193)	1,079	(597)	(370)	(153)	1,059	1,042	429	1,361	459	2,611	1,444	36	(6)	477	
Cash balance brought forward	1,657	722	529	1,608	1,011	641	488	1,547	2,589	1,657	3,018	5,634	8,245	9,689	9,725	9,719	
Cash balance carried forward	722	529	1,608	1,011	641	488	1,547	2,589	3,018	3,018	5,634	8,245	9,689	9,725	9,719	10,196	

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FALCON ENERGY GROUP LIMITED
(Best Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27		
	Oct 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	Total	Oct 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
USD ('000)																	
OCBC																	
Reserve brought forward	99																
Charter Revenue	709	978	763	750	1,208	1,248	1,909	1,306	1,457	10,328	14,321	17,486	17,615	21,083	21,083	21,083	21,083
Vopex	(470)	(445)	(681)	(751)	(768)	(765)	(771)	(764)	(773)	(6,188)	(7,369)	(7,400)	(7,940)	(8,453)	(8,523)	(8,523)	(8,283)
Net charter income (accum)	338	351	(87)	(608)	(688)	(725)	(107)	(85)	79	4,239	6,002	9,583	11,519	15,654	15,605	15,839	15,839
COF + 0.25% + min principal	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(2,358)	(3,057)	(2,436)	(1,208)	(1,104)	(877)	(647)	(647)
Admin	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(2,322)	(3,448)	(3,620)	(3,801)	(3,991)	(4,191)	(4,401)	(4,401)
Surplus for margin (accum)	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)	(441)	(503)	3,527	6,510	10,559	10,537	10,791	10,791
Margin	-	-	-	-	-	-	-	-	-	-	-	(1,683)	(433)	(376)	(251)	(125)	(125)
Cash balance (accum)	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)	(441)	(503)	1,844	6,077	10,183	10,286	10,666	10,666
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	(3,053)	(7,138)	(7,247)	(7,141)	(7,141)
End cash balance	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)	(441)	(503)	1,844	3,024	3,045	3,039	3,525	3,525

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FALCON ENERGY GROUP LIMITED
(Best Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
	Total Sep 19 - Jun 20	Jun 20	Jul 20 - Jun 21	Jun 21	Jul 21 - Jun 22	Jun 22	Jul 22 - Jun 23	Jun 23	Jul 23 - Jun 24	Jun 24	Jul 24 - Jun 25	Jun 25	Jul 25 - Jun 26	Jun 26	Jul 26 - Jun 27	Jun 27
USD ('000)		Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20						
May/bank Reserve brought forward	214															
Charter Revenue	275	483	468	468	323	468	483	483	436	483				6,670	6,670	6,670
Vopex	(192)	(198)	(191)	(557)	(389)	(432)	(389)	(387)	(393)					(2,665)	(2,665)	(2,665)
Net charter income (accum)	297	471	577	170	370	170	110	93	31	10				4,899	4,899	4,899
COF + 0.25% + min principal	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)				(299)	(299)	(225)
Admin	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)				(1,197)	(1,197)	(1,257)
Surplus for margin (accum)	186	360	466	59	259	59	(1)	(18)	(80)	(101)				3,403	3,403	3,417
Margin	-	(60)	(30)	-	-	-	-	-	-	-				(149)	(87)	(87)
Cash balance (accum)	186	300	436	59	259	59	(1)	(18)	(80)	(101)				3,254	3,254	3,330
Principal Repayment	-	-	-	-	-	-	-	-	-	-				(2,360)	(2,360)	(2,439)
End cash balance	186	300	436	59	259	59	(1)	(18)	(80)	(101)				894	894	891

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FALCON ENERGY GROUP LIMITED (Best Case Scenario)

Projected Cashflow is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Assumptions - Cashflow	
Net Charter Income	Summation of charter income for vessels charged to the Secured Lenders.
Other Income	Includes remaining proceeds from disposal of shares in Dictamismo and disposal of unencumbered shares in CHO. Proceeds from CHO shares are calculated based on the share price of CHO shares as at 25 October 2019.
Finance Cost	Based on finance cost and principal to be paid to the Secured Lenders, according to the Cash Waterfall Mechanism.
Admin	Includes both the Singapore and Indonesia office administrative overheads, professional and legal fees. Estimated to be at USD484,000 per month, with a 5% year-on-year inflation.
Assumptions - Secured Lenders	
Charter Revenue (Income)	Projection based on actual contracts and the Group's best estimate of the future charter income, with a 3 months lag due to various approval processes the charterers have to go through prior to making payment, with a 10% increase in Y3, 20% increase in Y4 and Y6.
Vopex (L1)	Projection based on Group's detailed budget for FY20, with a 3 months delay in payment, matching the receipt of charter income, with a 5% increase in Y3, 10% increase in Y4 and Y6.
COF + 0.25% margin (L2)	Minimum bank's interest to be paid (COF + 0.25%) are estimated at 3% for projection purpose.
Min principal repayment (L3)	Minimum principal repayment are projected to be USD5,000, regardless vessel is on-hire or off-hire.
Admin (L4)	Admin are to be shared among the Secured Lenders, apportioned by the number of vessels.
Margin (L5)	Secured Lenders' remaining margin to be paid after maintaining 1 month reserve of L2 to L4.
Principal Repayment (L6)	Additional principal to be repaid to Secured Lenders after maintaining 3 months of L2 to L4.

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Likely Case Scenario



FALCON ENERGY GROUP LIMITED (Likely Case Scenario)

Projected Profit and loss - Marine segment												
USD'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Revenue	26,583	20,917	19,035	24,537	26,119	28,803	31,967	32,076	35,256	35,256	35,256	
Cost of sales	(14,110)	(12,363)	(13,298)	(12,090)	(13,442)	(13,799)	(14,454)	(14,454)	(15,243)	(15,243)	(15,243)	
Gross profit before direct depreciation	12,473	8,554	5,737	12,447	12,677	15,004	17,513	17,622	20,013	20,013	20,013	
Direct depreciation	(13,266)	(13,190)	(12,742)	(12,028)	(12,028)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)	
Gross profit	(793)	(4,636)	(7,005)	419	649	3,393	5,902	6,011	8,402	8,402	8,402	
Other operating income	2,677	2,492	3,736	-	-	-	-	-	-	-	-	
Admin	(5,879)	(8,676)	(7,150)	(5,808)	(6,098)	(6,403)	(6,723)	(7,060)	(7,413)	(7,783)	(8,173)	
Extraordinary items	(11,972)	(19,944)	-	-	-	-	-	-	-	-	-	
Finance Cost	(9,221)	(9,342)	(7,793)	(4,716)	(3,101)	(3,062)	(3,009)	(2,840)	(2,654)	(2,262)	(1,802)	
Net Profit	(25,188)	(40,106)	(18,212)	(10,105)	(8,550)	(6,073)	(3,830)	(3,889)	(1,665)	(1,643)	(1,574)	
EBITDA	(2,701)	(17,574)	2,323	6,639	6,578	8,601	10,790	10,562	12,600	12,230	11,840	
Key Financial Ratios												
Revenue Growth	-	-21%	-9%	29%	6%	10%	11%	0%	10%	0%	0%	
GP Margin	-3%	-22%	-37%	2%	2%	12%	18%	19%	24%	24%	24%	

N1

N2

N1 Other operating income mainly comprises of exchange gains and interest income.

N2 Extraordinary items mainly comprises of impairment of vessels, impairment loss on investments and write off of other receivables.

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FALCON ENERGY GROUP LIMITED
(Likely Case Scenario)

Projected Profit and Loss is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Line Item	Assumptions
Revenue	Projections are based on actual contracts and the Group's best estimate of the future charter income. The revenue projection is recognised based on the period when the revenue is expected to be collected instead of when the services are rendered (i.e. 3 months lag from the period of which the vessel was chartered). This deviation from the Group's accounting policy is solely for the presentation purpose of this report and to assist its users to obtain reference to the cashflow presented - where the same basis has been applied.
Cost of Sales	Projections are based on the Group's best estimate of the future Vopex. Similar to basis of revenue projection, cost of sales projected reflects the 3 months delay in payment, matching the receipt of charter income.
Admin	Consists mainly staff salaries, professional and legal fees, marketing expenses and other administrative expenses. Based on management's best estimate.
Finance Cost	Based on the amount outstanding and the average interest rate as at 30 June 2019.
Depreciation	Based on the Group's best estimate, drawing reference to historical depreciation cost.

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FALCON ENERGY GROUP LIMITED
(Likely Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27		
	Oct 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	Total	Oct 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
USD ('000)																	
Revenue																	
Net charter income	15	817	357	353	580	797	2,009	1,242	1,556	7,726	12,677	15,004	17,513	17,622	20,013	20,013	20,013
Other Income																	
Remaining proceeds from disposal of shares in Dictamismo	-	-	-	-	-	-	750	-	-	750	-	-	-	-	-	-	-
Proceeds from sale of unencumbered shares in CHO	-	-	1,702	-	-	-	-	-	1,702	-	-	-	-	-	-	-	-
Total inflow (A)	15	817	2,059	353	580	797	2,009	1,992	1,556	10,178	12,677	15,004	17,513	17,622	20,013	20,013	20,013
Finance & operating costs																	
Repayment to Secured Lenders	(466)	(526)	(496)	(466)	(466)	(466)	(466)	(466)	(643)	(4,461)	(5,520)	(5,493)	(8,589)	(7,002)	(10,659)	(11,580)	(11,390)
Admin Drydocking / Special Survey	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(4,356)	(6,098)	(6,404)	(6,723)	(7,059)	(7,412)	(7,783)	(8,173)
	-	-	-	-	-	-	-	-	-	-	(600)	(950)	(440)	(1,410)	(1,730)	(620)	(420)
Total outflow	(950)	(1,010)	(980)	(950)	(950)	(950)	(950)	(950)	(1,127)	(8,817)	(12,218)	(12,847)	(15,752)	(15,471)	(19,801)	(19,983)	(19,983)
Net inflow / (outflow)	(935)	(193)	1,079	(597)	(370)	(153)	1,059	1,042	429	1,361	459	2,157	1,761	2,151	212	30	30
Cash balance brought forward	1,657	722	529	1,608	1,011	641	488	1,547	2,589	1,657	3,018	3,477	5,634	7,395	9,546	9,758	9,788
Cash balance carried forward	722	529	1,608	1,011	641	488	1,547	2,589	3,018	3,018	3,477	5,634	7,395	9,546	9,758	9,788	9,818

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FALCON ENERGY GROUP LIMITED
(Likely Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
	Oct 19 - Jun 20	Nov 19 Jun 20	Dec 19 Jun 20	Jan 20 Jun 20	Feb 20 Jun 20	Mar 20 Jun 20	Apr 20 Jun 20	May 20 Jun 20	Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
USD ('000)																
OCBC																
Reserve brought forward	99															
Charter Revenue	709	978	763	750	1,208	1,248	1,909	1,306	1,457		14,321	16,038	16,147	17,749	17,749	17,749
Vopex	(470)	(445)	(681)	(751)	(768)	(765)	(771)	(764)	(773)		(7,369)	(7,027)	(7,567)	(7,710)	(7,780)	(7,540)
Net charter income (accum)	338	351	(87)	(608)	(688)	(725)	(107)	(85)	79		6,002	8,508	9,574	13,063	13,032	13,284
COF + 0.25% + min principal	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)		(3,057)	(2,436)	(1,208)	(1,169)	(1,023)	(878)
Admin	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)		(3,448)	(3,620)	(3,801)	(3,991)	(4,191)	(4,401)
Surplus for margin (accum)	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)		(503)	2,452	4,565	7,903	7,818	8,005
Margin	-	-	-	-	-	-	-	-	-		-	(1,458)	(658)	(412)	(332)	(252)
Cash balance (accum)	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)		(503)	994	3,907	7,491	7,486	7,753
Principal Repayment	-	-	-	-	-	-	-	-	-		-	-	(883)	(4,428)	(4,411)	(4,660)
End cash balance	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)		(503)	994	3,024	3,063	3,075	3,093

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FALCON ENERGY GROUP LIMITED
(Likely Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27		
	Oct 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	Total	Oct 19 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
USD ('000)																	
CIMB																	
Reserve brought forward	-																
Charter Revenue	-	233	225	233	233	210	233	233	233	210	233	210	233	233	233	233	2,330
Vopex	(59)	(79)	(93)	(95)	(82)	(81)	(81)	(81)	(81)	(81)	(81)	(81)	(891)	(831)	(1,026)	(876)	(876)
Net charter income (accum)	(59)	(290)	(534)	(568)	(569)	(592)	(592)	(592)	(592)	(592)	(592)	(592)	1,115	1,415	1,539	1,844	1,847
COF + 0.25% + min principal	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(236)	(235)	(233)	(223)	(204)
Admin	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(517)	(543)	(570)	(599)	(629)
Surplus for margin (accum)	(211)	(442)	(686)	(720)	(721)	(744)	(744)	(744)	(744)	(744)	(744)	(744)	362	637	736	1,022	1,014
Margin	-	-	-	-	-	-	-	(236)	(402)	(63)	-	-	(236)	(402)	(63)	(60)	(53)
Cash balance (accum)	(211)	(442)	(686)	(720)	(721)	(744)	(744)	126	235	673	962	961	126	235	673	962	961
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(283)	(569)	(565)
End cash balance	(211)	(442)	(686)	(720)	(721)	(744)	(744)	126	235	390	393	396	126	235	390	393	396

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FALCON ENERGY GROUP LIMITED
(Likely Case Scenario)

Projected Cash flow		FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
		Oct 19 - Jun 20	Nov 19 Jun 20	Dec 19 Jun 20	Jan 20 Jun 20	Feb 20 Jun 20	Mar 20 Jun 20	Apr 20 Jun 20	May 20 Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	
USD ('000)																	
Maybank																	
Reserve brought forward	214																
Charter Revenue	275	483	468	323	468	483	483	436	483	464	5,108	5,108	5,614	5,614	5,614	5,614	
Vopex	(192)	(198)	(191)	(389)	(557)	(432)	(389)	(387)	(393)	(2,186)	(2,430)	(2,290)	(3,114)	(2,414)	(2,414)	(2,414)	
Net charter income (accum)	297	471	577	370	170	110	93	31	10	2,068	3,557	3,706	3,394	4,100	4,106		
COF + 0.25% + min principal	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(46)	(446)	(440)	(408)	(372)	(346)	(298)		
Admin	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(985)	(1,034)	(1,086)	(1,140)	(1,197)	(1,257)		
Surplus for margin (accum)	186	360	466	259	59	(1)	(18)	(80)	(101)	680	2,083	2,212	1,882	2,557	2,551		
Margin	-	(60)	(30)	-	-	-	-	-	-	(391)	(266)	(240)	(210)	(188)	(148)		
Cash balance (accum)	186	300	436	259	59	(1)	(18)	(80)	(101)	289	1,817	1,972	1,672	2,369	2,403		
Principal Repayment	-	-	-	-	-	-	-	-	-	(101)	(929)	(1,078)	(772)	(1,463)	(1,494)		
End cash balance	186	300	436	259	59	(1)	(18)	(80)	(101)	289	888	894	900	906	909		

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FALCON ENERGY GROUP LIMITED (Likely Case Scenario)

Projected Cashflow is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Assumptions - Cashflow	
Net Charter Income	Summation of charter income for vessels charged to the Secured Lenders.
Other Income	Includes remaining proceeds from disposal of shares in Dictamismo and disposal of unencumbered shares in CHO. Proceeds from CHO shares are calculated based on the share price of CHO shares as at 25 October 2019.
Finance Cost	Based on finance cost and principal to be paid to the Secured Lenders, according to the Cash Waterfall Mechanism.
Admin	Includes both the Singapore and Indonesia office administrative overheads, professional and legal fees. Estimated to be at USD484,000 per month, with a 5% year-on-year inflation.
Assumptions - Secured Lenders	
Charter Revenue (Income)	Projection based on actual contracts and the Group's best estimate of the future charter income, with a 3 months lag due to various approval processes the charterers have to go through prior to making payment, with a 10% increase in Y3, Y4 and Y6.
Vopex (L1)	Projection based on Group's detailed budget for FY20, with a 3 months delay in payment, matching the receipt of charter income, with a 5% increase in Y3, Y4 and Y6.
COF + 0.25% margin (L2)	Minimum bank's interest to be paid (COF + 0.25%) are estimated at 3% for projection purpose.
Min principal repayment (L3)	Minimum principal repayment are projected to be USD5,000, regardless vessel is on-hire or off-hire.
Admin (L4)	Admin are to be shared among the Secured Lenders, apportioned by the number of vessels.
Margin (L5)	Secured Lenders' remaining margin to be paid after maintaining 1 month reserve of L2 to L4.
Principal Repayment (L6)	Additional principal to be repaid to Secured Lenders after maintaining 3 months of L2 to L4.

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Worst Case Scenario



FALCON ENERGY GROUP LIMITED (Worst Case Scenario)

Projected Profit and loss - Marine segment												
USD'000	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Revenue	26,583	20,917	19,035	24,537	26,119	26,303	29,072	29,161	32,076	32,076	32,076	
Cost of sales	(14,110)	(12,363)	(13,298)	(12,090)	(13,442)	(13,142)	(13,799)	(13,799)	(14,454)	(14,454)	(14,454)	
Gross profit before direct depreciation	12,473	8,554	5,737	12,447	12,677	13,161	15,273	15,362	17,622	17,622	17,622	
Direct depreciation	(13,266)	(13,190)	(12,742)	(12,028)	(12,028)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)	(11,611)	
Gross profit	(793)	(4,636)	(7,005)	419	649	1,550	3,662	3,751	6,011	6,011	6,011	
Other operating income	2,677	2,492	3,736	-	-	-	-	-	-	-	-	
Admin	(5,879)	(8,676)	(7,150)	(5,808)	(6,098)	(6,403)	(6,723)	(7,060)	(7,413)	(7,783)	(8,173)	
Extraordinary items	(11,972)	(19,944)	-	-	-	-	-	-	-	-	-	
Finance Cost	(9,221)	(9,342)	(7,793)	(4,716)	(3,101)	(3,062)	(3,024)	(2,938)	(2,852)	(2,699)	(2,394)	
Net Profit	(25,188)	(40,106)	(18,212)	(10,105)	(8,550)	(7,916)	(6,086)	(6,247)	(4,253)	(4,471)	(4,556)	
EBITDA	(2,701)	(17,574)	2,323	6,639	6,578	6,758	8,550	8,302	10,209	9,839	9,449	
Key Financial Ratios												
Revenue Growth	-	-21%	-9%	29%	6%	1%	11%	0%	10%	0%	0%	
GP Margin	-3%	-22%	-37%	2%	2%	6%	13%	13%	19%	19%	19%	

N1

N2

N1 Other operating income mainly comprises of exchange gains and interest income.

N2 Extraordinary items mainly comprises of impairment of vessels, impairment loss on investments and write off of other receivables.

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**FALCON ENERGY GROUP LIMITED
(Worst Case Scenario)**

Projected Profit and Loss is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Line Item	Assumptions
Revenue	Projections are based on actual contracts and the Group's best estimate of the future charter income. The revenue projection is recognised based on the period when the revenue is expected to be collected instead of when the services are rendered (i.e. 3 months lag from the period of which the vessel was chartered). This deviation from the Group's accounting policy is solely for the presentation purpose of this report and to assist its users to obtain reference to the cashflow presented - where the same basis has been applied.
Cost of Sales	Projections are based on the Group's best estimate of the future Vopex. Similar to basis of revenue projection, cost of sales projected reflects the 3 months delay in payment, matching the receipt of charter income.
Admin	Consists mainly staff salaries, professional and legal fees, marketing expenses and other administrative expenses. Based on management's best estimate.
Finance Cost	Based on the amount outstanding and the average interest rate as at 30 June 2019.
Depreciation	Based on the Group's best estimate, drawing reference to historical depreciation cost.

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FALCON ENERGY GROUP LIMITED
(Worst Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
USD ('000)	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20							
Revenue																
Net charter income	15	817	357	353	580	797	2,009	1,242	1,556							
Other Income																
Remaining proceeds from disposal of shares in Dictamismo	-	-	-	-	-	-	-	750	-							
Proceeds from sale of unencumbered shares in CHO	-	-	1,702	-	-	-	-	-	1,702							
Total inflow (A)	15	817	2,059	353	580	797	2,009	1,992	1,556	10,178	13,161	15,273	15,362	17,622	17,622	17,622
Finance & operating costs																
Repayment to Secured Lenders	(466)	(526)	(496)	(466)	(466)	(466)	(466)	(466)	(643)	(4,461)	(5,218)	(5,389)	(6,242)	(6,393)	(8,890)	(8,975)
Admin Drydocking / Special Survey	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(484)	(4,356)	(6,404)	(6,723)	(7,059)	(7,412)	(7,783)	(8,173)
	-	-	-	-	-	-	-	-	-	-	(950)	(440)	(1,410)	(1,730)	(620)	(420)
Total outflow	(950)	(1,010)	(980)	(950)	(950)	(950)	(950)	(950)	(1,127)	(8,817)	(12,572)	(12,552)	(14,711)	(15,535)	(17,293)	(17,568)
Net inflow / (outflow)	(935)	(193)	1,079	(597)	(370)	(153)	1,059	1,042	429	1,361	589	2,721	651	2,087	329	54
Cash balance brought forward	1,657	722	529	1,608	1,011	641	488	1,547	2,589	1,657	3,477	4,066	6,787	7,438	9,525	9,854
Cash balance carried forward	722	529	1,608	1,011	641	488	1,547	2,589	3,018	3,018	4,066	6,787	7,438	9,525	9,854	9,908

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FALCON ENERGY GROUP LIMITED
(Worst Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
	Oct 19 - Jun 20	Nov 19 - Jun 20	Dec 19 - Jun 20	Jan 20 - Jun 20	Feb 20 - Jun 20	Mar 20 - Jun 20	Apr 20 - Jun 20	May 20 - Jun 20	Jun 20 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
USD ('000)																
OCBC																
Reserve brought forward	99															
Charter Revenue	709	978	763	750	1,208	1,248	1,909	1,306	1,457	10,328	13,139	14,590	14,679	16,147	16,147	16,147
Vopex	(470)	(445)	(681)	(751)	(768)	(765)	(771)	(764)	(773)	(6,188)	(7,060)	(6,719)	(7,259)	(7,337)	(7,407)	(7,167)
Net charter income (accum)	338	351	(87)	(608)	(688)	(725)	(107)	(85)	79	4,239	5,129	6,495	7,859	9,818	11,809	12,088
COF + 0.25% + min principal	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(262)	(2,358)	(3,057)	(2,436)	(1,208)	(1,195)	(1,157)	(1,056)
Admin	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(258)	(2,322)	(3,448)	(3,620)	(3,801)	(3,991)	(4,191)	(4,401)
Surplus for margin (accum)	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)	(441)	(1,376)	439	2,850	4,632	6,461	6,631
Margin	-	-	-	-	-	-	-	-	-	-	-	-	(1,842)	(700)	(405)	(350)
Cash balance (accum)	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)	(441)	(1,376)	439	1,008	3,932	6,056	6,281
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	(863)	(2,948)	(3,143)
End cash balance	(182)	(169)	(607)	(1,128)	(1,208)	(1,245)	(627)	(605)	(441)	(441)	(1,376)	439	1,008	3,069	3,108	3,138

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FALCON ENERGY GROUP LIMITED
(Worst Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27		
	Oct 19 - Jun 20	Nov 19 - Jun 20	Dec 19 - Jun 20	Jan 20 - Jun 20	Feb 20 - Jun 20	Mar 20 - Jun 20	Apr 20 - Jun 20	May 20 - Jun 20	Jun 20 - Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27	
USD ('000)																	
CIMB																	
Reserve brought forward	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charter Revenue	-	-	-	233	225	233	233	210	233	233	1,752	1,927	1,927	2,120	2,120	2,120	2,120
Vopex	(59)	(79)	(80)	(93)	(93)	(95)	(81)	(81)	(81)	(755)	(853)	(981)	(793)	(981)	(831)	(831)	(831)
Net charter income (accum)	(59)	(290)	(522)	(534)	(554)	(568)	(592)	(592)	(592)	480	823	1,204	1,204	1,267	1,419	1,685	1,685
COF + 0.25% + min principal	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(88)	(238)	(236)	(233)	(235)	(233)	(231)	(227)	(227)
Admin	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(469)	(517)	(543)	(543)	(570)	(599)	(629)	(629)
Surplus for margin (accum)	(211)	(442)	(674)	(686)	(706)	(720)	(744)	(744)	(744)	(517)	70	426	426	464	589	829	829
Margin	-	-	-	-	-	-	-	-	-	-	-	(298)	(298)	(334)	(132)	(61)	(61)
Cash balance (accum)	(211)	(442)	(674)	(686)	(706)	(720)	(744)	(744)	(744)	(517)	70	128	128	130	457	768	768
Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(61)	(366)	(366)
End cash balance	(211)	(442)	(674)	(686)	(706)	(720)	(744)	(744)	(744)	(517)	70	128	128	130	396	402	402

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FALCON ENERGY GROUP LIMITED
(Worst Case Scenario)

Projected Cash flow	FY20		FY21		FY22		FY23		FY24		FY25		FY26		FY27	
	Oct 19 - Jun 20	Nov 19 Dec 19	Jan 20 Feb 20	Mar 20 Apr 20	May 20 Jun 20	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27				
USD ('000)																
AmBank																
Reserve brought forward	2															
Charter Revenue	-	323	718	1,068	1,068	7,242	7,191	7,911	7,911	8,701	8,701	8,701	8,701	8,701	8,701	8,701
Vopex	(248)	(245)	(621)	(442)	(438)	(4,115)	(4,195)	(4,341)	(4,971)	(4,876)	(4,546)	(4,586)	(4,546)	(4,586)	(4,586)	(4,586)
Net charter income (accum)	(246)	(335)	(381)	(36)	854	3,637	3,857	4,808	4,533	5,433	5,781	5,753	5,781	5,753	5,753	5,753
COF + 0.25% + min principal	(70)	(70)	(70)	(70)	(70)	(720)	(715)	(709)	(688)	(676)	(640)	(595)	(640)	(595)	(595)	(595)
Admin	(97)	(97)	(97)	(97)	(97)	(1,407)	(1,478)	(1,552)	(1,629)	(1,711)	(1,796)	(1,886)	(1,796)	(1,886)	(1,886)	(1,886)
Surplus for margin (accum)	(413)	(502)	(548)	(131)	687	1,510	1,664	2,547	2,216	3,046	3,345	3,272	3,345	3,272	3,272	3,272
Margin	-	-	-	-	(177)	(649)	(426)	(422)	(405)	(395)	(367)	(330)	(367)	(330)	(330)	(330)
Cash balance (accum)	(413)	(502)	(548)	(131)	510	861	1,238	2,125	1,811	2,651	2,978	2,942	2,978	2,942	2,942	2,942
Principal Repayment	-	-	-	-	-	-	-	(532)	(203)	(1,025)	(1,340)	(1,292)	(1,340)	(1,292)	(1,292)	(1,292)
End cash balance	(413)	(502)	(548)	(131)	510	861	1,238	1,593	1,608	1,626	1,638	1,650	1,638	1,650	1,650	1,650

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Projected Cashflow is not prepared on a consolidated basis - only based on Marine segment as the rest of the business segment have become dormant and does not contribute to the Group.

Assumptions - Cashflow	
Net Charter Income	Summation of charter income for vessels charged to the Secured Lenders.
Other Income	Includes remaining proceeds from disposal of shares in Dictamismo and disposal of unencumbered shares in CHO. Proceeds from CHO shares are calculated based on the share price of CHO shares as at 25 October 2019.
Finance Cost	Based on finance cost and principal to be paid to the Secured Lenders, according to the Cash Waterfall Mechanism.
Admin	Includes both the Singapore and Indonesia office administrative overheads, professional and legal fees. Estimated to be at USD484,000 per month, with a 5% year-on-year inflation.
Assumptions - Secured Lenders	
Charter Revenue (Income)	Projection based on actual contracts and the Group's best estimate of the future charter income, with a 3 months lag due to various approval processes the charterers have to go through prior to making payment, with a 10% increase in Y4 & Y6.
Vopex (L1)	Projection based on Group's detailed budget for FY20, with a 3 months delay in payment, matching the receipt of charter income, with a 5% increase in Y4 and Y6.
COF + 0.25% margin (L2)	Minimum bank's interest to be paid (COF + 0.25%) are estimated at 3% for projection purpose.
Min principal repayment (L3)	Minimum principal repayment are projected to be USD5,000, regardless vessel is on-hire or off-hire.
Admin (L4)	Admin are to be shared among the Secured Lenders, apportioned by the number of vessels.
Margin (L5)	Secured Lenders' remaining margin to be paid after maintaining 1 month reserve of L2 to L4.
Principal Repayment (L6)	Additional principal to be repaid to Secured Lenders after maintaining 3 months of L2 to L4.

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APPENDIX M – INDICATIVE TIMETABLE

Indicative Timetable for the FEG Scheme Meeting

S/n.	Date	Date	Legislation/Document	Milestone	Party Responsible
1.	X	Wednesday, 3 February 2021	Section 210(1) of the Companies Act (Cap. 50) (" CA ")	Hearing of application for leave to convene Scheme Meeting; grant of leave to convene Scheme Meeting	R&T
2.	X + 7 days	Wednesday, 10 February 2021	-	Printing and issuance of Scheme Document to Scheme Creditors	FEG
3.	X + 21 days <i>(i.e. 14 days after milestone (2))</i>	Wednesday, 24 February 2021, 5:00PM	Section 68(2) Insolvency, Restructuring and Dissolution Act (" IRDA ") / Meeting Notice	Deadline for Scheme Creditors to submit the Proof of Debt / Voting Instruction Form (both a " POD ")	Noteholders and Other Creditors
4.	X + 28 days <i>(i.e. within 7 days of milestone (3))</i>	Wednesday, 3 March 2021	Reg 3 of Insolvency, Restructuring and Dissolution (Proofs of Debt in Schemes of Arrangement) Regulations 2020 (" PODSAR ")	Chairman to send the list of creditors who filed a POD	KPMG
5.	T-29 days	Thursday, 1 April 2021	Reg 5(1) and 5(2) of the PODSAR	Chairman to complete the adjudication and send out a summary of the adjudication results	KPMG
6.	T-21 days	Friday, 9 April 2021	Reg 4(1) PODSAR	Deadline for any Scheme Creditor who submitted a POD to request to inspect another Scheme Creditor's POD by: (a) Sending in the request in writing to the Chairman; and (b) Sending in a written notice of the request to FEG and the affected Scheme Creditor	Scheme Creditor
7.	T-17 days <i>(i.e. within 3 working days of milestone (6))</i>	Tuesday, 13 April 2021	Reg 4(2) PODSAR	Affected Scheme Creditor has to send written notice to the Chairman stating whether it objects to the inspection of its POD	Scheme Creditor

S/n.	Date	Date	Legislation/Document	Milestone	Party Responsible
8.	T-14 (<i>within 3 working days of milestone (7)</i>)	Friday, 16 April 2021	Reg 5(3) to 5(5) of the PODSAR; Rule 43(1)(a) of the Insolvency, Restructuring and Dissolution (Corporate and Restructuring) Rules 2020	Deadline for FEG or any Scheme Creditor who submitted a POD to object to results of adjudication by: (a) Sending a written request seeking agreement for the appointment of an independent assessor to the Company, the Chairman, and/or the Scheme Creditor whose POD will be affected (where applicable) to seek their agreement on the appointment of an independent assessor; or (b) Make an application to court for the appointment of an independent assessor under section 68(9)(b) of the IRDA	FEG/Scheme Creditor
9.	T-8	Thursday, 22 April 2021	Reg 6(1) and 6(2) of the PODSAR	Latest date for the appointment of Independent Assessor and by which Chairman is to provide Independent Assessor with the relevant POD	Party seeking appointment of IA
10.	T-3 (<i>i.e. 3 working days before T</i>)	Tuesday, 27 April 2021, 10:00AM	Explanatory Statement / Scheme	Deadline for Other Creditors to submit Proxy Forms	Scheme Creditors
11.	T-1 (<i>i.e. 1 working day before T</i>)	Thursday, 29 April 2021	Reg 6(1) and 6(2) of the PODSAR	Latest date by which Independent Assessor should complete adjudication If Scheme Meeting is to be held via video-conference, deadline for FEG/KPMG to send the Scheme Creditors the necessary video-conferencing details to attend the Scheme Meeting.	
12.	T	Friday, 30 April 2021	Reg 7 of the PODSAR	Scheme Meeting Chairman to provide updated list of Scheme Creditors by way of electronic mail to every Scheme Creditor whose Voting Instruction	KPMG / FEG

PROTOCOL FOR CONDUCT OF SCHEME MEETING VIA VIDEO-CONFERENCE
(“PROTOCOL”)

Unless defined otherwise, all capitalised terms used herein shall bear the meaning ascribed in the Scheme proposed to be made pursuant to section 210 of the Act between the Company and the Scheme Creditors.

1. In view of the COVID-19 situation, in lieu of a physical meeting, the Scheme Meeting may be conducted electronically via Video-Conference. This Protocol sets out the procedures and measures to be implemented by the Company for the conduct of the Scheme Meeting via Video-Conference.
2. Scheme Creditors or their proxies (if applicable) should read this Protocol carefully and follow the instructions set out below to ensure that they can participate in the Scheme Meeting via Video-Conference.
3. The Scheme Meeting will be held via Video-Conference through one of the following Video-Conferencing platforms, namely, Zoom or Microsoft Teams (to be determined by the Chairman). The Video-Conferencing platform(s) may be accessed on a computer or mobile device using iOS or Android operating systems, and is available for free download at <https://zoom.us/download> / <https://www.microsoft.com/ensg/microsoft-365/microsoft-teams/download-app> (for computers) and from the App Store (for iOS devices) or from the Google Play Store (for Android devices). The detailed system requirements can be found at <https://support.zoom.us/hc/en-us/articles/201362023-System-Requirements-for-PC-Mac-and-Linux> / <https://docs.microsoft.com/en-us/microsoftteams/hardware-requirements-for-the-teams-app>. Scheme Creditors or their proxies (if applicable) who have technical questions regarding the Electronic Meeting Platform may visit the Zoom/Microsoft Teams technical support page at <https://support.zoom.us/hc/en-us> / <https://support.microsoft.com/en-us/teams>.
4. Scheme Creditors or their proxies participating in the Scheme via Video-Conference must ensure that they have access to a computer or mobile device using the iOS or Android operating system. It is recommended that a computer or mobile device with reliable internet connection be used during the Scheme Meeting.
5. The Video-Conference will be conducted as follows:
 - (a) Prior to the Scheme Meeting, each Scheme Creditor or their proxy (if applicable) will be sent a weblink to the Scheme Meeting to the E-Mail address indicated in the Voting Instruction Form, Proof of Debt, or Proxy Form (as the case may be). The weblink shall be kept confidential. This will permit the Chairman to monitor attendance at the Scheme Meeting and ensure that only authorised individuals may access the Scheme Meeting. On the day of the Scheme Meeting, the Chairman may also subject the Scheme Creditors or their proxies (if applicable) to identity verification checks prior to allowing them to access the Scheme Meeting via Video-Conference. **Scheme Creditors who fail to provide a valid E-Mail address in the Voting Instruction Form, Proof of Debt or Proxy Form (as the case may be) will not be allowed to participate in the Scheme Meeting save as the Chairman may otherwise permit in his absolute discretion.**
 - (b) At the Scheme Meeting, a presentation on the Scheme will be given by the Chairman and/or the Company to the Scheme Creditors or their proxies via Video-Conference. In this regard, a screen will be displayed on the Video-conferencing platform showing the presentation slides.
 - (c) The Company may require that Scheme Creditors or their proxies (if applicable), send to the Chairman, by post or electronic mail, the matters which the Scheme Creditors wish to raise at the Scheme Meeting, and each such matter, if substantial and relevant and sent within a reasonable time before the Scheme Meeting, is to be responded to at or before the Scheme Meeting by electronic means. For the avoidance of doubt, in

APPENDIX N – PROTOCOL FOR CONDUCT OF SCHEME MEETING VIA VIDEO-CONFERENCE

addition to (but not in place of) post and electronic mail, the Company may provide for any matter to be raised by a Scheme Creditor and for the matter to be responded to at the meeting through real-time electronic communication such as video-conferencing or live chat.

- (d) The Chairman will invite the Scheme Creditors or their proxies (if applicable) to submit their votes on the Scheme by way of e-mail. Scheme Creditors or their proxies (if applicable) may vote by e-mail from (and only from) the E-mail address referred to in paragraph 5(a) above. The cut-off timing for voting shall at least 2 hours from the end of the Scheme Meeting, and will be announced by the Chairman at the Scheme Meeting.
 - (e) The Chairman will announce the results of the voting on the day itself or at the latest, the day after the scheme Meeting. The results of the voting will be announced by way of e-mail to the Scheme Creditors, and the Chairman will thereafter also update the Court.
6. The Company shall take all necessary logistical precautions in order to ensure that the Video-Conferencing platform is an effective and safe method to permit all creditors to communicate, consult and/or express their opinions in respect of the proposed Scheme without any significant impediment, and the Scheme Meeting can be convened in a manner that approximates a physical meeting without prejudice to the Scheme Creditors.
7. Notwithstanding any of the above, the Company may, at its discretion, conduct the Scheme Meeting physically in the event that the Government lifts its ban on large group gatherings, and circumstances permit such that it is feasible to conduct the Scheme Meeting physically, taking into consideration the Government's directives and advisories regarding the conduct of events and mass gatherings. If the Company elects to conduct the Scheme Meeting physically, further instructions will be given to Scheme Creditors and their proxies as soon as reasonably practicable.

APPENDIX O – MODIFICATIONS AS AT 29 JANUARY 2021 TO FALCON ENERGY GROUP LIMITED’S SCHEME DATED 4 NOVEMBER 2020

**Modifications as at 29 January 2021 to
Falcon Energy Group Limited’s Scheme dated 4 November 2020**

Unless defined otherwise, all capitalised terms used herein shall bear the meaning ascribed in the Scheme annexed at B-1 of the Scheme Document.

S/No.	Amendment	Explanation ¹
(a)	<p>Amendment of the definition of “Vessel” in Clause 1.1 of the Scheme as follows (in bold and underlined / struckthrough):</p> <p><i>“All vessels owned by the Group, which the Lenders hold security over <u>as at the Effective Date</u>, and each a “Vessel”.”</i></p>	<p>CIMB wishes to take steps to sell its Vessels “K300” and “Bayu Laut”. In addition, another Lender has been taking steps to dispose of one of its Vessels.</p> <p>The Company has no clarity at this juncture as to when the sale of each of the aforesaid Vessels is likely to be completed. The Company is still in discussions with the potential buyer of CIMB’s 2 Vessels on the terms of sale though the buyer has placed a 10% deposit for the purchase of each Vessel in escrow pending finalisation of the sale terms.</p> <p>The definition of “Vessel” in Clause 1.1 of the Scheme will therefore be amended to account for the possibility that a Vessel which a Lender holds Security over as at the date of this Affidavit may be sold prior to the Effective Date of the Scheme.</p>
(b)	<p>Amendment to Clause 5.13 of the Scheme to include a new sub-clause (g), which shall state as follows:</p> <p><i>“where the Scheme Creditor is a Lender, reduced by any amount paid to, recovered or received by or for the account of that Lender before the Effective Date under or arising from any Security held by that Lender over any Secured Assets.”</i></p>	<p>As stated in paragraph (a) above, some of the Lenders wish to take steps to sell some of their Vessels prior to the proposed Scheme taking effect.</p> <p>In connection with the foregoing, the Claims of each Lender should take into account any payments received by that Lender pursuant to any disposal of any of its Secured Asset(s) prior to the Effective Date of the Scheme.</p>
(c)	<p>Amendment to Clause 6.1(a) of the Scheme as follows (in bold and underlined / struckthrough):</p> <p><i>“Each Lender may, <u>in accordance with Clause 6.2 below</u>, elect to take delivery of <u>or instruct the Company to procure the sale of</u> all or some of its Secured Assets <u>in accordance with Clause 6.2 below</u>.”</i></p>	<p>Some Lenders have informed the Company that they do not wish to take delivery of the Vessels as provided for in Clauses 6.1 and 6.2 of the Scheme dated 4 November 2020. Instead, these Lenders would prefer that the Group continue to manage the Vessels whilst assisting the Lender in procuring a purchaser for the Vessels.</p>

¹ As set out in the 2nd Affidavit of Tan Pong Tyea filed on 29 January 2021 in HC/OS 32/2021

APPENDIX O – MODIFICATIONS AS AT 29 JANUARY 2021 TO FALCON ENERGY GROUP LIMITED’S SCHEME DATED 4 NOVEMBER 2020

S/No.	Amendment	Explanation¹
(d)	<p>Amendment to Clause 6.1(b) of the Scheme as follows (in bold and underlined / struckthrough):</p> <p><i>“Each Lender who has elected to take delivery of <u>or instructed the Company to procure the sale of</u> all of its Secured Assets shall be allocated and issued Scheme Shares for the whole of its Approved Claim in accordance with Clause 6.1(e) below (the “Allocated Shares”)”</i></p>	<p>The amendments to Clauses 6.1 and 6.2 of the Scheme dated 4 November 2020 give each Lender the option of instructing the Group to continue managing the Vessels and to assist that Lender in procuring a purchaser for the Vessel.</p> <p>In connection with the foregoing, amendments have been proposed to Clause 6.1(c) of the Scheme dated 4 November 2020 to clarify that the costs and expenses incurred in connection with the Vessel incurred pending completion of the sale shall be deducted from the earnings.</p>
(e)	<p>Amendment to Clause 6.1(c) of the Scheme as follows (in bold and underlined / struckthrough):</p> <p><i>“<u>With respect to each Lender who elects to take delivery of its Secured Asset(s), the</u>The Company shall procure that each Lender’s Secured Assets are delivered and/or transferred to the Lender by no later than the date falling 6 months after the Effective Date on such terms as may be agreed upon in writing between the Company and the relevant Lender (each party acting reasonably). All costs and expenses incurred in connection with the delivery and/or transfer of a Secured Asset shall be borne by the Lender. Upon delivery or transfer of a Secured Asset to the Lender <u>election in accordance with Clause 6.2 below</u>, the Lender shall be solely responsible for all costs and expenses in connection with the Secured Asset and the Group shall have no further obligations to pay any such costs and expenses.</i></p> <p><i><u>With respect to each Lender who elects to instruct the Company to procure the sale of all or some of its Secured Assets, the Company shall assist the Lender in procuring a purchaser for the Secured Asset(s) and shall endeavour to find a purchaser willing to pay the full sale proceeds in respect of the Secured Asset(s) into and held in an escrow account pending completion of the sale. Pending completion of the sale of the Secured Asset(s) on terms to be approved by the Lender, the Group shall continue to manage the</u></i></p>	

APPENDIX O – MODIFICATIONS AS AT 29 JANUARY 2021 TO FALCON ENERGY GROUP LIMITED’S SCHEME DATED 4 NOVEMBER 2020

S/No.	Amendment	Explanation ¹
	<p><u>Secured Asset(s) and all costs and expenses in connection with the Secured Asset(s) incurred up till completion of the sale shall be debited from any earnings generated by the Secured Asset(s).</u></p>	
(f)	<p>Amendment to Clause 6.1(d) of the Scheme as follows (in bold and underlined / struckthrough):</p> <p><i>“All Secured Assets shall be sold or disposed of by the Lender who has elected to take delivery of <u>or instruct the Company to procure the sale of</u> all of its Secured Assets by no later than the Disposal Date and the net proceeds of sale from the Lender’s Secured Assets shall be applied towards reducing the Lender’s Approved Claim. If a Lender fails to sell or dispose of any of its Secured Assets by the Disposal Date, any portion of the Lender’s Approved Claim which remains unsatisfied shall automatically be deemed to have been settled in full and the Lender shall not be entitled to receive any Allocated Shares”</i></p>	
(g)	<p>Amendment to Clause 6.1(e) of the Scheme as follows (in bold and underlined / struckthrough):</p> <p><i>“With respect to any Lender who has elected to take delivery of <u>or instructed the Company to procure the sale of</u> all of its Secured Assets and who has sold or disposed of all of its Secured Assets by no later than the Disposal Date, the Company shall issue the Allocated Shares to <u>a that</u> Lender within 2 weeks after the Disposal Date in full and final settlement of such portion of the Lender’s Approved Claim which remains unsatisfied pursuant to the sale or disposal or the Secured Assets as at the Disposal Date. Any Allocated Shares which are not issued to a Lender shall be distributed in accordance with Clause 6.6 below”</i></p>	
(h)	<p>Amendment to Clause 6.1(f) of the Scheme as follows (in bold and underlined / struckthrough):</p>	

APPENDIX O – MODIFICATIONS AS AT 29 JANUARY 2021 TO FALCON ENERGY GROUP LIMITED’S SCHEME DATED 4 NOVEMBER 2020

S/No.	Amendment	Explanation ¹
	<p>“With respect to any Lender who has not elected to take delivery of <u>or instruct the Company to procure the sale of all of</u> its Secured Assets, any portion of the Approved Claim of the Lender which remains unsatisfied pursuant to the sale or disposal of the Secured Assets as at the Disposal Date shall be settled in accordance with Clause 6.3 below.”</p>	
(i)	<p>Amendment to Clause 6.2 of the Scheme as follows (in bold and underlined / struckthrough):</p> <p>“Election for delivery of <u>or instruction to procure sale of</u> Secured Assets. Within 7 days after the Effective Date, each Lender shall submit a written notice to the Company identifying which of its Secured Assets it wishes to take delivery of <u>or instruct the Company to procure the sale of</u>. If a Lender does not submit a written notice in accordance with this Clause 6.2, the Lender shall be deemed to have elected to take delivery of all its Secured Assets.”</p>	
(j)	<p>Amendment to Clause 6.3 of the Scheme as follows (in bold and underlined / struckthrough):</p> <p>“Remaining Secured Assets. With respect to any Lender who has not elected to take delivery of <u>or instructed the Company to procure the sale of</u> all of its Secured Assets, the Company shall make payment to the Lender in respect of its Approved Claim in accordance with Clauses 6.3(a) to 6.3(s) below. For the avoidance of doubt, Clauses 6.3(a) to 6.3(s) below do not apply to a Lender who has elected to take delivery of <u>or instructed the Company to procure the sale of</u> all of its Secured Assets or to any Secured Assets which has been transferred or delivered to a Lender pursuant to Clause 6.1 above...</p> <p>(b) Where the Secured Asset(s) which the Lender has elected not to take delivery of <u>or instruct the Company to procure the sale of</u> in accordance with Clause 6.2 above comprise Vessels, the</p>	<p>Consequential amendment to address the indications given by the Lenders, details of which are explained at paragraph (c) above.</p>

APPENDIX O – MODIFICATIONS AS AT 29 JANUARY 2021 TO FALCON ENERGY GROUP LIMITED'S SCHEME DATED 4 NOVEMBER 2020

S/No.	Amendment	Explanation ¹
	<i>Company shall procure the establishment of a Designated Account for the Lender (if one has not already been established) and shall execute or procure the execution of (as may be applicable) a charge over the Designated Account established in favour of the Lender."</i>	
(k)	Amendment to item 2 of Schedule C of the Scheme to include the vessel "Berani" as a Security of CIMB which is owned by "Maritim Indah Sdn Bhd".	<p>Maritim Indah Sdn Bhd is an associated company of the Company. The Company holds 50% of the shareholding in Maritim indah Sdn Bhd. At the time OS 206 was filed, the banking facilities granted by CIMB to Maritim Indah Sdn Bhd (which is secured by, <i>inter alia</i>, a mortgage over the "Berani" and a guarantee issued by the Company) was not in default.</p> <p>As a result of the COVID-19 situation and its impact on global economic situation in 2020, the income generated by the "Berani" is no longer sufficient to service the banking facilities granted to Maritim Indah Sdn Bhd. CIMB requires the debt arising in relation to banking facilities granted to Maritim Indah Sdn Bhd to be included in the Scheme.</p>