

**DILUTION OF INTEREST IN FTS DERRICKS PTE. LTD.**

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The Board of Directors of FALCON ENERGY GROUP LIMITED (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") wishes to announce that FTS DERRICKS PTE. LTD. ("**FTS**") has issued an aggregate of 300 new ordinary shares at an issue price of S\$300 each in the share capital of FTS to Mr Cai Wenxing ("**Mr Cai**"), an existing shareholder of FTS, thereby increasing its issued and paid-up share capital from S\$1,000 to S\$91,000.

The increase of the issued and paid up share capital in FTS was due to the capitalisation of a shareholder's loan amounting to S\$90,000 extended by Mr Cai to FTS. As a result of the capitalization, the Company's interest in the share capital of FTS has been diluted from 65% to 50% (the "**Dilution**"). Subsequent to the Dilution, FTS is no longer a subsidiary and thus become an associated company of the Group.

The shares subscription in FTS by Mr Cai is an interested person transaction as Mr Cai is a director of the Company. The Company is not required to make an announcement under the provisions of Rule 905 of the Listing Manual as the value of the Dilution is (i) less than 3% of the Group's latest audited net tangible assets, and (ii) below S\$100,000.

Save as disclosed above, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above transaction, and the transaction is not expected to have a material effect on the net tangible assets per share or earnings per share of the Group for the current financial year.

By Order of the Board

Peh Lei Eng  
Company Secretary

11 May 2015