

**FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS**

**1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	The GROUP					
	2Q 2015 US\$'000	2Q 2014 US\$'000	Increase/ (Decrease) %	6M 2015 US\$'000	6M 2014 US\$'000	Note Increase/ (Decrease) %
<b>Revenue</b>	53,406	183,504	-70.9%	146,130	209,672	-30.3%
Cost of sales	(44,746)	(101,863)	-56.1%	(124,716)	(118,740)	5.0%
<b>Gross profit</b>	<u>8,660</u>	<u>81,641</u>	-89.4%	<u>21,414</u>	<u>90,932</u>	-76.5%
Other operating income	17,953	1,143	1470.7%	18,914	2,018	837.3%
Administrative expenses	(7,566)	(3,614)	109.4%	(12,667)	(8,445)	50.0%
Finance costs	(1,141)	(1,450)	-21.3%	(2,316)	(2,557)	-9.4%
Share of net profit of associates	1,054	874	20.6%	2,343	4,675	<b>A</b> -49.9%
Share of net profit/(loss) of a joint venture	983	1	98200.0%	2,282	(13)	NM
<b>Profit before income tax</b>	<u>19,943</u>	<u>78,595</u>	-74.6%	<u>29,970</u>	<u>86,610</u>	-65.4%
Income tax benefit/(expense)	17	(1,293)	NM	29	(1,356)	NM
<b>Profit for the period</b>	<u>19,960</u>	<u>77,302</u>	-74.2%	<u>29,999</u>	<u>85,254</u>	-64.8%
Profit for the period attributable to:						
Owners of the Company	19,660	38,873	-49.4%	27,726	47,136	-41.2%
Non-controlling interests	300	38,429	-99.2%	2,273	38,118	-94.0%
<b>Profit for the period</b>	<u>19,960</u>	<u>77,302</u>	-74.2%	<u>29,999</u>	<u>85,254</u>	-64.8%

**(a) (ii) Statement of Comprehensive income**

<b>Profit for the period</b>	19,960	77,302	-74.2%	29,999	85,254	-64.8%
Other comprehensive income :						
Foreign currency translation of foreign entities	(51)	2	NM	(48)	(17)	182.4%
<b>Total comprehensive income for the period</b>	<u>19,909</u>	<u>77,304</u>	-74.2%	<u>29,951</u>	<u>85,237</u>	-64.9%
Total comprehensive income attributable to :						
Owners of the company	19,627	38,874	-49.5%	27,695	47,125	-41.2%
Non-controlling interests	282	38,430	-99.3%	2,256	38,112	-94.1%
<b>Total comprehensive income for the period</b>	<u>19,909</u>	<u>77,304</u>	-74.2%	<u>29,951</u>	<u>85,237</u>	-64.9%

NM : Note meaningful

Note A:

Adjustment has been made to the share of profit on associates for 1Q 2014 as the Company associate, CH Offshore Ltd had made an allowance of doubtful trade debts of US\$43.95 million on June 30, 2013 and this had been retrospectively restated in the financial statements for the year ended 31 March 2013.



**1(a)(ii) Profit before income tax is arrived at after charging / (crediting):-**

	<b>THE GROUP</b>			
	<b>2Q 2015</b>	<b>2Q 2014</b>	<b>6M 2015</b>	<b>6M 2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Depreciation	3,574	3,397	7,117	6,613
Exchange loss/(gain) - net	1,547	(144)	1,747	(249)
Interest expense	1,140	1,460	2,320	2,580
Interest income	(16)	(6)	(23)	(9)
Realisation of deferred gain on sale of vessel to joint venture (included in the share of results of joint venture)	(98)	-	(196)	-
Allowable for doubtful trade debts	53	-	199	-
Trade debts written off	-	-	-	412
(Gain)/loss on disposal of property, plant and equipment	(16,872)	-	(16,870)	575
Change in fair value of derivative financial instrument	(3)	(10)	(8)	(23)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year.**

	THE GROUP		THE COMPANY	
	30/9/2014 US\$'000	31/3/2014 US\$'000	30/9/2014 US\$'000	31/3/2014 US\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	77,829	46,928	37,238	3,226
Trade receivables	87,633	112,463	-	-
Other receivables	123,419	56,161	197,057	189,989
Inventories	728	1,416	-	-
Total current assets	<u>289,609</u>	<u>216,968</u>	<u>234,295</u>	<u>193,215</u>
<b>Non-current assets</b>				
Other receivables	1,627	2,125	-	-
Property, plant and equipment	232,927	227,953	6,605	6,583
Subsidiaries	-	-	178,725	176,552
Associates	104,675	102,332	-	-
Joint venture	27,147	22,191	25,004	22,183
Available-for-sale investments	2,098	1,049	2,098	1,049
Other intangible assets	2,442	2,257	-	-
Deferred tax assets	389	325	-	-
Total non-current assets	<u>371,305</u>	<u>358,232</u>	<u>212,432</u>	<u>206,367</u>
<b>Total assets</b>	<b><u>660,914</u></b>	<b><u>575,200</u></b>	<b><u>446,727</u></b>	<b><u>399,582</u></b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade payables	42,822	91,177	-	-
Other payables	91,999	32,589	109,759	94,469
Finance leases	176	172	8	19
Borrowings	51,012	54,085	1,851	656
Derivative financial liability	-	8	-	-
Income tax payable	1,162	1,381	22	43
Total current liabilities	<u>187,171</u>	<u>179,412</u>	<u>111,640</u>	<u>95,187</u>
<b>Non-current liabilities</b>				
Notes payables	39,277	-	39,277	-
Finance leases	383	417	73	72
Borrowings	123,666	123,496	2,199	2,546
Other payables	23,424	7,520	-	-
Deferred tax liabilities	5,104	5,128	-	-
Total non-current liabilities	<u>191,854</u>	<u>136,561</u>	<u>41,549</u>	<u>2,618</u>
<b>Capital and reserves</b>				
Share capital	229,528	229,519	229,528	229,519
Treasury shares	(2,474)	(1,727)	(2,474)	(1,727)
Capital reserve	11,824	11,824	11,824	11,824
Share-based payments	639	639	639	639
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	(358)	(327)	-	-
Accumulated profits	174,704	153,529	54,021	61,522
<b>Equity attributable to the owners of the Company</b>	<u>262,171</u>	<u>241,765</u>	<u>293,538</u>	<u>301,777</u>
Non-controlling interests	19,718	17,462	-	-
<b>Total equity</b>	<b><u>281,889</u></b>	<b><u>259,227</u></b>	<b><u>293,538</u></b>	<b><u>301,777</u></b>
<b>Total liabilities and equity</b>	<b><u>660,914</u></b>	<b><u>575,200</u></b>	<b><u>446,727</u></b>	<b><u>399,582</u></b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

	<b>THE GROUP</b>			
	<b>As at 30 September 2014</b>		<b>As at 31 March 2014</b>	
	<b>Secured US\$'000</b>	<b>Unsecured US\$'000</b>	<b>Secured US\$'000</b>	<b>Unsecured US\$'000</b>
Amount repayable in one year or less, or on demand	51,188	-	54,092	165
Amount repayable after one year	163,326	-	123,913	-
<b>Total</b>	<b>214,514</b>	<b>-</b>	<b>178,005</b>	<b>165</b>

**Details of any collateral:**

- 1) The Group's borrowings are secured by:
  - i) corporate guarantee from Company and certain subsidiary;
  - ii) legal mortgages over the relevant property;
  - iii) legal mortgages over certain vessels of the Group;
  - iv) certain fixed deposits and bank balances;
  - v) assignment of certain vessels' charter- hire- income and insurance policies; and
  - vi) pledge of certain associates' shares.
  
- 2) Obligations under finance lease are secured by the lessor's charge over the leased assets.

**FALCON ENERGY GROUP LIMITED**

Registration No. 200403817G



**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>THE GROUP</b>	
	<b>6M 2015</b>	<b>6M 2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	29,970	86,610
Adjustments for:		
Depreciation of property, plant and equipment	7,117	6,613
Interest expense	2,320	2,580
Interest income	(23)	(9)
Share of net profit of associates	(2,343)	(4,675)
Share of net(profit)/loss of a joint venture	(2,282)	13
Allowance for doubtful trade debts	199	-
Trade debts written-off	-	412
Changes in fair value of derivative financial instrument	(8)	(23)
(Gain)/loss on disposal of property, plant and equipment	(16,870)	575
Exchange difference	303	241
Operating cash flows before movements in working capital	<u>18,383</u>	<u>92,337</u>
Inventories	688	213
Trade receivables	24,631	(23,740)
Other receivables	(36,953)	(49,688)
Trade payables	(48,355)	18,299
Other payables	61,419	12,972
Cash generated from operations	<u>19,813</u>	<u>50,393</u>
Income tax paid	(278)	(708)
<b>Net cash generated from operating activities</b>	<u>19,535</u>	<u>49,685</u>
<b>Cash flows from investing activities</b>		
Interest received	23	9
Purchase of available-for-sales investment	(1,049)	-
Investment in joint ventures	(2,870)	-
Purchases of property, plant and equipment	(32,725)	(42,704)
Payments for intangible assets	(185)	(77)
Proceeds from disposal of property, plant and equipment	1	800
<b>Net cash used in investing activities</b>	<u>(36,805)</u>	<u>(41,972)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(2,320)	(2,580)
Dividends paid	(6,551)	(3,198)
Fixed deposits and bank balances pledged	(37,268)	176
Repayment of finance lease obligation	(98)	(87)
(Repayment to)/Advances from related parties	(1,749)	8,998
Advance from joint ventures	23,604	-
Proceeds from exercise of warrants	9	-
Share buy-back	(747)	(935)
Repayment of borrowings	(53,431)	(17,025)
Proceeds of borrowings	50,528	41,390
Issue of Notes	39,277	-
<b>Net cash generated from financing activities</b>	<u>11,254</u>	<u>26,739</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(6,016)	34,452
Effect of exchange rate changes	(351)	(3)
Cash and cash equivalents at beginning of period	40,600	12,896
<b>Cash and cash equivalents at end of period</b>	<u><u>34,233</u></u>	<u><u>47,345</u></u>



<b>THE GROUP</b>	
<b>6M 2015</b>	<b>6M 2014</b>
<b>US\$'000</b>	<b>US\$'000</b>
41,544	43,833
36,285	6,330
<u>77,829</u>	<u>50,163</u>
(43,596)	(2,818)
<u><b>34,233</b></u>	<u><b>47,345</b></u>

**Cash and cash equivalents represent:**

Bank and cash balance

Fixed deposits

Less : fixed deposits and bank balances pledged

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**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Share capital	Treasury shares	Capital reserve	Warrants reserve	Share based payments	Merger reserve	Foreign currency translation reserve	Accumulated profits	Equity attributable to owners of the Company	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>											
<b>Balance as at 1 April 2014</b>	229,519	(1,727)	11,824	-	639	(151,692)	(327)	153,529	241,765	17,462	259,227
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	27,726	27,726	2,273	29,999
Other comprehensive income for the period	-	-	-	-	-	-	(31)	-	(31)	(17)	(48)
Exercise of warrants	9	-	-	-	-	-	-	-	9	-	9
Share buy-back	-	(747)	-	-	-	-	-	-	(747)	-	(747)
Dividends paid	-	-	-	-	-	-	-	(6,551)	(6,551)	-	(6,551)
<b>Balance as at 30 September 2014</b>	<b>229,528</b>	<b>(2,474)</b>	<b>11,824</b>	<b>-</b>	<b>639</b>	<b>(151,692)</b>	<b>(358)</b>	<b>174,704</b>	<b>262,171</b>	<b>19,718</b>	<b>281,889</b>
<b>Balance as at 1 April 2013 (restated)</b>	225,844	-	-	12,534	639	(151,692)	(303)	99,200	186,222	9,083	195,305
Total comprehensive income for the period											
Profit for the period previous reported	-	-	-	-	-	-	-	34,360	34,360	38,118	72,478
Prior year adjustment	-	-	-	-	-	-	-	12,776	12,776	-	12,776
<b>As restated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,136</b>	<b>47,136</b>	<b>38,118</b>	<b>85,254</b>
Other comprehensive income for the period	-	-	-	-	-	-	(11)	-	(11)	(6)	(17)
Dividends paid	-	-	-	-	-	-	-	(3,198)	(3,198)	-	(3,198)
Share buy-back	-	(935)	-	-	-	-	-	-	(935)	-	(935)
<b>Balance as at 30 September 2013 (restated)</b>	<b>225,844</b>	<b>(935)</b>	<b>-</b>	<b>12,534</b>	<b>639</b>	<b>(151,692)</b>	<b>(314)</b>	<b>143,138</b>	<b>229,214</b>	<b>47,195</b>	<b>276,409</b>



	Share capital US\$'000	Treasury shares US\$'000	Capital Reserve US\$'000	Warrants Reserve US\$'000	Share based payments US\$'000	Accumulated profits US\$'000	Total US\$'000
<b>THE COMPANY</b>							
<b>Balance as at 1 April 2014</b>	229,519	(1,727)	11,824	-	639	61,522	301,777
Loss for the period, representing total comprehensive income for the period	-	-	-	-	-	(950)	(950)
Exercise of warrants	9	-	-	-	-	-	9
Dividends paid	-	-	-	-	-	(6,551)	(6,551)
Share buy-back	-	(747)	-	-	-	-	(747)
<b>Balance as at 30 September 2014</b>	<b>229,528</b>	<b>(2,474)</b>	<b>11,824</b>	<b>-</b>	<b>639</b>	<b>54,021</b>	<b>293,538</b>
<b>Balance as at 1 April 2013</b>	225,844	-	-	12,534	639	41,739	280,756
Loss for the period, representing total comprehensive income for the period	-	-	-	-	-	(969)	(969)
Dividends paid	-	-	-	-	-	(3,198)	(3,198)
Share buy-back	-	(935)	-	-	-	-	(935)
<b>Balance as at 30 September 2013</b>	<b>225,844</b>	<b>(935)</b>	<b>-</b>	<b>12,534</b>	<b>639</b>	<b>37,572</b>	<b>275,654</b>





**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issue, as at the end of the current financial periods reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	No of shares	
	30.9.2014	30.9.2013
<b>Issued and fully paid ordinary shares</b>		
Balance at the beginning of the financial period	823,415,509	814,193,170
Exercise of warrants	26,866	200
Balance at the end of the financial period	823,442,375	814,193,370

The Company has 81,972,772 numbers of outstanding bonus warrants as at 30 September 2014. Each bonus warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.43 per share.

The number of share options outstanding as at 30 September 2014 was 4,550,000 shares (30 September 2013: 4,550,000 shares).

The number of issued shares less treasury shares as at 30 September 2014 was 815,022,375 shares (823,442,375 issued shares less 8,420,000 treasury shares). The number of issued shares less treasury shares as at 30 September 2013 was 810,765,370 shares (814,193,370 less 3,428,000 treasury shares).

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 September 2014 and 31 March 2014 were 815,022,375 and 817,595,509 respectively.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The movement of treasury shares is as follows:

	No of shares
Balance as at 1 April 2014	5,820,000
Purchase of treasury shares during the period	2,600,000
Transfer of treasury shares during the period	-
Balance as at 30 September 2014	8,420,000

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRSs"), Interpretations of FRS ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after April 1, 2014. The adoption of the new/revised FRSs, INT FRSs and amendments to FRSs has no material effect on the financial statements.

**5. If there were any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	THE GROUP			
	2Q 2015 US cents	2Q 2014 US cents	6M 2015 US cents	6M 2014 US cents
<b>Earnings per ordinary share ("EPS") for the period</b>				
(a) Basic EPS	2.41	4.78	3.39	5.79
(b) On a fully diluted EPS**	# 2.41	4.78	3.39	5.79

**Notes:**

- (i) Basic EPS for the three months ended 30 September 2014 was computed by dividing the Group's net profit attributable to the owners of the Company by the weighted average number of 817,409,141 (30.9.2013: 813,657,183) shares issued.
- (ii) Basic EPS for the six months ended 30 September 2014 was computed by dividing the Group's net profit attributable to the owners of the Company by the weighted average number of 817,501,816 (30.9.2013 :813,923,712) shares issued.
- (iii) Diluted EPS for the three months ended 30 September 2014 was computed by dividing the Group's net profit attributable to the owners of the Company by the weighted average number of 817,409,141 (30.9.2013 :813,657,183) shares issued.
- (iv) Diluted EPS for the six months ended 30 September 2014 was computed by dividing the Group's net profit attributable to the owners of the Company by the weighted average number of 817,501,816 (30.9.2013 : 813,923,712) shares issued.

\*\* for the purposes of calculating diluted EPS, assumption was made that the total number of outstanding bonus warrants as at 30 September 2014 and the total employee share option issued would be converted into ordinary shares

# the option and the warrants were "out-of-money" as at 30 September 2014 and 30 September 2013

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	THE GROUP		THE COMPANY	
	As at 30/9/2014 US cents	As at 31/3/2014 US cents	As at 30/9/2014 US cents	As at 31/3/2014 US cents
<b>Net asset value ("NAV") per ordinary share based on issued share capital as at end of the period reported on</b>	32.17	29.57	36.02	36.91

**Notes:**

The Group's and the Company's NAV per ordinary share as at 30 September 2014 and 31 March 2014 have been computed based on the share capital of 815,022,375 and 817,595,509 shares respectively.



**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### **6M 2015 vs 6M 2014**

The Group recorded a decrease in revenue by 30.3% or approximately US\$63.54 million from US\$209.67 million for the six months ended 30 September 2013 ("**6M 2014**") to US\$146.13 million for the six months ended 30 September 2014 ("**6M 2015**"). Revenues from Marine Division, Oilfield Services Division and Oilfield Projects Division were US\$42.47 million (29.1%), US\$99.63 million (68.2%) and US\$4.03 million (2.7%) respectively.

Revenue from Marine Division increased by US\$7.66 million from US\$34.81 million in 6M 2014 to US\$42.47 million in 6M 2015 due mainly to more vessels being deployed and the increase of the third-parties vessels' deployment as compared to 6M 2014.

Revenue from Oilfield Services Division increased by US\$56.60 million from US\$43.03 million to US\$99.63 million and was attributed mainly to the Engineering, Procurement, Construction & Commissioning ("**EPCC**") contracts secured in the second half of 2013 and the increase in the provision of project sundry services.

Revenue from Oilfield Projects Division was US\$4.03 million in 6M 2015 which was the same amount as 6M 2014.

The revenue from Drilling Division was US\$127.80 million in 6M 2014 but there was no revenue contribution for 6M 2015. This resulted in a substantial decrease in the Group's gross profit by US\$69.52 million from US\$90.93 million in 6M 2014 to US\$21.41 million in 6M 2015.

Gross profit margin for Marine Division declined from 36.0% to 14.3% and was due mainly to the lower margin of the third-parties vessels. Gross profit margin for Oilfield Services Division and Oilfield Projects Division increased marginally from 13.2% to 14.1% and 30.3% to 31.8% respectively in 6M 2015.

As a result of the above factors, the Group's average gross profit margin decreased from 43.4% to 14.7% in 6M 2015.

Other operating income increased substantially by US\$16.90 million to US\$18.91 million in 6M 2015 due primarily to the gain on disposal of a vessel to a Joint Venture Company in Brunei.

Administrative costs increased by US\$4.22 million from US\$8.45 million to US\$12.67 million in 6M 2015. The increase was due mainly to the increase in staff costs for additional headcounts to cope with the expansion of business activities and the foreign exchange loss due to depreciation of US Dollars against Singapore Dollars.

Finance costs decreased from US\$2.56 million to US\$2.32 million in 6M 2015.

The decrease in the Group's share of profit from associates was due mainly to a lower contribution from CH Offshore Ltd.

Due to the foregoing, the Group generated a profit before tax of approximately US\$29.97 million in 6M 2015.

#### **2Q 2015 vs 2Q 2014**

The performance of the Group's business segments varied from time to time according to market conditions. As such, the quarter to quarter results may not be a good indication of the overall trend of the Group's results for the whole financial year.

For the three months ended 30 September 2014 ("**2Q 2015**"), the Group's revenue decreased by 70.9% or approximately US\$130.10 million as compared to the previous corresponding period last year ("**2Q 2014**"). Revenues from Marine, Oilfield Services and Oilfield Projects were US\$23.39 million (43.8%), US\$27.99 million (52.4%) and US\$2.02 million (3.8%) respectively.

Revenue from Marine Division increased from US\$17.84 million to US\$23.39 million as more third-parties vessels were being deployed. Revenue from Oilfield Services Division decreased from US\$35.84 million to US\$27.99 million and was due mainly to the lower revenue for Engineering, Procurement, Construction & Commissioning ("**EPCC**") contracts. Revenue from Oilfield Projects Division remained the same at US\$2.02 million as compared to 2Q 2014.

As a result of the absence of significant revenue contribution from Drilling Division in 2Q 2015, the Group's gross profit decreased substantially from US\$81.64 million in 2Q 2014 to US\$8.66 million in 2Q 2015. This also reduced the Group's overall average gross profit margin from 44.5% in 2Q 2014 to 16.2% in 2Q 2015.



Other operating income increased substantially by US\$16.81 million to US\$17.95 million in 2Q 2015 and was attributable to the gain on disposal of a vessel to a Joint Venture Company in Brunei.

Administrative expenses increased by US\$3.96 million from US\$3.61 million in 2Q 2014 to US\$7.57 million in 2Q 2015. The increase was due mainly to the foreign exchange loss on depreciation of US Dollars against Singapore Dollars and the increase in staff costs for additional headcounts to cope with the expansion of business activities.

Finance costs decreased from US\$1.45 million in 2Q 2014 to US\$1.14 million in 2Q 2015.

The increase in the Group's share of net profit from associates was due to a higher profit from our associate, CH Offshore Ltd.

Due the foregoing, the Group generated a profit before tax of approximately US\$19.94 million in 2Q 2015.

#### **Statement of financial position and Statement of cash flow:**

Non-current assets increased by approximately US\$13.08 million from US\$358.23 million as at 31 March 2014 to US\$371.31 million as at 30 September 2014. The increase was due mainly to the increase in property, plant and equipment, joint ventures, associates and available-for-sale investments.

The increase in property, plant and equipment was due mainly to the purchase of new vessels and office premises and the capitalization of the vessel's modification costs. Joint ventures increased by US\$4.96 million and were due mainly to the equity accounting of the share of profits from a joint venture and the additional investment in the rigs joint ventures companies.

Current assets increased from US\$216.97 million as at 31 March 2014 to US\$289.61 million as at 30 September 2014. The increase in current assets was due to higher other receivables and cash and bank balances after set-off against the decrease in trade receivables. The increase in other receivables was due mainly to the increase in amount due from related parties and amount to be recovered from customers.

Non-current liabilities increased from US\$136.56 million as at 31 March 2014 to US\$191.85 million as at 30 September 2014 and the increase was due mainly to the deferred income from joint ventures and issuance of Notes.

Current liabilities increased by US\$7.76 million from US\$179.41 million as at 31 March 2014 to US\$187.17 million in 30 September 2014.

The increase in other payables was due mainly to the deposits received from customers and the increase in provision of sundry expenses.

On 19 September 2014, the Company issued a S\$50,000,000 Notes with an annual interest rate of 5.5% payable semi-annually in arrears due on 19 September 2017 under the S\$500,000,000 Multicurrency Medium Term Note Programme which was established on 8 September 2014.

The Group generated an approximate net cash flow of US\$19.54 million from operating activities. Net cash flow used in investing activities amounting to US\$36.81 million was mainly for the acquisition of property, plant and equipment and investment in joint ventures and available-for-sales investment. Net cash flow generated from financing activities of US\$11.25 million was mainly from the issuance of Notes, draw-down of new term loans after partially off-set against the repayment of existing term loans, dividends to shareholders and bank balances pledged with the banks.

#### ***9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.***

Not applicable.



**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Despite the current volatility in crude oil price, offshore oil and gas exploration and production activities by oil majors and national oil companies continue to be healthy as they are underpinned by regional economic growth and the demand for energy.

In strengthening its regional operating capabilities, the Marine Division has embarked on a programme of fleet expansion to include a greater variety of vessels that will enable it to cater to a wider range of customers. It continues to seek strategic alliances with local partners in its different regions and has recently formed a Joint Venture Company in Brunei.

The Oilfield Services Division is expected to contribute positively to the Group's revenue by providing support in procurement, logistics, engineering and supply of equipment and materials to oil companies and its contractors.

The Oilfield Projects Division's revenue stream is derived from one-off projects within a specified period of time and will continue to complement the Group's overall financial performance.

The Drilling Services Division has a number of jack-up rigs under construction.

Barring unforeseen circumstances, the Group is cautiously optimistic on its business outlook for the financial year ending 31 March 2015.

**11. Dividend**

**(a) Current financial period reported on**

**Any dividend declared for the current financial period reported on?**

Yes

Name of dividend	Interim
Dividend type	Cash
Dividend rate	S\$0.005 per ordinary share
Tax rate	One-tier tax exempt

**(b) Corresponding period of the immediately preceding financial year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

Yes

Name of dividend	Interim
Dividend type	Cash
Dividend rate	S\$0.005 per ordinary share
Tax rate	One-tier tax exempt

**(c) Date payable**

To be advised at a later date

**(d) Book closure date**

To be advised at a later date

**12. If no dividend has been declared (recommended), a statement to that effect.**

Not applicable

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

**Interested Person Transactions**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	US\$'000	US\$'000
<b>CDS International Forwarding (TianJin) Co Ltd <sup>(1)</sup></b>		
- purchases of services	1,150	-
<b>Cai Wenxing <sup>(2)</sup></b>		
- rental of premises	132	-

Note :

- (1) *Cai Wenxing is a Director of the Company. He holds 70% of the equity interest in CDS International Forwarding (TianJin) Co Ltd.*
- (2) *Cai Wenxing is a director of the Company.*

**14. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5)**

The Board of Directors has confirmed that, to the best of their knowledge, nothing material has come to their attention which may render these financial results for the 6-month-period ended 30 September 2014 to be false or misleading.

**Tan Pong Tyea**

**Cai Wenxing**

**BY ORDER OF THE BOARD**

**Tan Pong Tyea**  
 Chairman and Chief Executive Officer

**12 November 2014**