

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENT OF 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		
	FY 2020	FY 2019	Increase/ (Decrease)
	US\$'000	US\$'000	%
Revenue	29,339	29,433	-0.3%
Cost of sales	(20,636)	(22,923)	-10.0%
Gross profit before direct depreciation	8,703	6,510	33.7%
Direct depreciation	(11,486)	(13,556)	-15.3%
Gross (loss)/profit after direct depreciation	(2,783)	(7,046)	
Other operating income	15,916	13,745	15.8%
Other expenses	(6,045)	(245,323)	-97.5%
Administrative expenses	(6,912)	(15,445)	-55.2%
Finance costs	(5,656)	(5,457)	3.6%
Share of net loss of associates and joint ventures	(3,008)	(3,595)	-16.3%
Loss before income tax	(8,488)	(263,121)	-96.8%
Income tax expense	(312)	(257)	21.4%
Loss for the year	(8,800)	(263,378)	-96.7%
Loss for the year attributable to:			
Owners of the Company	(8,945)	(247,118)	-96.4%
Non-controlling interests	145	(16,260)	-100.9%
Loss for the year	(8,800)	(263,378)	-96.7%
1(a)(ii) Statement of Comprehensive income			
Loss for the year	(8,800)	(263,378)	-96.7%
Other comprehensive income :			
Foreign currency translation of foreign entities	-	-	
Total comprehensive loss for the year	(8,800)	(263,378)	-96.7%
Total comprehensive loss attributable to:			
Owners of the company	(8,945)	(247,118)	-96.4%
Non-controlling interests	145	(16,260)	-100.9%
Total comprehensive loss for the year	(8,800)	(263,378)	-96.7%

Notes:

NM = Not meaningful

1(a)(iii) Loss before income tax is arrived at after charging / (crediting):-

Exchange (gain)/loss - net	(1,814)	1,695
Interest expense	5,656	5,457
Interest income	(19)	(26)
Loss on disposal of property, plant and equipment	1	478
Allow ance for doubtful trade receivables	129	40,484
Allow ance for impairment of property, plant and equipment	(11,485)	88,429
Allow ance for impairment in investment in associated companies	5,845	21,374
Gain on disposal of subsidiaries	-	(9,096)
Loss on dilution of subsidiary to associate	-	7,936
Bad debts recovered	-	993
Provision for onerous contract	-	87,100

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	
	30/6/2020 US\$'000	30/6/2019 US\$'000	30/6/2020 US\$'000	30/6/2019 US\$'000
ASSETS				
Current assets				
Cash and bank balances	2,268	1,641	55	10
Trade receivables	12,793	7,121	-	-
Other receivables	7,938	7,518	276	276
Inventories	220	220	-	-
Assets held for sale	2,251	2,250	-	-
Total current assets	25,470	18,750	331	286
Non-current assets				
Other receivables	1,163	1,193	-	-
Property, plant and equipment	41,289	41,269	5	11
Subsidiaries	-	-	42,548	42,446
Associates	10,009	18,862	*	*
Joint venture	-	-	*	*
Available-for-sale investments	2,098	2,098	2,098	2,098
Deferred tax assets	321	339	-	-
Total non-current assets	54,880	63,761	44,651	44,555
Total assets	80,350	82,511	44,982	44,841
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	12,884	10,972	-	-
Other payables	133,276	126,159	169,004	164,164
Finance leases	11	10	-	-
Borrowings	91,061	92,487	21,224	21,984
Income tax payable	13	32	-	-
Total current liabilities	237,245	229,660	190,228	186,148
Non-current liabilities				
Deferred tax liabilities	5,113	5,100	-	-
Other payables	969	778	-	-
Finance leases	17	2	-	-
Notes payables	35,817	36,982	35,817	36,982
Total non-current liabilities	41,916	42,862	35,817	36,982
Capital and reserves				
Share capital	231,009	231,009	231,009	231,009
Treasury shares	(4,114)	(4,114)	(4,114)	(4,114)
Capital reserve	(1,451)	(1,451)	-	-
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	323	323	-	-
Accumulated (loss)/profits	(273,753)	(264,808)	(407,958)	(405,184)
Equity attributable to owners of the Company	(199,678)	(190,733)	(181,063)	(178,289)
Non-controlling interests	867	722	-	-
Net capital deficiency	(198,811)	(190,011)	(181,063)	(178,289)
Total liabilities and equity	80,350	82,511	44,982	44,841

Notes:

* Amount less than US\$1,000

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

	THE GROUP			
	As at 30/6/2020		As at 30/6/2019	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	91,072	-	92,497	-
Amount repayable after one year	35,834	-	36,984	-
Total	<u>126,906</u>	<u>-</u>	<u>129,481</u>	<u>-</u>

Details of any collateral:

- 1) The Group's borrowings are secured by:
 - i) corporate guarantee from Company and certain subsidiaries;
 - 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 a subsidiary's shares.

- 2) Obligations under finance lease are secured by the lessor's charge over the leased assets.

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

	THE GROUP	
	FY 2020 US\$'000	FY 2019 US\$'000
Cash flows from operating activities		
Loss before income tax	(8,488)	(263,121)
Adjustments for:		
Allowance for doubtful trade receivables	129	40,484
Allowance for impairment in associated companies	5,845	21,352
Allowance for impairment of property, plant and equipment	(11,485)	88,429
Trade receivables written back	-	(993)
Depreciation and amortisation expenses	11,592	14,081
Exchange difference	(1,067)	1,695
Interest expense	5,656	5,457
Interest income	(19)	(26)
Loss on disposal of property, plant and equipment	1	478
Gain on disposal of subsidiaries	-	(1,160)
Share of net loss/(profit) of associates and joint ventures	3,008	3,595
Provision of onerous contract	-	87,100
Operating cash flows before movements in working capital	5,172	(2,629)
Inventories	-	(91)
Trade receivables	(5,801)	(4,454)
Other receivables	(391)	1,108
Trade payables	1,912	4,290
Other payables	2,160	1,700
Cash (used in) / generated from operations	3,052	(76)
Income tax refund/(payment)	(301)	(124)
Net cash (used in) / generated from operating activities	2,751	(200)
Cash flows from investing activities		
Interest received	19	26
Proceeds from assets held for sale	-	29,419
Net cash inflow from dilution of interest in a subsidiary	-	(608)
Fixed deposits and bank balances pledged	-	(108)
Purchases of property, plant and equipment	(128)	(2,104)
Net cash (used in) / generated from investing activities	(109)	26,625



THE GROUP		
	FY 2020	FY 2019
	US\$'000	US\$'000
Cash flows from financing activities		
Interest paid	(506)	(1,598)
Repayment of finance lease obligations	16	(30)
Repayment of borrowings	(1,514)	(20,979)
Repayment of liabilities associated with assets held for sale	-	(6,864)
Net cash used in financing activities	(2,004)	(29,471)
Net decrease in cash and cash equivalents		
	638	(3,046)
Effect of exchange rate changes	1,342	2
Cash and cash equivalents at beginning of the year	(10)	4,386
Cash and cash equivalents at end of the year (Note)	1,970	1,342
Cash and cash equivalents represent:		
Bank and cash balance	2,151	1,524
Fixed deposits	117	117
	2,268	1,641
Less : fixed deposits and bank balances pledged	(298)	(299)
Cash and cash equivalents in statement of cash flows	1,970	1,342

FALCON ENERGY GROUP LIMITED

Registration No. 200403817G



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

	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits/(losses) US\$'000	Total attributable to equity holders of the parent US\$'000	Non-controlling interests US\$'000	Total US\$'000
THE GROUP										
Balance as at 1 July 2019	231,009	(4,114)	(1,451)	-	(151,692)	323	(264,808)	(190,733)	722	(190,011)
Total comprehensive income for the year										
Loss for the year	-	-	-	-	-	-	(8,945)	(8,945)	145	(8,800)
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	(8,945)	(8,945)	145	(8,800)
Balance as at 30 June 2020	231,009	(4,114)	(1,451)	-	(151,692)	323	(273,753)	(199,678)	867	(198,811)
Balance as at 1 July 2018	231,009	(4,114)	(19,608)	639	(151,692)	(362)	(412)	55,460	41,554	97,014
Total comprehensive income for the year										
Loss for the year	-	-	-	-	-	-	(247,118)	(247,118)	(16,260)	(263,378)
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	(247,118)	(247,118)	(16,260)	(263,378)
Transactions with owners of the Company, recognised directly in equity										
Transfer of share option reserve to accumulated profits/(loss)	-	-	-	(639)	-	-	639	-	-	-
Subsidiaries diluted	-	-	29,781	-	-	-	(29,741)	40	(18,277)	(18,237)
Transfer of unexercised warrant reserve to accumulated profit/(loss)	-	-	(11,824)	-	-	-	11,824	-	-	-
Disposal of interest in subsidiaries	-	-	200	-	-	685	-	885	(6,295)	(5,410)
Total	-	-	18,157	(639)	-	685	(17,278)	925	(24,572)	(23,647)
Balance as at 30 June 2019	231,009	(4,114)	(1,451)	-	(151,692)	323	(264,808)	(190,733)	722	(190,011)



	Share capital US\$'000	Treasury shares US\$000	Capital reserve US\$000	Share option reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
THE COMPANY						
Balance as at 1 July 2019	231,009	(4,114)	-	-	(405,184)	(178,289)
Loss for the year representing total comprehensive income for the year	-	-	-	-	(2,774)	(2,774)
Balance as at 30 June 2020	231,009	(4,114)	-	-	(407,958)	(181,063)
Balance as at 1 July 2018	231,009	(4,114)	11,824	639	(412,339)	(172,981)
Loss for the year representing total comprehensive income for the year	-	-	-	-	(5,308)	(5,308)
Transaction with owners of the Company, recognised directly in equity						
Transfer of expired warranty reserve	-	-	(11,824)	-	11,824	-
Transfer of share option reserve	-	-	-	(639)	639	-
Total	-	-	(11,824)	(639)	12,463	-
Balance as at 30 June 2019	231,009	(4,114)	-	-	(405,184)	(178,289)

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.

	30 June 2020	30 June 2019
Issued ordinary shares		
Balance at the beginning of the financial year	823,442,375	823,442,375
Placement of new shares	-	-
Balance at the end of the financial year	<u>823,442,375</u>	<u>823,442,375</u>
Outstanding share options	<u>-</u>	<u>-</u>

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.

As above.



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.

Balance as at 1 July 2019 / 30 June 2020

No of shares
<u>16,810,900</u>

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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computations in the financial statements for the current financial period compared with those of the audited financial statements as at 30 June 2018.

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.

The Group has adopted the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for current financial period. The adoption of these new and revised FRS, INT FRS does not have a material impact on the financial statements of the Group.

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	
	FY 2020	FY 2019
Net loss attributable to Owners of the Company (US\$'000)	<u>(8,945)</u>	<u>(247,118)</u>
Weighted average number of ordinary shares ('000)	<u>876,631</u>	<u>876,631</u>
Loss per ordinary share ("LPS") for the year		
(a) Basic LPS (US cents)	(1.02)	(28.19)
(b) On a fully diluted LPS (US cents)#	(1.02)	(28.19)

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	As at	As at	As at
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	US cents	US cents	US cents	US cents
Net (Liability)/asset value ("NAL/NAV") per ordinary share based on issued share capital excluding treasury shares as at end of the period reported on	(22.78)	(21.76)	(20.65)	(20.34)

Notes:

The Group's and the Company's (NAL)/NAV (represented as equity attributable to owners of the Company) per ordinary share as at 30 June 2020 and 30 June 2019 have been computed based on the number of 876,631,475 ordinary shares issued excluding treasury 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.

The Group recorded a decrease in revenue of USD0.09 million or 0.3% from USD29.43 million in FY2019 to USD29.34 million in FY2020. The difference is mainly made up of:

The Group's average gross loss margin improved from 23.9% in FY2019 to a gross loss margin of 9.5% in FY2020. Improvement in Gross Loss of USD4.26 million was mainly attributable to better control in operation cost during the year. The Group recorded a gross loss position during the year mainly attributable to low vessel deployment rate in Marine Division.

Other operating income improved by USD2.17 million to USD15.92 million in FY2020 from USD13.75 million in FY2019 mainly attributable to reversal of impairment of USD11.49 million to offset impact of depreciation during the year in order for assets portfolio to remain consistent to market value which was determined in preparation of FY2019 financial report. This was also offset by absence of gain in disposal of subsidiary of USD7.94 million in FY2019.

Other expenses decreased by USD239.28 million to USD6 million in FY2020 from USD245.32 million in FY2019. This was mainly attributable to lower allowance for doubtful debts of USD40.48 million, absence of provision of onerous contract of USD87.10 million, absence in disposal of subsidiary of USD7.95 million, lower in impairment of associate of USD5.40 million, absence in impairment of vessels of USD88.43 million, and absence of impairment of associate company of USD10.12 million.

Administrative expenses decreased by USD8.53 million to USD6.92 million in FY2020 from USD15.45 million in FY2019. This was consistent with overall reduction in the Company's business activities. Main components among the reduced expenses were lower staff and directors remuneration of USD3.32 million, lower rental expenses of USD0.74 million, lower loss on disposal of USD0.48 million, lower depreciation expenses of USD0.42 million, lower insurance expenses of USD0.23 million, lower legal and professional fees of USD0.21 million, lower travelling expenses of USD0.11 million, and lower loss in exchange differences of USD1.31 million.

Finance cost increased by USD0.20 million to USD5.66 million in FY2020 from USD5.56 million in FY2019, mainly attributable to higher amount of late payment charges in FY2020.

The share of loss from associates and joint ventures decreased by USD0.59 million mainly attributable to lower loss incurred by associates and joint ventures.

With the abovementioned factors, the Group recorded a loss before tax of approximately USD8.49 million in FY2020.

Statement of financial position and Statement of cash flow:

Current assets increased by USD6.72 million from USD18.75 million as at FY2019 to USD25.47 million as at FY2020. This was mainly attributable to increase in trade and other receivables.

Non-current assets decreased by USD8.88 million from USD63.76 million as at FY2019 to USD54.88million as at FY2020 mainly attributable to impairment and disposal of associate of USD5.84 million and USD3.01 million.

Current liabilities increased by USD7.59 from USD229.66 million as at FY2019 to USD237.25 million as at FY2020 mainly attributable to increase in trade payables and other payables by USD1.91 million and USD7.11 million as a result of delay in payment. This was offset by reduction in borrowing of USD1.43 million.

Non-current liabilities decreased by USD0.94 million from USD42.86 million as at FY2019 to USD41.92 million as at FY2020 mainly attributable decrease in notes payables of USD1.17 million due to movement in exchange rate, and an increase in other payables of USD0.19 million.

The Group recorded a net cash flow of USD2.75 million from operating activities, mainly attributable to adjustments before movement in working capital of USD5.17 million, working capital changes during the year was a negative USD2.12 million. Net cash outflow flow from investing activities of USD0.13 million were mainly attributable purchases in property, plant and equipment in Indonesia subsidiary. Cash out flow of USD2.00 million in financing activities were mainly attributable to interest payment of USD0.51 million and borrowing repayment of USD1.51 million.

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.

The Company continues to face difficult challenges and uncertainties.

The Company's focus in the next few months is to work with its Independent Financial Advisor to file a third attempt of Scheme of Arrangement.

Success of the Scheme of Arrangement is crucial to relinquish the Company from its heavy liabilities and for the Company to be able to operate normally.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding period of the immediately preceding financial year

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

No.

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

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

No final dividend has been declared for the financial year ended 30 June 2020.

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.

14. CONFIRMATION PURSUANT TO RULE 720(1) OF THE SGX LISTING MANUAL

The Company confirms that it has procured the undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

PART 2 - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable as the group has single segment.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8 for the review.

17. A breakdown of sales

	The Group		
	Year ended 30 June 2020 (12 months) US\$'000	Year ended 30 June 2019 (12 months) US\$'000	Increase/ (Decrease) %
(a) Sales reported for first 6 months	14,101	16,103	-12%
(b) Operating loss after tax reported for first 6 months	(10,387)	(12,920)	-20%
(c) Sales reported for remaining months	15,238	13,330	14%
(d) Operating profit/(loss) after tax reported for remaining months	1,587	(250,458)	-101%

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

No annual dividend paid for the financial year ended 2020 and 2019.

19. Disclosure of person occupying a managerial positions in the issuer of any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Not applicable.

BY ORDER OF THE BOARD

Tan Pong Tyea
Chairman and Chief Executive Officer

25 February 2022