

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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			
	1Q 2015 US\$'000	1Q 2014 US\$'000 (restated)	Note	Increase/ (Decrease) %
Revenue	92,724	26,168		254.3%
Cost of sales	(79,970)	(16,877)		373.8%
Gross profit	<u>12,754</u>	<u>9,291</u>		37.3%
Other operating income	961	875		9.8%
Administrative expenses	(5,101)	(4,831)		5.6%
Finance costs	(1,175)	(1,107)		6.1%
Share of net profit of associates	1,289	3,801	(A)	-66.1%
Share of profit/(loss) of a joint venture	1,299	(14)		NM
Profit before income tax	<u>10,027</u>	<u>8,015</u>		25.1%
Income tax benefit/(expense)	12	(63)		NM
Profit for the period	<u><u>10,039</u></u>	<u><u>7,952</u></u>		26.2%
Profit for the period attributable to:				
Owners of the Company	8,066	8,263		-2.4%
Non-controlling interests	1,973	(311)		NM
Profit for the period	<u><u>10,039</u></u>	<u><u>7,952</u></u>		26.2%
(a) (ii) Statement of Comprehensive income				
Profit for the period	10,039	7,952		26.2%
Other comprehensive income :				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation of foreign entities	3	(19)		NM
Total comprehensive income for the period	<u><u>10,042</u></u>	<u><u>7,933</u></u>		26.6%
Total comprehensive income attributable to :				
Owners of the Company	8,068	8,251		-2.2%
Non-controlling interests	1,974	(318)		NM
Total comprehensive income for the period	<u><u>10,042</u></u>	<u><u>7,933</u></u>		26.6%

NM : Not 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):-

	THE GROUP	
	1Q 2015	1Q 2014
	US\$'000	US\$'000
Depreciation	3,543	3,216
Exchange loss/(gain) - net	200	(105)
Interest expense	1,180	1,120
Interest income	(7)	(3)
Trade debts written off	-	415
Allowance for doubtful trade debts	146	-
Loss on disposal of property, plant and equipment	2	575
Change in fair value of derivative financial instrument	(5)	(13)

FALCON ENERGY GROUP LIMITED

Registration No. 200403817G



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	
	6/30/2014 US\$'000	3/31/2014 US\$'000	6/30/2014 US\$'000	3/31/2014 US\$'000
ASSETS				
Current assets				
Cash and bank balances	37,819	46,928	1,081	3,226
Trade receivables	135,008	112,463	-	-
Other receivables	48,870	56,161	205,156	189,989
Inventories	695	1,416	-	-
Total current assets	<u>222,392</u>	<u>216,968</u>	<u>206,237</u>	<u>193,215</u>
Non-current assets				
Other receivables	1,764	2,125	-	-
Property, plant and equipment	245,915	227,953	6,680	6,583
Subsidiaries	-	-	177,127	176,552
Associates	103,622	102,332	-	-
Joint venture	23,392	22,191	22,183	22,183
Available-for-sale investments	1,049	1,049	1,049	1,049
Other intangible assets	2,277	2,257	-	-
Deferred tax assets	312	325	-	-
Total non-current assets	<u>378,331</u>	<u>358,232</u>	<u>207,039</u>	<u>206,367</u>
Total assets	<u>600,723</u>	<u>575,200</u>	<u>413,276</u>	<u>399,582</u>
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	86,892	91,177	-	-
Other payables	66,140	32,589	108,659	94,469
Finance leases	160	172	13	19
Borrowings	47,846	54,085	660	656
Derivative financial liability	3	8	-	-
Income tax payable	1,474	1,381	43	43
Total current liabilities	<u>202,515</u>	<u>179,412</u>	<u>109,375</u>	<u>95,187</u>
Non-current liabilities				
Finance leases	389	417	74	72
Borrowings	116,001	123,496	2,410	2,546
Other payables	7,421	7,520	-	-
Deferred tax liabilities	5,128	5,128	-	-
Total non-current liabilities	<u>128,939</u>	<u>136,561</u>	<u>2,484</u>	<u>2,618</u>
Capital and reserves				
Share capital	229,519	229,519	229,519	229,519
Treasury shares	(1,727)	(1,727)	(1,727)	(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	(325)	(327)	-	-
Accumulated profits	161,595	153,529	61,162	61,522
Equity attributable to the owners of the Company	<u>249,833</u>	<u>241,765</u>	<u>301,417</u>	<u>301,777</u>
Non-controlling interests	19,436	17,462	-	-
Total equity	<u>269,269</u>	<u>259,227</u>	<u>301,417</u>	<u>301,777</u>
Total liabilities and equity	<u>600,723</u>	<u>575,200</u>	<u>413,276</u>	<u>399,582</u>



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

	THE GROUP			
	As at 30 June 2014		As at 31 March 2014	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	48,006	-	54,092	165
Amount repayable after one year	116,390	-	123,913	-
Total	164,396	-	178,005	165

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 an associates' shares.

- 2) Obligations under finance lease are secured by the lessor's charged 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	
	1Q 2015	1Q 2014
	US\$'000	US\$'000 (restated)
Cash flows from operating activities		
Profit before income tax	10,027	8,015
Adjustments for:		
Depreciation of property, plant and equipment	3,543	3,216
Interest expense	1,180	1,120
Interest income	(7)	(3)
Share of net loss/(profit) of associates	(1,289)	(3,801)
Share of net loss of a joint venture	(1,299)	14
Allowance for trade doubtful debts	146	-
Changes in fair value of derivative financial instrument	(5)	(13)
Trade debts written off	-	415
Exchange difference	(221)	(182)
Loss on disposal of property, plant and equipment	2	575
Operating cash flows before movements in working capital	12,077	9,356
Inventories	721	268
Trade receivables	(22,691)	(18,017)
Other receivables	(20,141)	(23,543)
Trade payables	(4,285)	503
Other payables	36,645	33,728
Cash generated from operations	2,326	2,295
Income tax paid	(117)	(462)
Net cash generated from operating activities	2,209	1,833
Cash flows from investing activities		
Interest received	7	3
Purchase of property, plant and equipment	(21,020)	(14,304)
Payment for intangible assets	(20)	(56)
Proceeds from disposal of property, plant and equipment	-	800
Net cash used in investing activities	(21,033)	(13,557)
Cash flows from financing activities		
Interest paid	(1,180)	(1,120)
Fixed deposit and bank balances pledged	354	176
Repayment/Advance from related parties	24,669	24
Repayment of finance lease obligations	(40)	(49)
Repayment of borrowings	(36,484)	(7,374)
Proceeds of borrowings	22,750	12,889
Net cash generated from financing activities	10,069	4,546
Net decrease in cash and cash equivalents	(8,755)	(7,178)
Effect of exchange rate changes	*	2
Cash and cash equivalents at beginning of year	40,600	12,896
Cash and cash equivalents at end of period	31,845	5,720

* amount less than US\$1,000



THE GROUP	
1Q 2015	1Q 2014
US\$'000	US\$'000
36,883	7,441
936	1,096
<u>37,819</u>	<u>8,537</u>
(5,974)	(2,817)
<u>31,845</u>	<u>5,720</u>

Cash and cash equivalents represent:

Bank and cash balance

Fixed deposits

Less : fixed deposits and bank balances pledged

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 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
THE GROUP											
Balance as at 1 April 2014	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	-	-	-	-	-	-	-	8,066	8,066	1,973	10,039
Other comprehensive income for the period	-	-	-	-	-	-	2	-	2	1	3
Balance as at 30 June 2014	229,519	(1,727)	11,824	-	639	(151,692)	(325)	161,595	249,833	19,436	269,269
Balance as at 1 April 2013 (restated)	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	-	-	-	-	-	-	-	(4,513)	(4,513)	(311)	(4,824)
Prior year adjustment	-	-	-	-	-	-	-	12,776	12,776	-	12,776
As restated	-	-	-	-	-	-	-	8,263	8,263	(311)	7,952
Other comprehensive income for the period	-	-	-	-	-	-	(12)	-	(12)	(7)	(19)
Balance as at 30 June 2013 (restated)	225,844	-	-	12,534	639	(151,692)	(315)	107,463	194,473	8,765	203,238



	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
THE COMPANY							
Balance as at 1 April 2014	229,519	(1,727)	11,824	-	639	61,522	301,777
Loss for the period, representing total comprehensive income for the period	-	-	-	-	-	(360)	(360)
Balance as at 30 June 2014	229,519	(1,727)	11,824	-	639	61,162	301,417
Balance as at 1 April 2013	225,844	-	-	12,534	639	41,739	280,756
Loss for the period, representing total comprehensive income for the period	-	-	-	-	-	(401)	(401)
Balance as at 30 June 2013	225,844	-	-	12,534	639	41,338	280,355



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.

The Company did not issue any shares for the financial period ended 30 June 2014.

The Company has 81,998,638 numbers of outstanding bonus warrants as at 30 June 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 June 2014 was 4,550,000 shares (30 June 2013: 4,550,000 shares).

The number of issued shares less treasury shares as at 30 June 2014 was 817,595,509 shares (823,415,509 issued shares less 5,820,000 treasury shares). The number of issued shares less treasury shares as at 30 June 2013 was 814,193,170 shares. There were no treasury shares as at 30 June 2013.

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 June 2014 and 31 March 2014 were 817,595,509.

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.

	No of shares
Balance as at 1 April 2014	5,820,000
Purchase of treasury shares during the period	-
Transfer of treasury shares during the period	-
Balance as at 30 June 2014	<u>5,820,000</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.

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	
	1Q 2015 US cents	1Q 2014 US cents (restated)
Earnings per ordinary share ("EPS") for the period		
(a) Basic EPS	0.99	1.01
(b) On a fully diluted basis **	# 0.99	1.01

Notes:

- (i) Basic EPS for the financial period ended 30 June 2014 was computed by dividing the Group's net profit attributable to the owners of the Company by the number of 817,595,509 shares issued.
- (ii) Diluted EPS for the financial period ended 30 June 2014 was computed by dividing the Group's net profit attributable to the owners of the Company by the number of 817,595,509 shares issued.
- (iii) Basic EPS for the financial period ended 30 June 2013 was computed by dividing the Group's net profit attributable to the owners of the Company by the number of 814,143,170 shares issued.
- (iv) Diluted EPS for the financial period ended 30 June 2013 was computed by dividing the Group's net profit attributable to the owners of the Company by the number of 814,143,170 shares issued.

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

the option and warrants were "out-of-money" as at 30 June 2014 and 30 June 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 30/6/2014 US cents	As at 31/3/2014 US cents	As at 30/6/2014 US cents	As at 31/3/2014 US cents
Net asset value ("NAV") per ordinary share based on issued share capital as at end of the period reported on	30.56	29.57	36.87	36.91

Notes:

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

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.

Statement of comprehensive income

The Group recorded an increase in revenue by 254.3% or approximately US\$66.56 million from US\$26.17 million for the three months ended 30 June 2013 ("**1Q 2014**") to US\$92.72 million for the three months ended 30 June 2014 ("**1Q 2015**"). Revenues from the Marine Division, Oilfield Services Division and Oilfield Projects Division were US\$19.08 million (20.6%), US\$71.64 million (77.3%) and US\$2.00 million (2.1%) respectively.

Revenue from the Marine Division increased by 12.4% or approximately US\$2.10 from US\$16.98 million in 1Q 2014 to US\$19.08 million in 1Q 2015. The increase was due mainly to more vessels being deployed in 1Q 2015 as compared to 1Q 2014.

Revenue from the Oilfield Services Division increased significantly from US\$7.19 million to US\$71.64 million in 1Q 2015, due mainly to the Engineering, Procurement, Construction & Commissioning ("**EPCC**") contracts secured in the second half of 2013.

Revenue from the Oilfield Projects Division was US\$2.00 million which was the same amount as 1Q 2014.

Due to higher revenue, the Group's gross profit increased by US\$3.46 million from US\$9.29 million in 1Q 2014 to US\$12.75 million in 1Q 2015.

Gross profit margin for the Marine Division decreased from 41.4% to 17.5% and was attributable to lower margin for the third parties vessels. The decline of gross profit margin in Oilfield Services Division from 22.5% to 12.2% and was due primarily to the lower margin of the EPCC contracts. The gross profit margin for the Oilfield Projects remained the same at 31.8% in 1Q 2015 (1Q 2014: 31.8%)

As a result of the above, the Group's average gross profit margin decreased from 35.5% in 1Q 2014 to 13.8% in 1Q 2015.

Other operating income increased from US\$0.88 million in 1Q 2014 to US\$0.96 million in 1Q 2015 due mainly to the increase in the provision of vessel sundry services.

Administrative costs increased by approximately US\$0.27 million from US\$4.83 million to US\$5.10 million.

Finance costs increased from US\$1.11 million to US\$1.18 million in 1Q 2015 due to higher interest rates.

The decrease in the share of profit of associates from US\$3.80 million in 1Q 2014 to US\$1.29 million in 1Q 2015 was due mainly to the lower contribution from CH Offshore Ltd.

The share of profit of joint venture was derived from the Group's joint venture in Mexico, Dictamismo S De R.L. De C.B.

Due to the foregoing, the Group incurred a profit before tax of approximately US\$10.03 million in 1Q 2015.

Statement of financial position and Statement of cash flows:

Non-current assets increased by approximately US\$20.10 million from US\$358.23 million as at 31 March 2014 to US\$378.33 million in 30 June 2014. The increase was mainly due to the increase in property, plant and equipment, joint venture and associates after partial set-off against a decrease in other receivables. The increase in property, plant and equipment was due primarily to the purchase of new vessels and the capitalization of vessels' modification costs. The increase in associates and joint venture was attributable to the positive share of associated companies and a joint venture results which were equity-accounted for.

Current assets increased by US\$5.42 million from US\$216.97 million to US\$222.39 million as at 30 June 2014. The increase was due to the higher trade receivables against a reduction in other receivables and cash and bank balances.

The decrease in other receivables was due mainly to the decrease in amount due from related parties.

Current liabilities increased from US\$179.41 million to US\$202.52 million as at 30 June 2014. This was primarily due to the increase in other payables after partially setting-off against the decrease in the current portion of borrowings and trade payables.

The increase in other payables was mainly due to the increase in deposits received from the customers as well as higher provision of sundry expenses. Non-current liabilities decreased by US\$7.62 million from US\$136.56 million as at 31 March 2014 to US\$128.94 million as at 30 June 2014. The decrease was primarily attributable to the decrease in borrowings.

The Group generated an approximate net cash flow of US\$2.21 million from operating activities. Net cash flow used in investing activities was US\$21.03 million and was mainly for the purchase of property, plant and equipments. Net cash flow generated from financing activities amounted to US\$10.07 million and was mainly from the repayment from related party and draw-down of a new term loan which was partially off-set against from the repayment of existing term loans.

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.

Offshore oil and gas exploration and production activities continue to be strong and create a demand for the Group's fleet of vessels. The Marine Division is expanding its fleet with vessels of different sizes and specifications to enable the Group to service a wider range of clients.

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

The Drilling Services Division continues to be developed into a provider of drilling services to the oil majors, drilling contractors and national oil companies as they increase the pace of their exploration activities for both oil as well as natural gas. Together with our strategic partners, the Drilling Services Division has a number of jack-up rigs under construction.

The Resources Division complements the Group's energy-related businesses. It currently has three coal concessionaires in East Kalimantan, Indonesia and production is expected to begin later this year. Although coal prices have been at a relatively low level last year, we expect prices to improve over time. As the grades of our coal reserve are considered good, it should allow us to have a decent operating margin given at today's price.

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?

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 interim dividend has been declared for the financial period ended 30 June 2014.



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
CDS International Forwarding (TianJin) Co Ltd ⁽¹⁾		
- purchases of services	340	-

Note :

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

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 3-month-period ended 30 June 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 August 2014