

CIRCULAR DATED 14 JULY 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Unless otherwise stated, capitalised terms on this cover are defined in this Circular under the Section entitled "Definitions".

If you have sold or transferred all your Shares, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



FALCON ENERGY GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200403817G)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

This Circular is issued to you together with the Annual Report 2015 of Falcon Energy Group Limited. The resolutions proposed to be passed in relation to the above matter are set out in the Notice of Annual General Meeting attached to the Annual Report 2015.

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DEFINITIONS

The following definitions shall apply throughout unless otherwise stated in this Circular:

Companies, Organisations, Persons and Agencies

“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	Falcon Energy Group Limited
“Group”	:	The Company and its subsidiaries
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

General

“AGM”	:	The annual general meeting of the Company
“Articles”	:	The articles of association of the Company
“Board”	:	The board of directors of the Company
“Circular”	:	This circular to Shareholders dated 14 July 2015
“Companies Act”	:	Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
“Directors”	:	The directors of the Company as at the date of this Circular or at any or the relevant time (as the case may be)
“Latest Practicable Date”	:	6 July 2015, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“Listing Rules”	:	The listing rules of the SGX-ST as set out in the Listing Manual
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“NAV”	:	Net asset value
“Registrar”	:	The Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
“Related Expenses”	:	Has the meaning ascribed to that term in Section 3.4 of this Circular
“Relevant Period”	:	The period commencing from the date on which the last AGM was held and expiring on the date the next AGM is or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Buyback Mandate is passed
“Securities Account”	:	The securities account maintained by a Depositor with the CDP but does not include a securities sub-account
“Share Buyback Mandate”	:	A general mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in this Circular as well as the rules and regulations set forth in the Companies Act and the Listing Manual

DEFINITIONS

- “Shareholders”** : Registered holders of the Shares, except that where the registered holder is the CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
- “Shares”** : Ordinary shares in the share capital of the Company
- “Substantial Shareholder”** : A person who has an interest in one or more voting shares of a company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the company
- “Take-over Code”** : The Singapore Code on Take-overs and Mergers, as may be amended, modified or supplemented from time to time

Units of Measurement, Currencies and Countries

- “S\$” and “cents”** : Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
- “US\$” and “US cents”** : United States dollars and cents respectively, the lawful currency of the United States of America
- “%” or “per cent.”** : Per centum or percentage

The expressions **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Words importing persons shall, where applicable, include corporations and unincorporated associations.

Any reference in this Circular to **“Rule”** or **“Chapter”** is a reference to the relevant rule or chapter in the Listing Manual as for the time being amended.

Any reference in this Circular to any statute or enactment or the Listing Manual is a reference to that statute or enactment or the Listing Manual as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any amendment thereof, and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act or the Listing Manual or such amendment thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise provided.

Any discrepancies in the tables included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

FALCON ENERGY GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200403817G)

Directors

Tan Pong Tyea (Chairman and Chief Executive Officer)
Neo Chin Lee (Executive Director)
Cai Wenxing (Executive Director)
Lien Kait Long (Non-Executive and Lead Independent Director)
Mak Yen-Chen Andrew (Non-Executive and Independent Director)
Lim Kuan Meng (Non-Executive and Independent Director)
Tan Sooh Whye (alternate to Tan Pong Tyea)
Cai Wenting (alternate to Cai Wenxing)

Registered Office

10 Anson Road
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Singapore 079903

14 July 2015

To: The Shareholders of Falcon Energy Group Limited

Dear Sir / Madam

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

We refer to (a) the Notice convening the Eleventh AGM of the Company to be held on 30 July 2015 and (b) the proposed Resolution 9 (to be passed as an Ordinary Resolution) set out in the Notice of the Eleventh AGM in relation to the proposed renewal of the Share Buyback Mandate.

The purpose of this Circular is to provide Shareholders with the relevant information relating to, and to explain the rationale for, the proposed renewal of the Share Buyback Mandate for which approval of Shareholders will be sought at the Eleventh AGM to be held on 30 July 2015 ("**Eleventh AGM**").

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than Shareholders to whom this Circular is despatched by the Company) or for any other purpose.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.

2. PROPOSED RENEWAL OF SHARE BUYBACK MANDATE

2.1 General

Under the Companies Act, a company may purchase its own shares, stocks and/or preference shares if it is expressly permitted to do so by its articles of association. Article 68(2) of the Company's Articles expressly permits the Company to, *inter alia*, purchase or otherwise acquire any of its issued Shares. It is also a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares should obtain approval from its shareholders to do so at a general meeting of its shareholders.

At an extraordinary general meeting of the Company held on 30 July 2010, Shareholders had approved the first Share Buyback Mandate to enable the Company to purchase or otherwise acquire its issued Shares on the terms of the said Share Buyback Mandate. The Share Buyback Mandate was subsequently renewed at the AGMs held on 27 April 2011, 30 April 2012, 30 July 2013 and 25 July 2014. The approval conferred on the Directors will, unless renewed, expire at the Eleventh AGM.

LETTER TO SHAREHOLDERS

In this regard, approval is now being sought from Shareholders at the Eleventh AGM for the proposed renewal of the Share Buyback Mandate.

2.2 Rationale

The Directors constantly seek to increase shareholder value and to improve, *inter alia*, the return on equity of the Group. A share buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Share buybacks provide the Company with a mechanism to facilitate the return of surplus cash/funds over and above its ordinary capital requirements, and in excess of the financial and possible investment needs of the Company, in an expedient, effective and cost-efficient manner. It will also provide the Directors with greater flexibility over the Company's dividend policy and share capital structure with a view to enhancing the earnings and/or NAV per Share. The Directors further believe that share buybacks by the Company will help mitigate short term market volatility, offset the effects of short-term speculation and bolster Shareholders' confidence.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in Section 3.1 below during the period referred to in Section 3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised, and will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

3. AUTHORITY AND LIMITS OF THE SHARE BUYBACK MANDATE

The authority and limitations placed on share purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are similar in terms to those previously approved by Shareholders at the AGM held on 25 July 2014, and are summarised below:

3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

Subject to the Companies Act, the total number of Shares that may be purchased or acquired by the Company shall not exceed 10% of the total number of Shares (excluding any Shares which are held as treasury shares) in issue as at the date of the AGM at which the renewal of the Share Buyback Mandate is approved. As at the Latest Practicable Date, the Company is holding 13,945,600 treasury shares. For illustrative purposes only, on the basis of 809,496,775 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the Eleventh AGM, not more than 80,949,677 Shares (representing approximately 10% of the issued ordinary share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate during the period referred to in Section 3.2 below.

LETTER TO SHAREHOLDERS

3.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the Eleventh AGM at which the proposed renewal of the Share Buyback Mandate is approved, up to:

- (a) the date on which the next AGM is held or required by law to be held;
- (b) the date on which the Share buybacks are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Buyback Mandate to purchase or acquire Shares may be renewed at the AGM to be held after the Eleventh AGM (i.e. the Eleventh AGM). When seeking the approval of Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the previous Share Buyback Mandate made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

3.3 Manner of Purchase of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system or through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions of the Companies Act and the Listing Rules ("**Off-Market Purchases**").

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all of the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded: (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

LETTER TO SHAREHOLDERS

Pursuant to the Listing Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable takeover rules;
- (5) whether the purchases or acquisitions of Shares, if made, could affect on the listing of the Shares on the SGX-ST; and
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases;
- (7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

3.4 Maximum Purchase Price

The purchase price (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses (“**Related Expenses**”)) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined hereinafter),

(“**Maximum Price**”) in either case, excluding Related Expenses.

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five Market Days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

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4. STATUS OF THE PURCHASED OR ACQUIRED SHARES

The Shares purchased or acquired by the Company may be cancelled or kept as treasury shares.

4.1 Cancellation

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

4.2 Treasury shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage.

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5. REPORTING REQUIREMENTS

Within 30 days of the passing of a Shareholders' resolution to approve the Share Buyback Mandate, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase of Shares, and the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of profits or capital of the Company and such other particulars as may be required in the prescribed form.

6. SOURCE OF FUNDS FOR THE SHARE BUYBACK

The Companies Act permits the Company to purchase or acquire its own Shares out of capital or profits so long as the Company is solvent. Payments could be made from capital or profits so long as the Company is solvent.

In the event the Shares which are purchased or acquired by the Company are cancelled immediately on purchase or acquisition (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased or acquired out of capital of the Company;
- (b) reduce the amount of profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both capital and profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Buyback Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and the Group. The Company will only exercise the mandate in the interest of the Company and the Group without causing adverse financial impact to the Company and the Group. In particular, the Company will have regard to any relevant financial covenants which are applicable to the Company and/or the Group under any agreements for banking and credit facilities which may be granted by a financial institution to the Company and/or the Group from time to time. The Company will not effect any share buyback if such purchases would result in any breaches of the relevant financial covenants.

7. FINANCIAL EFFECTS OF THE SHARE BUYBACK MANDATE

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, the exact number of Shares purchased or acquired, the purchase price paid at the relevant time of purchase or acquisition, how the purchase or acquisition is funded, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition as well as how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act.

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7.1 Purchase or acquisition out of capital or profits

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (after deducting applicable brokerage, goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of distributable profits available for cash dividends by the Company will not be reduced.

7.2 Number of Shares acquired or purchased

Subject to compliance with Section 76I of the Companies Act, based on 809,496,775 Shares in issue as at the Latest Practicable Date (disregarding for this purpose the 13,945,600 Shares held by the Company as treasury shares), and assuming no further Shares are issued on or prior to the Eleventh AGM, the exercise in full of the Share Buyback Mandate will result in the purchase or acquisition of 80,949,677 Shares, representing approximately 10% of the total Shares in issue (disregarding for this purpose the 13,945,600 Shares held as treasury shares).

7.3 Maximum Price to be paid for the Share Buybacks

For illustrative purposes only:

- (a) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 80,949,677 Shares at the Maximum Price of S\$0.251 for one Share (being 105% of the average of the closing market prices of a Share over the last five Market Days on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 80,949,677 Shares is approximately S\$20,318,369 (excluding Related Expenses) (equivalent to approximately US\$15,106,594 based on the exchange rate of US\$1.00 : S\$1.345).
- (b) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 80,949,677 Shares at the Maximum Price of S\$0.294 for one Share (being 120% of the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 80,949,677 Shares is approximately S\$23,799,205 (excluding Related Expenses) (equivalent to approximately US\$17,694,576 based on the exchange rate of US\$1.00 : S\$1.345).

7.4 Illustrative Financial Effects

For illustrative purposes only, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are set out in Sections 7.4.1 and 7.4.2 below and are calculated based on the audited financial statements of the Company and the Group for the financial year ended 31 March 2015 and are based on the following assumptions:

- (a) the purchase or acquisition of Shares took place at the beginning of the financial year on 1 April 2014;
- (b) the purchase or acquisition of Shares was financed by a combination of internal sources of funds of the Company and external short-term bank borrowings by the Company;
- (c) the transaction costs incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate were insignificant and have been ignored for the purpose of computing the financial effects; and

LETTER TO SHAREHOLDERS

- (d) in respect of the scenarios under Section 7.4.1(B) and Section 7.4.2(B), a total of 68,398,637 Shares purchased or acquired pursuant to the Share Buyback Mandate are held by the Company as treasury shares, and the balance 12,551,040 Shares so purchased or acquired are cancelled. Based on the total number of 823,442,375 issued Shares (including for this purpose the 13,945,600 Shares held as treasury shares as at the Latest Practicable Date), the maximum number of Shares that the Company is permitted to hold as treasury shares is 82,344,237 Shares. As the Company already holds 13,945,600 Shares as treasury shares as at the Latest Practicable Date and assuming that the Company will continue to hold such 13,945,600 Shares as treasury shares, the Company will be permitted to hold only a further 68,398,637 Shares purchased or acquired pursuant to the Share Buyback Mandate as treasury shares. As such, the remaining 12,551,040 Shares that are purchased or acquired pursuant to the Share Buyback Mandate will have to be cancelled upon purchase or acquisition

7.4.1 Purchases made out of capital: (A) Purchases made out of capital and entirely cancelled; and (B) Purchases made out of capital with 68,398,637 Shares held as treasury shares and the remaining 12,551,040 Shares cancelled:

	GROUP			
	Market Purchase		Off-Market Purchase	
	Scenario (A)	Scenario (B)	Scenario (A)	Scenario (B)
Audited before buyback	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 March 2015				
Profit after tax and minority interests	22,687	22,687	22,687	22,687
Share capital	229,528	214,421	227,186	211,833
Treasury shares	(3,757)	(3,757)	(16,522)	(3,757)
Other reserves	(139,396)	(139,396)	(139,396)	(139,396)
Revenue reserves	166,590	166,590	166,590	166,590
Total equity/NAV	252,965	237,858	237,858	235,270
Current assets	327,740	312,633	312,633	310,045
Current liabilities	288,447	288,447	288,447	288,447
Total borrowings	380,116	380,116	380,116	380,116
Cash and bank balances	134,947	119,840	119,840	117,252
Number of issued Shares ('000)	809,497	728,547	728,547	728,547
Financial Ratios				
Earnings per Share (US cents) ⁽¹⁾	2.80	3.11	3.11	3.11
NAV per Share (US cents) ⁽²⁾	31.25	32.65	32.65	32.29
Gearing ratio (times) ⁽³⁾	0.97	1.09	1.09	1.12
Current ratio (times) ⁽⁴⁾	1.14	1.08	1.08	1.07

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of 809,496,775 Shares issued as at 31 March 2015.
- (2) NAV per Share represents the ratio of NAV to the number of issued Shares.
- (3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.
- (4) Current ratio represents the ratio of current assets to current liabilities.

LETTER TO SHAREHOLDERS

	← COMPANY →				
	Market Purchase		Off-Market Purchase		
	Audited before buyback	Scenario (A)	Scenario (B)	Scenario (A)	Scenario (B)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 March 2015					
Profit/(loss) after tax	761	761	761	761	761
Share capital	229,528	214,421	227,186	211,833	226,785
Treasury shares	(3,757)	(3,757)	(16,522)	(3,757)	(18,709)
Other reserves	12,463	12,463	12,463	12,463	12,463
Revenue reserves	52,657	52,657	52,657	52,657	52,657
Total equity/NAV	290,891	275,784	275,784	273,196	273,196
Current assets	412,151	397,044	397,044	394,456	394,456
Current liabilities	244,585	244,585	244,585	244,585	244,585
Total borrowings	210,980	210,980	210,980	210,980	210,980
Cash and bank balances	35,528	20,421	20,421	17,833	17,833
Number of issued Shares ('000)	809,497	728,547	728,547	728,547	728,547
Financial Ratios					
Earnings/(loss) per Share (US cents) ⁽¹⁾	0.09	0.10	0.10	0.10	0.10
NAV per Share (US cents) ⁽²⁾	35.93	37.85	37.85	37.50	37.50
Gearing ratio (times) ⁽³⁾	0.60	0.69	0.69	0.71	0.71
Current ratio (times) ⁽⁴⁾	1.69	1.62	1.62	1.61	1.61

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of 809,496,775 Shares issued as at 31 March 2015.
- (2) NAV per Share represents the ratio of NAV to the number of issued Shares.
- (3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.
- (4) Current ratio represents the ratio of current assets to current liabilities.

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7.4.2 Purchases made out of profits: (A) Purchases made out of profits and entirely cancelled; and (B) Purchases made out of profits with 68,398,637 Shares held as treasury shares and the remaining 12,551,040 Shares cancelled:

	← GROUP →				
	Audited before buyback	Market Purchase		Off-Market Purchase	
		Scenario (A)	Scenario (B)	Scenario (A)	Scenario (B)
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
As at 31 March 2015					
Profit after tax and minority interests	22,687	22,687	22,687	22,687	22,687
Share capital	229,528	229,528	242,293	229,528	244,480
Treasury shares	(3,757)	(3,757)	(16,522)	(3,757)	(18,709)
Other reserves	(139,396)	(139,396)	(139,396)	(139,396)	(139,396)
Revenue reserves	166,590	151,483	151,483	148,895	148,895
Total equity/NAV	252,965	237,858	237,858	235,270	235,270
Current assets	327,740	312,633	312,633	310,045	310,045
Current liabilities	288,447	288,447	288,447	288,447	288,447
Total borrowings	380,116	380,116	380,116	380,116	380,116
Cash and bank balances	134,947	119,840	119,840	117,252	117,252
Number of issued Shares ('000)	809,497	728,547	728,547	728,547	728,547
Financial Ratios					
Earnings per Share (US cents) ⁽¹⁾	2.80	3.11	3.11	3.11	3.11
NAV per Share (US cents) ⁽²⁾	31.25	32.65	32.65	32.29	32.29
Gearing ratio (times) ⁽³⁾	0.97	1.09	1.09	1.12	1.12
Current ratio (times) ⁽⁴⁾	1.14	1.08	1.08	1.07	1.07

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of 809,496,775 Shares issued as at 31 March 2015.
- (2) NAV per Share represents the ratio of NAV to the number of issued Shares.
- (3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.
- (4) Current ratio represents the ratio of current assets to current liabilities.

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	← COMPANY →			
	Market Purchase		Off-Market Purchase	
	Scenario (A)	Scenario (B)	Scenario (A)	Scenario (B)
Audited before buyback	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 March 2015				
Profit/(loss) after tax	761	761	761	761
Share capital	229,528	229,528	242,293	229,528
Treasury shares	(3,757)	(3,757)	(16,522)	(3,757)
Other reserves	12,463	12,463	12,463	12,463
Revenue reserves	52,657	37,550	37,550	34,962
Total equity/NAV	290,891	275,784	275,784	273,196
Current assets	412,151	397,044	397,044	394,456
Current liabilities	244,585	244,585	244,585	244,585
Total borrowings	210,980	210,980	210,980	210,980
Cash and bank balances	35,528	20,421	20,421	17,833
Number of issued Shares ('000)	809,497	728,547	728,547	728,547
Financial Ratios				
Earnings/(loss) per Share (US cents) ⁽¹⁾	0.09	0.10	0.10	0.10
NAV per Share (US cents) ⁽²⁾	35.93	37.85	37.85	37.50
Gearing ratio (times) ⁽³⁾	0.60	0.69	0.69	0.71
Current ratio (times) ⁽⁴⁾	1.69	1.62	1.62	1.61

Notes:

- (1) Earnings per Share represents profit attributable to Shareholders divided by the number of 809,496,775 Shares issued as at 31 March 2015.
- (2) NAV per Share represents the ratio of NAV to the number of issued Shares.
- (3) Gearing ratio represents the ratio of total borrowings less cash and bank balances to net worth.
- (4) Current ratio represents the ratio of current assets to current liabilities.

Shareholders should note that the financial effects set out above are based on the abovementioned assumptions and are purely for illustrative purposes only. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury. The above analysis is based on historical figures for the financial year ended 31 March 2015 and is not necessarily representative of the Company's or the Group's future financial performance.

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8. OBLIGATIONS UNDER THE TAKE-OVER CODE

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

8.1 Obligation to make a take-over offer

Under Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six months.

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

8.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (b) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) a financial or other professional adviser, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and

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- (h) an individual with his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the above.

The circumstances under which Shareholders of the Company (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

8.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months.

Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed renewal of the Share Buyback Mandate.

However, Shareholders will be subject to the provisions of Rule 14 of the Take-over Code if they acquire Shares after the buyback of Shares by the Company. For this purpose, an increase in the percentage of voting rights as a result of the buyback of Shares by the Company will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of six months.

Shareholders (including Directors) and their concert parties who hold more than 50% of the Company's voting rights are under no obligation to make a take-over offer if the voting rights of such Shareholders and their concert parties were to increase as a result of the Company purchasing or acquiring Shares.

8.4 Applicability of Rule 14 and Appendix 2 of the Take-over Code

Based on interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date as recorded in the Register of Directors' Shareholding and the Register of Substantial Shareholding as set out in Section 10 below, none of the Substantial Shareholders would become obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares.

As at the Latest Practicable Date, Tan Pong Tyea (a Director and Substantial Shareholder) owns or controls an aggregate of approximately 62.55% of the voting rights of the Company (comprising a direct interest of 51.63% and a deemed interest of 10.92%, as more particularly set out in Section 10.1 below).

Assuming that there is no change in the direct and deemed interests of Tan Pong Tyea in the Company, the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares will result in an increase in his aggregate voting rights of the Company from approximately 62.55% to approximately 69.50%, ie. his aggregate voting rights will remain above 50%.

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9. OBLIGATIONS UNDER THE LISTING MANUAL

9.1 Listing Rules

The Listing Manual specifies that a listed company shall announce all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m., (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement currently requires the inclusion of details of, *inter alia*, the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable.

9.2 Suspension of Share Buyback

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices on securities dealings stipulated in the Listing Manual, the Company will not deal in the Shares during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year, or one month before the announcement of its full year results, and ending on the date of announcement of the relevant results.

9.3 Listing Status on the SGX-ST

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed must be held by public Shareholders. As at the Latest Practicable Date, 240,826,308 Shares, representing approximately 29.75% of the issued Shares, are held by public Shareholders. Assuming that the Company purchases or acquires its Shares through Market Purchases up to the full 10% limit as authorised pursuant to the Share Buyback Mandate from the public, the number of Shares in the hands of the public would be reduced to 159,876,631 Shares, representing approximately 21.94% of the reduced issued share capital of the Company. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% limit pursuant to the Share Buyback Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity. The Directors will ensure that the Company does not effect a purchase of Shares if the purchase of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company. Before deciding to effect a purchase of Shares, the Directors will ensure that, notwithstanding such purchase, a sufficient float in the hands of the public will be maintained to provide for an orderly market for trading in the Shares.

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10. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

10.1 Interests in Shares

The interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date as recorded in the Register of Directors' Shareholding and the Register of Substantial Shareholding maintained under the provisions of the Companies Act, are set out below:

Directors	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Tan Pong Tyea ⁽¹⁾	417,960,700	51.63	88,393,051	10.92
Neo Chin Lee	13,000,000	1.61	–	–
Cai Wenxing ⁽²⁾	–	–	70,933,592	8.76
Lien Kait Long	75,000	0.01	–	–
Mak Yen-Chen Andrew	–	–	–	–
Lim Kuan Meng	–	–	–	–
Tan Sooh Whye (alternate to Tan Pong Tyea) ⁽³⁾	10,600,000	1.31	4,209,500	0.52
Cai Wenting (alternate to Cai Wenxing)	23,716,216	2.93	–	–
Substantial Shareholder(s) (other than Directors)				
Ruben Capital Ventures Limited ⁽⁴⁾	48,338,997	5.97	–	–

Notes:

- (1) Tan Pong Tyea is deemed interested in the 88,393,051 Shares which comprise his deemed interest in (a) the 48,338,997 Shares held by KGI Fraser Securities Pte. Ltd. by virtue of his 79.21% equity interest in Ruben Capital Ventures Limited; (b) the 22,594,595 Shares held by Longzhu Oilfield Services Limited which is 50% owned by Real Trek Pacific Limited which is in turn wholly-owned by Tan Pong Tyea; and (c) the 17,459,459 Shares held by Camelot Capital Consultants Ltd which is wholly-owned by Tan Pong Tyea.
- (2) Cai Wenxing is deemed interested in the 70,933,592 Shares which comprise his deemed interest in (a) the 22,594,595 Shares held by Longzhu Oilfield Services Limited in which he holds a 50% equity interest; and (b) the 48,338,997 Shares held by KGI Fraser Securities Pte. Ltd. by virtue of his 20.79% equity interest in Ruben Capital Ventures Limited.
- (3) Tan Sooh Whye has a direct interest in 10,600,000 Shares, of which 600,000 Shares are held on trust for her children. Further, she is deemed interested in the 4,209,500 Shares which comprise (a) 3,209,500 Shares held by Wong Cheung Chai who is her spouse and (b) 1,000,000 Shares held by Axapointe Ltd, a company controlled by her spouse, Wong Cheung Chai.
- (4) Ruben Capital Ventures Limited's interest in the 48,338,997 Shares is held in the name of KGI Fraser Securities Pte. Ltd. The equity interest in Ruben Capital Ventures Limited is held by Tan Pong Tyea as to 79.21% and Cai Wenxing as to 20.79%.

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10.2 Interests in Warrants

The interests of the Directors and the Substantial Shareholders in the warrants of the Company as at the Latest Practicable Date as recorded in the Warrant Register maintained under the provisions of the Deed Poll dated 19 November 2013 constituting the warrants, are set out below:

Directors	Direct Interest		Deemed Interest	
	No. of warrants	% [^]	No. of warrants	% [^]
Tan Pong Tyea ⁽¹⁾	41,796,070	50.99	8,839,303	10.78
Neo Chin Lee	1,200,000	1.46	–	–
Cai Wenxing ⁽²⁾	–	–	7,093,358	8.65
Lien Kait Long	7,500	0.01	–	–
Mak Yen-Chen Andrew	–	–	–	–
Lim Kuan Meng	–	–	–	–
Tan Sooh Whye (alternate to Tan Pong Tyea) ⁽³⁾	1,060,000	1.29	420,950	0.51
Cai Wenting (alternate to Cai Wenxing)	2,371,621	2.89	–	–
Substantial Shareholder(s) (other than Directors)				
Ruben Capital Ventures Limited ⁽⁴⁾	4,833,899	5.90	–	–

Notes:

[^] Based on the total number of outstanding warrants of 81,971,772 warrants as at the Latest Practicable Date.

- (1) Tan Pong Tyea is deemed interested in the 8,839,303 warrants which comprise his deemed interest in (a) 4,833,899 warrants held by KGI Fraser Securities Pte. Ltd. by virtue of his 79.21% equity interest in Ruben Capital Ventures Limited; (b) 2,259,459 warrants held by Longzhu Oilfield Services Limited which is 50% owned by Real Trek Pacific Limited which is in turn wholly-owned by Tan Pong Tyea; and (c) 1,745,945 warrants held by Camelot Capital Consultants Ltd which is wholly-owned by Tan Pong Tyea.
- (2) Cai Wenxing is deemed interested in the 7,093,358 warrants which comprise his deemed interest in (a) 2,259,459 warrants held by Longzhu Oilfield Services Limited in which he holds a 50% equity interest; and (b) 4,833,899 warrants held by KGI Fraser Securities Pte. Ltd. by virtue of his 20.79% equity interest in Ruben Capital Ventures Limited.
- (3) Tan Sooh Whye has a direct interest in 1,060,000 warrants, of which 60,000 warrants are held on trust for her children. Further, she is deemed interested in the 420,950 warrants by virtue of 420,950 warrants held by Wong Cheung Chai who is her spouse.
- (4) Ruben Capital Ventures Limited's interest in the 4,833,899 warrants is held in the name of KGI Fraser Securities Pte. Ltd. The equity interest in Ruben Capital Ventures Limited is held by Tan Pong Tyea as to 79.21% and Cai Wenxing as to 20.79%.

11. PREVIOUS SHARE BUYBACKS

In the 12 months preceding the Latest Practicable Date, the Company purchased 8,125,600 Shares by way of Market Purchases pursuant to the previous Share Buyback Mandate granted at the AGM held on 25 July 2014. The highest and lowest price paid was S\$0.36888 and S\$0.26714 per Share respectively. The total consideration paid for all the purchases was S\$2,595,605.68 (excluding related expenses).

12. DIRECTORS' RECOMMENDATION

Having fully considered the rationale, the benefit and the information relating to the proposed renewal of the Share Buyback Mandate, the Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 9 as set out in the Notice of AGM dispatched to Shareholders together with the Annual Report 2015 of the Company.

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The Directors further recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisor.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 10 Anson Road, #33-15, International Plaza, Singapore 079903 during normal business hours from the date of this Circular up to and including the date of the AGM:

- (a) the Memorandum and Articles of the Company; and
- (b) the Annual Report 2015.

Yours faithfully,
For and on behalf of the Directors

Tan Pong Tyea
Chairman and Chief Executive Officer
Falcon Energy Group Limited