

**FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017**

**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), 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.*

	<b>THE GROUP</b>		
	<b>1Q 2018</b>	<b>1Q 2017</b>	
	<b>1 Jul 2017 to 30 Sept 2017 US\$'000</b>	<b>1 Jul 2016 to 30 Sept 2016 US\$'000</b>	<b>Increase/ (Decrease) %</b>
<b>Revenue</b>	13,756	34,825	-60.5%
Cost of sales	(11,476)	(30,129)	-61.9%
<b>Gross profit</b>	<u>2,280</u>	<u>4,696</u>	-51.4%
Other operating income	651	1,783	-63.5%
Administrative expenses	(5,604)	(2,915)	92.2%
Finance costs	(2,391)	(2,459)	-2.8%
Share of net profit of associates and joint ventures	957	246	NM
<b>(Loss)/Profit before income tax</b>	<u>(4,107)</u>	<u>1,351</u>	NM
Income tax credit	13	163	-92.0%
<b>(Loss)/Profit for the period</b>	<u>(4,094)</u>	<u>1,514</u>	NM
<i>(Loss)/Profit for the period attributable to:</i>			
Owners of the Company	(3,573)	1,611	NM
Non-controlling interests	(521)	(97)	NM
<b>(Loss)/Profit for the period</b>	<u>(4,094)</u>	<u>1,514</u>	NM
 <i>1(a)(ii) Statement of Comprehensive income</i>			
<b>(Loss)/Profit for the period</b>	(4,094)	1,514	NM
Other comprehensive income :			
Foreign currency translation of foreign entities	20	(11)	NM
<b>Total comprehensive income for the period</b>	<u>(4,074)</u>	<u>1,503</u>	NM
 Total comprehensive income attributable to:			
Owners of the company	(3,558)	1,600	NM
Non-controlling interests	(516)	(97)	NM
<b>Total comprehensive income for the period</b>	<u>(4,074)</u>	<u>1,503</u>	NM

**Notes:**

(1) NM = Not meaningful



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

	<b>THE GROUP</b>	
	<b>1Q 2018</b>	<b>1Q 2017</b>
	<b>1 Jul 2017 to 30 Sept 2017</b>	<b>1 Jul 2016 to 30 Sept 2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Depreciation and amortisation expenses	6,076	6,336
Exchange loss/(gain) - net	512	(1,247)
Interest expense	2,391	2,459
Interest income	(125)	(18)
Property, plant and equipment written off	-	8
(Gain)/Loss on disposal of property, plant and equipment	(3)	7
Allowance for doubtful receivables	770	-
	<b>770</b>	<b>-</b>

**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.**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>30/9/2017</b>	<b>30/6/2017#</b>	<b>30/9/2017</b>	<b>30/6/2017#</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	12,004	10,848	18	28
Trade receivables	64,431	60,146	-	-
Other receivables	32,324	35,450	4,345	2,923
Inventories	2,072	2,412	-	-
Non-current asset held for sale	5,912	5,912	5,912	5,912
<b>Total current assets</b>	<b>116,743</b>	<b>114,768</b>	<b>10,275</b>	<b>8,863</b>
<b>Non-current assets</b>				
Other receivables	12,528	12,536	11,283	11,283
Property, plant and equipment	284,228	290,068	143	171
Subsidiaries	-	-	78,199	78,199
Associates	30,728	30,901	*	*
Joint venture	11,814	11,110	*	*
Available-for-sale investments	2,098	2,098	2,098	2,098
Other intangible assets	186	186	-	-
Deferred tax assets	493	498	-	-
<b>Total non-current assets</b>	<b>342,075</b>	<b>347,397</b>	<b>91,723</b>	<b>91,751</b>
<b>Total assets</b>	<b>458,818</b>	<b>462,165</b>	<b>101,998</b>	<b>100,614</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade payables	18,652	18,538	-	-
Other payables	37,683	36,746	134,142	133,524
Finance leases	141	156	17	17
Borrowings	135,546	135,882	42,552	39,234
Notes payables	-	36,480	-	36,480
Income tax payable	3,730	3,676	-	-
<b>Total current liabilities</b>	<b>195,752</b>	<b>231,478</b>	<b>176,711</b>	<b>209,255</b>
<b>Non-current liabilities</b>				
Notes payables	36,990	-	36,990	-
Deferred tax liabilities	8,934	8,934	-	-
Other payables	30,632	31,143	3,116	3,201
Finance leases	189	215	7	11
<b>Total non-current liabilities</b>	<b>76,745</b>	<b>40,292</b>	<b>40,113</b>	<b>3,212</b>
<b>Capital and reserves</b>				
Share capital	229,528	229,528	229,528	229,528
Treasury shares	(4,114)	(4,114)	(4,114)	(4,114)
Capital reserve	(19,608)	(19,608)	11,824	11,824
Share-based payments	639	639	639	639
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	(390)	(405)	-	-
Accumulated profits	73,115	76,688	(352,703)	(349,730)
<b>Equity attributable to owners of the Company</b>	<b>127,478</b>	<b>131,036</b>	<b>(114,826)</b>	<b>(111,853)</b>
Non-controlling interests	58,843	59,359	-	-
<b>Total equity</b>	<b>186,321</b>	<b>190,395</b>	<b>(114,826)</b>	<b>(111,853)</b>
<b>Total liabilities and equity</b>	<b>458,818</b>	<b>462,165</b>	<b>101,998</b>	<b>100,614</b>

**Notes:**

\* Amount less than US\$1,000  
# Figures are unaudited



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

	<b>THE GROUP</b>			
	<b>As at 30/9/2017</b>		<b>As at 30/6/2017#</b>	
	<b>Secured US\$'000</b>	<b>Unsecured US\$'000</b>	<b>Secured US\$'000</b>	<b>Unsecured US\$'000</b>
Amount repayable in one year or less, or on demand	135,687	-	172,518	-
Amount repayable after one year	37,179	-	215	-
<b>Total</b>	<b>172,866</b>	<b>-</b>	<b>172,733</b>	<b>-</b>

**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 properties;
  - 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.**

	<b>THE GROUP</b>	
	<b>1Q 2018</b>	<b>1Q 2017</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before income tax	(4,107)	1,351
Adjustments for:		
Allowance for doubtful receivables	770	-
Property, plant and equipment written-off	-	8
Depreciation and amortisation expenses	6,076	6,336
Exchange difference	1,625	(489)
Interest expense	2,391	2,459
Interest income	(125)	(18)
(Gain)/loss on disposal of property, plant and equipment	(3)	7
Share of net profit of associates and joint ventures	(957)	(246)
Operating cash flows before movements in working capital	<u>5,670</u>	<u>9,408</u>
Inventories	341	(141)
Trade receivables	(5,055)	14,022
Other receivables	3,126	(1,936)
Trade payables	114	(11,239)
Other payables	852	2,668
Cash generated from operations	<u>5,048</u>	<u>12,782</u>
Income tax paid	-	-
<b>Net cash generated from operating activities</b>	<u>5,048</u>	<u>12,782</u>
<b>Cash flows from investing activities</b>		
Interest received	125	18
Purchases of property, plant and equipment	(234)	(111)
Proceeds from disposal of property, plant and equipment	7	33
<b>Net cash used in investing activities</b>	<u>(102)</u>	<u>(60)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(2,391)	(2,400)
Fixed deposit and bank balances pledged	(801)	-
Repayment of finance lease obligations	(86)	(98)
Repayment of borrowings	(4,001)	(6,369)
Share buy-back	-	(93)
Proceeds of borrowings	2,656	373
<b>Net cash used in financing activities</b>	<u>(4,623)</u>	<u>(8,587)</u>
<b>Net increase in cash and cash equivalents</b>	323	4,135
Effect of exchange rate changes	32	81
Cash and cash equivalents at beginning of the year	10,346	24,361
<b>Cash and cash equivalents at end of the period</b>	<u>10,701</u>	<u>28,577</u>
<b>Cash and cash equivalents represent:</b>		
Bank and cash balance	8,796	22,298
Fixed deposits	3,208	8,443
	<u>12,004</u>	<u>30,741</u>
Less:		
Bank overdraft	-	(308)
Fixed deposits and bank balances pledged	(1,303)	(1,856)
<b>Cash and cash equivalents in statement of cash flows</b>	<u>10,701</u>	<u>28,577</u>



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 US\$'000	Total attributable to equity holders of the parent US\$'000	Non-controlling interests US\$'000	Total US\$'000
<b>THE GROUP</b>										
<b>Balance as at 1 July 2017</b>	229,528	(4,114)	(19,608)	639	(151,692)	(405)	76,688	131,036	59,359	190,395
<b>Total comprehensive income for the period</b>										
Loss for the period	-	-	-	-	-	-	(3,573)	(3,573)	(521)	(4,094)
Other comprehensive income for the period	-	-	-	-	-	15	-	15	5	20
<b>Total</b>	-	-	-	-	-	15	(3,573)	(3,558)	(516)	(4,074)
<b>Transactions with owners of the Company, recognised directly in equity</b>										
Share buy-back	-	-	-	-	-	-	-	-	-	-
Dilution of interest in subsidiary without losing control	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 30 September 2017</b>	229,528	(4,114)	(19,608)	639	(151,692)	(390)	73,115	127,478	58,843	186,321
<b>Balance as at 1 July 2016</b>	229,528	(4,017)	10,173	639	(151,692)	(372)	197,863	282,122	56,305	338,427
<b>Total comprehensive income for the period</b>										
Loss for the period	-	-	-	-	-	-	1,611	1,611	(97)	1,514
Other comprehensive income for the period	-	-	-	-	-	(11)	-	(11)	-	(11)
<b>Total</b>	-	-	-	-	-	(11)	1,611	1,600	(97)	1,503
<b>Transactions with owners of the Company, recognised directly in equity</b>										
Share buy-back	-	(93)	(10)	-	-	-	-	(103)	-	(103)
Dilution of interests in subsidiary without losing control	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	(93)	(10)	-	-	-	-	(103)	-	(103)
<b>Balance as at 30 September 2016</b>	229,528	(4,110)	10,163	639	(151,692)	(383)	199,474	283,619	56,208	339,827



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

	No of shares	
	30 September 2017	30 June 2017
<b>Issued ordinary shares</b>		
Balance at the beginning of the financial period	823,442,375	823,442,375
Less: Treasury shares	(16,810,900)	(16,810,900)
Total issued shares excluding treasury shares	<u>806,631,475</u>	<u>806,631,475</u>
Outstanding share options	<u>1,090,000</u>	<u>1,090,000</u>

The Company has a share option scheme known as Falcon Energy Group Employee Share Option Scheme ("the Scheme") which was adopted on 28 October 2004 and had lapsed on 27 October 2014. As the Scheme had been discontinued, no further share options may be offered by the Company. The discontinuance of the Scheme however does not affect share options which have been granted and accepted. Such outstanding share options remain exercisable until they lapse and become null and void.

**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.**

	No of shares
Balance as at 1 July 2017	16,810,900
Purchase of treasury shares	-
Balance as at 30 September 2017	<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.**

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the year ended 30 June 2016.

**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.**

There is no change in the accounting policies and methods of computation.



**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 2018	1Q 2017
	1 Jul 2017 to 30 Sept 2017	1 Jul 2016 to 30 Sept 2016
Net (loss)/profitable attributable to Owners of the Company (US\$'000)	(3,573)	1,611
Weighted average number of ordinary shares ('000)	806,944	806,944
<b>Earnings per ordinary share ("EPS") for the period/year</b>		
(a) Basic EPS (US cents)	(0.44)	0.20
(b) On a fully diluted EPS (US cents)^	(0.44)	0.20

^ the outstanding options and the warrants were "out-of-money".

**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 30/09/2017 US cents	As at 30/06/2017# US cents	As at 30/09/2017 US cents	As at 30/06/2017# US cents
Net asset value ("NAV") per ordinary share based on issued share capital excluding treasury shares as at end of the period reported on	15.80	16.24	(14.24)	(13.87)

**Notes:**

The Group's and the Company's NAV (represented as equity attributable to owners of the Company) per ordinary share as at 30 September 2017 and 30 June 2017 have been computed based on the number of 806,631,475 ordinary shares issued excluding treasury 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.

**1Q 2018 vs 1Q 2017 Results**

The Group recorded a decrease in revenue of US\$21.07 million or 60.5% from US\$34.83 million for the financial period 3 months ended 30 September 2016 ("1Q 2017") to US\$13.76 million for the financial period 3 months ended 30 September 2017 ("1Q 2018"). The difference is mainly made up of:

- i) Oilfield and Drilling Services Division decreased by US\$18.07 million due to a lower volume of works in 1Q 2018.
- ii) Marine Division's revenue decreased by US\$3.00 million mainly due to lower deployment rate of the vessels and decrease in charter rates.

Despite the decrease in revenue, the Group's average gross profit margin improved marginally from 13.5% to 16.6% in 1Q 2018.

Other operating income decreased by US\$1.13 million due mainly to the unrealized exchange gain recognized in 1Q 2017.





Administrative expenses increased by US\$2.68 million from US\$2.92 million in 1Q 2017 to US\$5.60 million in 1Q 2018 due to a reversal of overprovision of overhead cost and other expenses amounting to US\$2.83 million in 1Q 2017.

The share of profit from associates and joint ventures increased by US\$0.71 million from US\$0.25 million in 1Q 2017 to US\$0.96 million in 1Q 2018 due to higher profit from the joint ventures.

With the mentioned factors above, the Group generated a loss before tax of approximately US\$4.11 million in 1Q 2018.

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

Current assets increased by US\$1.97 million from US\$114.77 million as at 30 June 2017 to US\$116.74 million as at 30 September 2017. The increase was mainly due to increase in cash and bank balances as well as trade receivables which was partially offset by the decrease in other receivables.

Non-current assets decreased by US\$5.32 million from US\$347.40 million as at 30 June 2017 to US\$342.08 million as at 30 September 2017. The decrease was due mainly to a decrease in property, plant and equipment resulted from routine depreciation.

Current liabilities decreased by US\$35.73 million from US\$231.48 million as at 30 June 2017 to US\$195.75 million as at 30 September 2017. The decrease was due mainly to the reclassification of Notes payables where the Group has on 15 September 2017 obtained the approval and consent of the Noteholders to extend the maturity date of the notes for three years till 19 September 2020.

Non-current liabilities increased by US\$36.46 million from US\$40.29 million as at 30 June 2017 to US\$76.75 million as at 30 September 2017 was primarily due to the reason stated in current liabilities reduction.

The Group generated an approximate net cash flow of US\$5.05 million from operating activities. Net cash flow used in investing activities amounting to US\$0.10 million was primarily for acquisition of property, plant and equipment. Net cash flow used in financing activities of approximately US\$4.62 million was mainly for repayment of existing loans and interest after setting off against the draw-down of bank facilities.

***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 operating environment for oil and gas industry is expected to remain uncertain and challenging as crude oil prices respond to the still-evolving dynamics between offshore, onshore and US shale production. This is expected to have an impact on the CAPEX and OPEX for offshore exploration and production activities across the world. Margins for oilfield services and support vessel charter rates are expected to remain razor-thin due to intensive competition as market players bid for less jobs at lower prices.

Against this backdrop the Group will continue to adopt a prudent approach in its financial management and maintain its resilience. The Group will concurrently continue to implement measures to optimise the management and operational efficiency of its fleet. Business development activities will be focused on identifying segments and niches in which the Group has a competitive advantage, with the objective to be a leaner, nimbler, and more resilient group that can adapt to fast-changing market conditions.

With reference to the construction contracts relating to jack-up rigs, the Group wishes to inform that the builder and FTS Derricks Pte. Ltd. have each exercised its rights under the construction contract relating to the fourth rig to terminate the said contract. Consequently, the performance guarantee given by the Company has become no longer of effect.

**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.**

Not applicable.

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

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

**Interested Person Transactions**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	US\$'000	US\$'000
<b>CDS International Forwarding (TianJin) Co Ltd <sup>(1)</sup></b>		
- sale of services	(157)	-
- purchase of services	115	-

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) OF THE SGX LISTING MANUAL**

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 September 2017 to be false or misleading.



***15. 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.

**BY ORDER OF THE BOARD**

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

**14 November 2017**