

**CIRCULAR DATED DECEMBER 13, 2017**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

This Circular is issued by Falcon Energy Group Limited (the “**Company**”). If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all of your ordinary shares in the capital of the Company, please forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form immediately to the purchaser or to the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or to the transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



**FALCON ENERGY GROUP LIMITED**

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

**CIRCULAR TO SHAREHOLDERS**

**in relation to**

**RATIFICATION OF THE DISPOSAL OF A 21.83% STAKE IN CH OFFSHORE LTD. TO  
SZ OFFSHORE INVESTMENT PTE. LTD. FOR CASH OF S\$19,999,999.50**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	December 27, 2017 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	December 29, 2017 at 10.30 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the annual general meeting of the Company to be held on the same day and at the same place)
Place of Extraordinary General Meeting	:	TRN Centre, 10 Anson Road #19-14 International Plaza Singapore 079903

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## DEFINITIONS

The following definitions apply throughout this Circular unless otherwise stated:

- “Annual Report 2017” : The Company’s Annual Report for 2017
- “Approvals” : All approvals, consents, licences, permits, waivers and exemptions for the Disposal
- “Associate” : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Board” : The board of Directors of the Company for the time being
- “Business Day” : A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore
- “CDP” : The Central Depository (Pte) Limited
- “CHO” : CH Offshore Ltd.
- “CHO Group” : CHO and its subsidiaries as at the date of the SPA
- “CHO Shares” : The total issued and fully paid-up ordinary share capital of S\$95,188,106.23 comprising 704,892,514 issued and fully paid-up ordinary shares (excluding Treasury Shares) in the CHO as at the date of the SPA
- “CIMB” : CIMB Bank Berhad, Singapore Branch
- “Circular” : This circular to Shareholders dated December 13, 2017

“Company”	:	Falcon Energy Group Limited
“Companies Act”	:	Companies Act (Cap. 50) of Singapore
“Completion”	:	The completion of the sale and purchase of the Sale Shares
“Completion Date”	:	April 7, 2017
“Control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating practice of the company
“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly 15% or more of the issued share capital of the Company; or</li> <li>(b) in fact exercises Control over the Company</li> </ul>
“Disposal”	:	The disposal of 153,846,150 issued and fully paid-up ordinary shares of CHO held by the Vendor, being 21.83% of the total issued and paid-up share capital of CHO to the Purchaser, and on the terms and conditions of the SPA
“Directors”	:	The directors of the Company as at the date of this Circular
“EGM”	:	Extraordinary General Meeting
“EPS”	:	Earnings per share
“Fundamental Warranties”	:	The representations and warranties as set out under paragraphs 2, 3.2, 3.4, 4, 5 and 15 of schedule 5 of the SPA
“FY”	:	Financial year ended or ending June 30 (as the case may be)
“Group”	:	The Company and its subsidiaries as at the date of this Circular
“Latest Practicable Date”	:	November 30, 2017, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended or modified from time to time

“Material Adverse Change”	:	Any matter, event, circumstance, effect, occurrence, or state of affairs (including, without limitation, any change in the financial or trading position of the CHO Group or any loss of licence or any regulatory change which prevents the CHO Group from carrying on its business) or any combination thereof (whether existing or occurring on or before the date of the SPA or arising or occurring afterwards) which, taken alone or together with other circumstances, facts, actions or events is, or is reasonably like to be, materially adverse on the affairs, operations, businesses, assets, liabilities (including without limitation, contingent liabilities), cash flows, performance, financial condition and/or prospects of the CHO Group
“NAV”	:	Net asset value
“Non-Executive Directors”	:	The non-executive Directors of the Company, as the case may be
“Ordinary Resolution”	:	The ordinary resolution to be passed by Shareholders at the EGM to be convened for Shareholders to ratify, approve and confirm the Disposal
“Purchaser”	:	SZ Offshore Investment Pte. Ltd.
“Remaining Energian Shares”	:	The 457,560,131 CHO Shares, representing 64.91% of the CHO Shares, held by the Vendor post-Completion
“Sale Consideration”	:	The sum of S\$19,999,999.50 being the sale consideration for the Disposal
“Sale Shares”	:	153,846,150 issued and fully paid-up ordinary shares of CHO, representing 21.83% of the total shares in CHO
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore, as amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of the Shares as set out in the register of members of the Company, except where the registered depositor is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose securities accounts are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Substantial Shareholder”	:	A person (including a corporation) who holds directly or indirectly 5% or more of the total issued voting Shares of the Company

“SPA”	:	The sale and purchase agreement dated April 4, 2017 entered into between the Company, the Vendor and the Purchaser in relation to the Disposal (as amended by a letter of agreement dated April 7, 2017)
“Vendor”	:	Energian Pte. Ltd., a wholly-owned subsidiary of the Company
“Vendor Warranties”	:	The representations and warranties on the part of the Vendor under or pursuant to the SPA
“Waiver”	:	The application by the Company to the SGX-ST on March 3, 2017 for a waiver of Rule 1014(2) of the Listing Manual in connection with the Disposal
“S\$” or “cents”	:	Singapore dollars and cents, respectively
“US\$”	:	United States dollars
“%” or “per cent.”	:	Percentage or per centum

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them, respectively, in Section 130A of the Companies Act. The term “Subsidiary” shall have the same meaning ascribed to it in Section 5 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*. References to persons shall include corporations.

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

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference in this Circular to shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

**LETTER TO SHAREHOLDERS**  
**FALCON ENERGY GROUP LIMITED**  
(Incorporated in the Republic of Singapore)  
Company Reg. No. 200403817G

**Directors**

Tan Pong Tyea (*Chairman and Chief Executive Officer*)  
Cai Wenxing (*Executive Director*)  
Lien Kait Long (*Non-Executive and Lead Independent Director*)  
Mak Yen-Chen Andrew (*Non-Executive and Independent Director*)  
Tan Sooh Whye (*Alternate Director to Tan Pong Tyea*)  
Cai Wenting (*Alternate Director to Cai Wenxing*)

**Registered Office**

10 Anson Road  
#33-15 International Plaza  
Singapore 079903

**To: The Shareholders of Falcon Energy Group Limited**

Dear Sir/Madam

**RATIFICATION OF THE DISPOSAL OF A 21.83% STAKE IN CH OFFSHORE LTD. TO SZ OFFSHORE INVESTMENT PTE. LTD. FOR CASH OF S\$19,999,999.50**

**1. INTRODUCTION**

**1.1 Background**

On April 7, 2017, the Company announced that it had, together with its wholly-owned subsidiary, the Vendor (Energian Pte. Ltd.), entered into an SPA with the Purchaser on April 4, 2017 in relation to the sale of 153,846,150 issued and fully-paid up shares in CHO, representing 21.83% of the total issued and fully-paid up shares in CHO, held by the Vendor to the Purchaser for an aggregate consideration of S\$19,999,999.50 (the “**Disposal**”).

As the relative figures computed pursuant to Rule 1006 of the Listing Manual exceed 20%, the Disposal is classified as a major transaction and pursuant to Rule 1014(2) of the Listing Manual must be made conditional upon approval by shareholders in general meeting. On March 3, 2017, the Company applied to the SGX-ST for, and obtained, a waiver of Rule 1014(2) of the Listing Manual in connection with the Disposal (“**Waiver**”).

Pursuant to a letter of reply from the SGX-ST dated April 6, 2017, the Company was informed that the SGX-ST had no objection to the Company’s application for the Waiver in respect of Rule 1014(2) of the Listing Manual subject to the fulfilment of certain conditions. As at the Latest Practicable Date, the Company has obtained and/or met all the conditions stipulated by the SGX-ST for the granting of the Waiver. Further details on the granting of the Waiver from SGX-ST is set out in Section 5.2 of this Circular.

For reasons set out in Section 5.1 of this Circular, the Disposal was completed on April 7, 2017, and pursuant to such Disposal, the Vendor continues to hold 457,560,131 issued and fully-paid up shares in CHO, representing 64.91% of the total issued and fully-paid up shares in CHO as at April 7, 2017.

The Company was a party to the SPA in its capacity as a guarantor of the Vendor’s obligations under the SPA.

## 1.2 Major Transaction

The Disposal is governed by the rules of Chapter 10 of the Listing Manual. The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	NAV of the Sale Shares (being US\$35.14 million) <sup>(1)</sup> is approximately 10.35% of the Group's net asset value (being US\$339.50 million) as at December 31, 2016
Rule 1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	The unaudited net loss before income tax attributable to Sale Shares for the financial year ended December 31, 2016 of approximately US\$63,080 is approximately 17.33% of the Group's unaudited net loss before income tax of approximately US\$364,000
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares (which as at April 3, 2017, being the market day preceding the date on which the SPA was executed was approximately S\$100.02 million)  (Under Rule 1003(1)(b) of the SGX-ST Listing Manual, in a disposal of listed shares, the value will be assessed by reference to the market value represented by such shares)	The current market value represented by the Sale Shares of aggregate consideration S\$42.31 million represents approximately 42.30% of the Company's current market capitalisation of approximately S\$100.02 million (as at April 3, 2017, being the market day preceding the date on which the SPA was executed)
Rule 1006 (d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006 (e)	The aggregate volume or amount of proven and probable reserves to be disposed of compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable



**Note:**

- (1) The NAV of the Sale Shares of US\$35.14 million was based on 21.83% of US\$161.01 million (being the net asset value of CHO as at December 31, 2016). At Section 4 of this Circular, it is set out that the adjusted NAV of the Sale Shares as at December 31, 2016 was US\$49.68 million.

The adjusted NAV of the Sale Shares as at December 31, 2016 of US\$49.68 million is calculated based on the number of Sale Shares of 153,846,150 divided by the Company's initial stake of 611,406,281 CHO Shares multiplied by US\$197.45 million.

The adjusted NAV of the Company's initial stake in CHO of 611,406,281 CHO Shares was approximately US\$197.45 million comprising 86.74% of US\$161.01 million (being the NAV of CHO as stated in CHO's unaudited financial statement as at December 31, 2016) with an adjustment for the uplift of vessels valuation of US\$57.79 million attributable to the Group and recorded in the Group accounts in FY 2014/2015. The adjusted NAV of the Company's initial stake in CHO of approximately US\$197.45 million was calculated by adding US\$57.79 million (being the adjustment for the uplift of vessels valuation of US\$57.79 million attributable to the Group) to 86.74% of US\$161.01 million.

The adjusted NAV of the Sale Shares is derived to determine the loss on disposal of the sale of the Sale Shares that will be accounted for in the Company's statement of changes in equity.

Based on the relative figures computed pursuant to Rule 1006 of the Listing Manual, the relative figure for Rule 1006(a) and (b) exceed 5% and the relative figure for Rule 1006(c) exceeds 20%. Under Rule 1014(1) and Rule 1014(2) of the Listing Manual, where any of the Rule 1006 relative figures exceed 20%, the transaction is classified as a major transaction and must be made conditional upon approval by shareholders in general meeting.

### **1.3 Purpose of this Circular**

The purpose of this Circular is to provide Shareholders with relevant information pertaining to, and to seek Shareholders' ratification and approval at the EGM, for the Disposal in accordance with the terms and conditions of the SPA at the forthcoming EGM.

## **2. SALIENT TERMS OF THE DISPOSAL**

### **2.1 Information on the Vendor**

The Vendor is a wholly-owned subsidiary of the Company.

### **2.2 Information on the Purchaser**

The Purchaser is a private company incorporated in Singapore, having its registered office address at 143 Cecil Street, 6F GB Building, Singapore 069542. The Purchaser's shareholders are Nanshan Group Singapore Co. Pte. Ltd. and Zhang Haibo and its directors are Zhang Brian, Zhang Haibo, Sui Yongqing and Chen Aijun, who are not related to any Directors or Controlling Shareholders of the Company.

### **2.3 Sale Consideration**

The Sale Consideration for the sale of the Sale Shares was S\$19,999,999.50. The Sale Consideration was arrived at on a willing buyer-willing seller basis, after taking into account, *inter alia*, the liquidity of the CHO Shares and the adjusted NAV of 611,406,281 CHO Shares (representing approximately 86.74% of the entire issued and paid-up share capital of CHO) held by the Vendor (prior to the Disposal) of approximately US\$197.45 million (and the adjusted NAV of the Sale Shares of US\$49.68 million) as at December 31, 2016. The adjusted NAV, adjusted for the uplift of vessels valuation (which is disclosed under the category of "Property, Plant and Equipment" as US\$57.79 million in the Group accounts in FY 2014/2015 as opposed to under the category of "Goodwill").

The significant discount between the Sale Consideration and the adjusted NAV of the Sale Shares of US\$49.68 million takes into account *inter alia* the relatively lower liquidity of the CHO Shares, the block sale of 21.83% of the CHO Shares and the closely held nature of the CHO Shares given that the Vendor held 86.74% of the CHO Shares. The Sale Consideration was satisfied by way of a cashier's order in favour of the Vendor.

## 2.4 Completion

For reasons set out in Section 5.1 of this Circular, the Disposal was completed on April 7, 2017. Following the completion of the Disposal, the Vendor continued to hold 457,560,131 CHO Shares, representing 64.91% of the CHO Shares ("**Remaining Energian Shares**").

## 2.5 Conditions Precedent

Completion of the Disposal was conditional upon, *inter alia*, the following conditions precedent having been fulfilled or waived:

- (i) there not having been at any time hereafter any Material Adverse Change;
- (ii) (a) in respect of the Vendor Warranties which are not qualified by materiality (other than the Fundamental Warranties), such representations and warranties being true, accurate and not misleading in all material respects, (b) in respect of the Fundamental Warranties, such representations and warranties being true, accurate and not misleading in all respects, and (c) in respect of the Vendor Warranties which are qualified by materiality, such representations and warranties being true, accurate and not misleading in all respects, in each case as at the date of the SPA and as at the Completion Date;
- (iii) all covenants and undertakings of the Vendor under the SPA having been complied with as at the Completion Date;
- (iv) the approval of the Board and the Shareholders of the Company for the disposal of the Sale Shares by the Vendor (or an appropriate waiver from the SGX-ST in respect of shareholders' approval);
- (v) the CHO Shares continuing to be listed on the SGX-ST, and no suspension or halt in trading having occurred;
- (vi) the execution, performance and delivery of the SPA, including (a) the sale and purchase and transfer of the Sale Shares upon the terms and conditions of the SPA, and (b) any other transactions contemplated under the SPA and the rights and obligations of the respective parties thereunder, not being prohibited or restricted by, and not being in violation or conflict with, any statute, law, bye-law, directive, circular, notice, order, rule or regulation, ruling guidance or request (whether or not having the force of law) promulgated by any legislative, executive, governmental or regulatory authority, court of law or any other authority of Singapore and any other relevant jurisdictions;
- (vii) all approvals, consents, licences, permits, waivers and exemptions (collectively, "**Approvals**") for the sale and purchase of the Sale Shares and its Completion and the transactions contemplated under the SPA being granted by third parties, and such Approvals remaining in full force and effect;

- (viii) CIMB Bank Berhad, Singapore Branch (“**CIMB**”) undertaking to release its security over the CHO Shares that comprise part of the Sale Shares upon receipt of S\$15.67 million out of the Sale Consideration; and
- (ix) United Overseas Bank Limited agreeing in writing to maintain the UOB Facility post-Completion subject to the terms of the aforesaid facility.

The Company confirms that all the aforesaid conditions precedent have been met on or before the Completion Date.

## **2.6 Right of First Refusal**

Pursuant to the SPA, if the Vendor wishes to transfer any of the Remaining Energian Shares or any interest therein at any time and from time to time for the period of one (1) year from the Completion Date of the Disposal, it shall first offer all of the Remaining Energian Shares to be transferred to the Purchaser at no higher than a price per share in respect of the Sale Shares. Where the offer is declined or lapses, such Remaining Energian Shares may be offered by the Vendor for sale to any other third party transferee on terms and conditions not more favourable than those comprised in the offer to the Purchaser.

## **3. RATIONALE FOR AND BENEFITS OF THE DISPOSAL**

In light of the current global trend of decreasing oil prices and CHO’s dependency on the oil and gas industry for its revenue, the Company considered the sale of CHO to be a strategic decision for the benefit of the Group as the disposal of the Sale Shares is to meet the Group’s pressing obligation to repay the CIMB term loan instalment of S\$15.07 million (excluding interest and late charges) which was due and payable on February 16, 2017, and thereafter will provide the Group a remainder of S\$4.32 million for its working capital purposes. The term loan is secured by the CHO Shares charged to CIMB. After repayment of S\$15.67 million to CIMB, there are 412,180,175 CHO Shares remaining as collateral pledged with the bank against a S\$40.20 million outstanding loan.

## **4. VALUE OF AND NET PROFIT/LOSS ATTRIBUTABLE TO THE SALE SHARES**

The adjusted NAV of the Company’s initial stake in CHO of 611,406,281 CHO Shares was approximately US\$197.45 million comprising 86.74% of US\$161.01 million (being the NAV of CHO as stated in CHO’s unaudited financial statement as at December 31, 2016) with an adjustment for the uplift of vessels valuation of US\$57.79 million attributable to the Group and recorded in the Group accounts in FY 2014/2015. The adjusted NAV of the Company’s initial stake in CHO of approximately US\$197.45 million was calculated by adding US\$57.79 million (being the adjustment for the uplift of vessels valuation of US\$57.79 million attributable to the Group) to 86.74% of US\$161.01 million.

The adjusted NAV of the Sale Shares as at December 31, 2016 of US\$49.68 million is calculated based on the number of Sale Shares of 153,846,150 divided by the Company’s initial stake of 611,406,281 CHO Shares multiplied by US\$197.45 million. The Company’s management has accounted for the loss on the Disposal of approximately US\$35.37 million from the Disposal in the Statement of Changes in Equity – “Transactions with Owners of the Company” as against the aggregate consideration of US\$14.32 million (using the exchange rate of S\$1.3968 : US\$1.00).

## **5. WAIVER BY THE SGX-ST**

### **5.1 Reasons for the completion of the Disposal on April 7, 2017**

The Company completed the Disposal on April 7, 2017 due to *inter alia* the following reasons:

- (i) the disposal of the Sale Shares is to meet the Group's pressing obligation to repay the CIMB term loan instalment of S\$15.67 million which was due and payable on February 16, 2017; and
- (ii) the Company obtained a Waiver in respect of Rule 1014(2) of the Listing Manual from SGX-ST (as set out in Section 5.2 below).

### **5.2 Application of Waiver from SGX-ST and reasons for the application**

As the relative figure under Rule 1006(c) of the Listing Manual for the Disposal exceeded 20%, the Company had on March 3, 2017, applied to the SGX-ST for, and obtained, the Waiver.

In a letter dated April 6, 2017, the SGX-ST informed the Company that it had no objection to the Company's application for the Waiver in respect of Rule 1014(2) of the Listing Manual subject to the following:

- (i) unanimous approval of the directors of the Company for the Company to undertake the Disposal for a cash consideration for S\$19,999,999.50;
- (ii) submission of:
  - (a) a written undertaking from the Company that it will seek Shareholders' ratification of the Disposal at an EGM; and
  - (b) a written confirmation from the Company that the waiver of Rule 1014(2) of the Listing Manual does not contravene any laws and regulations governing the Company and the articles of association of the Company;
- (iii) the Company procuring written irrevocable undertakings from Shareholders holding more than 50% of the Company's share capital to vote in favour of approving the Disposal by the Company at the EGM to be convened;
- (iv) the Company procuring written irrevocable undertakings from Shareholders holding more than 50% of the Company's share capital that they will not dispose of their equity stake in the Company before and up to the date of the EGM; and
- (v) announcement via the Singapore Exchange Network of:
  - (a) the grant of waiver of Rule 1014(2) of the Listing Manual (in compliance with Rule 107 of the Listing Manual), stating the reasons for the Company's application and the conditions attached to the waiver;
  - (b) full details of the Disposal, including information required under Rule 1010 of the Listing Manual; and
  - (c) unanimous approval of the directors of the Company for the Disposal for a cash consideration of S\$19,999,999.50.

The Company's reasons for seeking the Waiver were as follows:

- (i) the Company, as with the rest of the players in the offshore marine and oil and gas sectors, was and still is facing an extremely challenging business environment;
- (ii) the Company's outstanding bank borrowings, as at the date of the SPA, amounted to approximately US\$147 million;
- (iii) it is difficult to obtain suitable refinancing of the loans on terms favourable to the Company in the current economic climate. If the Company were to accept unfavourable refinancing terms, its Shareholders' interests would be prejudiced;
- (iv) the Disposal provided the Company with immediate funds to meet its pressing loan repayment obligations. This improved the cash flow position of the Company and the resultant reduction in the Company's gearing was in its Shareholders' interests;
- (v) the Purchaser had represented to the Company that it was a serious buyer with the necessary financial resources to carry out the transaction as soon as practicable;
- (vi) as at the date of this Circular, Mr Tan Pong Tyea, whose aggregate interest in the Company comprises:
  - (a) his direct interest in 417,960,700 Shares (representing approximately 51.81% of the entire issued share capital of the Company); and
  - (b) his deemed interest in 88,393,051 Shares (representing approximately 10.96% of the entire issued share capital of the Company) comprising:
    - (a) his deemed interest in 48,338,997 Shares held by KGI Fraser Securities Pte. Ltd. by virtue of his 79.21% equity interest in Ruben Capital Ventures Limited (Ruben Capital Ventures Limited's direct interest in 48,338,997 Shares are held in the name of KGI Fraser Securities Pte. Ltd.);
    - (b) his deemed interest in 22,594,595 Shares held by Longzhu Oilfield Services Limited by virtue of his 100% equity interest in Real Trek Pacific Limited which holds 50% equity interest in Longzhu Oilfield Services Limited;
    - (c) his deemed interest in 17,459,459 Shares held by Camelot Capital Consultants Ltd by virtue of his 100% equity interest in Camelot Capital Consultants Ltd,

was fully supportive of the Disposal and had agreed that he would, if an EGM was required, to vote in favour of the Disposal. As such, the resolution to approve the Disposal would be approved by the Company's shareholders and convening an EGM in relation to the Disposal will likely be an academic exercise. Notwithstanding the foregoing, the Company intended to hold an EGM to ratify the Disposal, which would afford minority shareholders the opportunity to raise questions and express their views at the EGM; and

- (vii) preparation of the shareholders' circular and the convening of an extraordinary general meeting to approve the Disposal would take time. As the Disposal was to meet the Group's pressing obligation to repay the CIMB term loan instalment which was due, a prolonged delay in the completion of the Disposal may be commercially impracticable to the Group. As such, if the Company was required to obtain shareholders' approval for the Disposal prior to the completion of the Disposal, this may have resulted in the default of the CIMB term loan instalment which would subject the Company and/or the Group to potential liabilities under the term loan agreement with CIMB and potential cross-defaults with other loan arrangements. Conversely, the completion of the Disposal in an expedient manner would minimise the risk of the Company and/or the Group being subject to such liabilities and potentially, litigation costs to defend its interests under the relevant loan agreement. Having considered the time-sensitive nature of the Disposal, the Company was of the view that it was to the benefit of its Shareholders for the Company to be able to expeditiously negotiate, execute and complete the Disposal.

## **6. IRREVOCABLE UNDERTAKINGS BY MR TAN PONG TYEA**

As at the date of this Circular, Mr Tan Pong Tyea's interest in the Company comprises:

- (i) his direct interest in 417,960,700 Shares (representing approximately 51.81% of the entire issued share capital of the Company); and
- (ii) his deemed interest in 88,393,051 Shares (representing approximately 10.96% of the entire issued share capital of the Company) comprising:
  - (a) his deemed interest in 48,338,997 Shares held by KGI Fraser Securities Pte. Ltd. by virtue of his 79.21% equity interest in Ruben Capital Ventures Limited (Ruben Capital Ventures Limited's direct interest in 48,338,997 Shares are held in the name of KGI Fraser Securities Pte. Ltd.);
  - (b) his deemed interest in 22,594,595 Shares held by Longzhu Oilfield Services Limited by virtue of his 100% equity interest in Real Trek Pacific Limited which holds 50% equity interest in Longzhu Oilfield Services Limited; and
  - (c) his deemed interest in 17,459,459 Shares held by Camelot Capital Consultants Ltd by virtue of his 100% equity interest in Camelot Capital Consultants Ltd.

In compliance with the SGX-ST's condition for the Waiver, Mr Tan Pong Tyea had undertaken to the Company, pursuant to a deed of undertaking dated April 7, 2017, the following:

- I. to vote in favour of approving the Disposal by the Company at the EGM to be convened; and
- II. not to dispose of his equity stake in the Company before and up to the date of the EGM.

## **7. UNANIMOUS APPROVAL OF THE DIRECTORS IN RELATION TO THE DISPOSAL**

In compliance with the SGX-ST's condition for the Waiver, the Board of the Company, had unanimously approved to undertake the Disposal for a cash consideration of S\$19,999,999.50 pursuant to a Directors' resolution in writing dated April 4, 2017.

## 8. FINANCIAL EFFECTS OF THE DISPOSAL

The financial effects of the Disposal set out below are:

- (i) purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after Completion of the Disposal; and
- (ii) based on (a) the audited consolidated financial statements of the Company for FY2016 and (b) audited financial statements of CHO as of the period ended June 30, 2016.

### 8.1 Net Asset Value (NAV)

The effect of the Disposal on the audited NAV per share of the Group FY2016, assuming that the Disposal had been effected at the end of FY2016, is as follows:

	Before the Disposal	After the Disposal
NAV (US\$'000)	282,122	246,684
NAV per share (US cents)*	34.94	30.55

\* Calculated based on the issued and paid-up share capital of the Company of 807,441,575 Shares excluding treasury shares.

### 8.2 Earnings per Share (EPS)

The effect of the Disposal on the audited EPS of the Group for FY2016, assuming that the Disposal had been effected at the beginning of FY2016, is as follows:

	Before the Disposal	After the Disposal
Net earnings attributable to shareholders (US\$'000)	39,821	39,821
EPS (US cents)*	4.92	4.92

\* Calculated based on the weighted average number of 809,460,000 Shares.

## 9. USE OF PROCEEDS

The disposal of the Sale Shares is to meet the Group's pressing obligation to repay the CIMB term loan instalment of S\$15.67 million which was due and payable on February 16, 2017, and thereafter will provide the Group a remainder of S\$4.32 million for its working capital purposes (of which as at the date of this Circular, the said S\$4.32 million has been applied towards interest payments to the banks and for paying for overheads of the Group).

## 10. DETAILS OF ANY SERVICE CONTRACTS

In connection with the Disposal, the Purchaser will be entitled to appoint a nominee to the board of directors of CHO.

## 11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 11.1 Interests in the Company

#### Shares

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:

Directors	Direct interest		Deemed interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Tan Pong Tyea	417,960,700	51.81	88,393,051	10.96
Cai Wenxing	–	–	70,933,592	8.79
Lien Kait Long	75,000	0.0093	–	–
Tan Sooh Whye <sup>(2)</sup>	10,600,000	1.31	4,209,500	0.52
Cai Wenting	23,716,216	2.94	–	–

Substantial Shareholders	Direct interest		Deemed interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Ruben Capital Ventures Limited	48,338,997 <sup>(3)</sup>	5.99	–	–
Tan Pong Tyea	417,960,700	51.81	88,393,051 <sup>(4)</sup>	10.96
Cai Wenxing	–	–	70,933,592 <sup>(5)</sup>	8.79

#### Notes:

- (1) The percentage shareholding interest is based on the total issued share capital of 806,631,475 Shares.
- (2) Ms Tan Sooh Whye holds share options in relation to 150,000 Shares.
- (3) Ruben Capital Ventures Ltd's direct interest in the 48,338,997 Shares are held in the name of KGI Fraser Securities Pte Ltd.
- (4) Mr Tan Pong Tyea's deemed interest in the 88,393,051 Shares comprises:
  - (a) his deemed interest in 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) his deemed interest in the 22,594,595 Shares held by Longzhu Oilfield Services Limited by virtue of his 100% equity interest in Real Trek Pacific Limited which holds 50% equity interest in Longzhu Oilfield Services Limited; and
  - (c) his deemed interest in the 17,459,459 Shares held by Camelot Capital Consultants Ltd by virtue of his 100% shareholding interest in Camelot Capital Consultants Ltd.
- (5) Cai Wenxing's deemed interest in the 70,933,592 Shares comprises:
  - (a) his deemed interest in the 22,594,595 Shares held by Longzhu Oilfield Services Limited by virtue of his 50% equity interest in Longzhu Oilfield Services Limited; and
  - (b) his deemed interest in 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.

### 11.2 Interests in the Disposal

None of the Directors or Controlling Shareholders and their Associates as at the Latest Practicable Date, has any interest, direct or indirect, in the Disposal.



## **12. DIRECTORS' RECOMMENDATION**

Having considered and reviewed, amongst others, the terms of the SPA, the rationale for and the financial effects of the Disposal, and all other relevant facts set out in this Circular, the Directors are of the opinion that the Disposal was in the interest of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution set out in the Notice of EGM.

## **13. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on page 17 of this Circular, will be held at TRN Centre, 10 Anson Road #19-14, International Plaza, Singapore 079903 on Friday, December 29, 2017 at 10.30 a.m. (as soon as practicable immediately following the conclusion or adjournment of the annual general meeting of the Company to be held on the same day and at the same place) for the purpose of considering and, if thought fit, passing the Ordinary Resolution set out in the Notice of EGM.

## **14. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf must complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at 10 Anson Road, #33-15 International Plaza, Singapore 079903 not less than 48 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM to speak and vote thereat unless his name appears in the Depository Register as at 72 hours before the EGM.

## **15. 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 Disposal, 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 this 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 this Circular in its proper form and context.

## **16. INSPECTION OF DOCUMENTS**

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 the date of the EGM:

- (a) the Constitution of the Company;
- (b) the Annual Report 2017; and
- (c) the SPA.

Yours faithfully  
For and on behalf of the Board

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

## **FALCON ENERGY GROUP LIMITED**

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

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of **FALCON ENERGY GROUP LIMITED** (the “**Company**”) will be held at TRN Centre, 10 Anson Road #19-14, International Plaza, Singapore 079903 on Friday, December 29, 2017 at 10.30 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the annual general meeting of the Company to be held on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

#### **ORDINARY RESOLUTION:**

**RATIFICATION OF THE DISPOSAL OF 153,846,150 ISSUED AND FULLY PAID-UP ORDINARY SHARES OF CH OFFSHORE LTD. HELD BY A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, ENERGIAN PTE. LTD., BEING 21.83% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF CH OFFSHORE LTD. TO SZ OFFSHORE INVESTMENTS PTE. LTD., ON THE TERMS AND CONDITIONS OF THE SALE AND PURCHASE AGREEMENT DATED APRIL 4, 2017**

#### **That:**

- (a) the entry by the Company into the SPA (as defined in the circular to shareholders dated December 13, 2017 (“Circular”)) in relation to the Disposal (as defined in the Circular), on the terms and subject to the conditions set out in the SPA, the performance by the Company of its obligations under the SPA and the completion of the Disposal in accordance with the SPA be and are hereby approved, ratified and confirmed; and
- (b) the Directors of the Company be and are hereby authorised to do all acts and things (including executing such documents as may be required) as they may consider expedient or necessary or in the interest of the Company, in connection with the Disposal, or the transactions contemplated by the Disposal, or to give effect to this Ordinary Resolution.

By Order of the Board  
**Falcon Energy Group Limited**

Peh Lei Eng  
Company Secretary  
Singapore  
December 13, 2017

**Notes:**

- (1) A shareholder of the Company entitled to attend and vote at the EGM of the Company may appoint not more than two proxies to attend and vote in his/her stead. A shareholder of the Company which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.
- (2) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 10 Anson Road, #33-15 International Plaza, Singapore 079903 not later than 48 hours before the time appointed for the holding of the EGM.
- (3) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
- (4) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

# FALCON ENERGY GROUP LIMITED

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

## PROXY FORM EXTRAORDINARY GENERAL MEETING

### Important:

1. For investors who have used their CPF monies to buy the Falcon Energy Group Limited shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We\* \_\_\_\_\_ (Name) NRIC/Passport no.\* \_\_\_\_\_ of  
\_\_\_\_\_ (Address)

being a shareholder/shareholders\* of Falcon Energy Group Limited (the "Company") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or\*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Extraordinary General Meeting (the "EGM") of the Company as my/our\* proxy/proxies\* to attend and to vote for me/us\* on my/our\* behalf and, if necessary, to demand a poll at the EGM of the Company to be held at TRN Centre, 10 Anson Road #19-14, International Plaza, Singapore 079903 on Friday, December 29, 2017 at 10.30 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the annual general meeting of the Company to be held on the same day and at the same place), and at any adjournment thereof.

Resolution	Number of Votes For**	Number of Votes Against**
To ratify, approve and confirm (i) the Disposal as defined in the Circular to Shareholders dated December 13, 2017 and (ii) the completion of the Disposal which has been completed on April 7, 2017		

\* Delete accordingly

\*\* If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

<b>Total Number of Shares Held</b>

\_\_\_\_\_  
Signature(s) of Shareholder(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her/its stead. A proxy need not be a shareholder of the Company.
3. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 10 Anson Road #33-15 International Plaza Singapore 079903 not less than 48 hours before the time appointed for the EGM.
4. Where a member appoints more than one (1) proxy, he/she/it should specify the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM.
8. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
10. Terms not defined herein shall have the meanings ascribed to them in the Company's Circular to the Shareholders dated December 13, 2017.

***Personal Data Privacy:***

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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