

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

THE GROUP						
	2Q 2018	2Q 2017		6M 2018	6M 2017	
	1 Oct 2017 to	1 Oct 2016 to	Increase/	1 Jul 2017 to	1 Jul 2016 to	Increase/
	31 Dec 2017	31 Dec 2016	(Decrease)	31 Dec 2017	31 Dec 2016	(Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	12,010	22,788	-47.3%	25,766	57,613	-55.3%
Cost of sales	(12,781)	(19,155)	-33.3%	(24,257)	(49,284)	-50.8%
Gross profit	<u>(771)</u>	<u>3,633</u>	-121.2%	<u>1,509</u>	<u>8,329</u>	-81.9%
Other operating (expenses)/income	630	5,399	-88.3%	1,281	7,182	-82.2%
Administrative expenses	(5,421)	(8,905)	-39.1%	(11,025)	(11,820)	-6.7%
Finance costs	(2,414)	(2,357)	2.4%	(4,805)	(4,816)	-0.2%
Share of net profit of associates and joint ventures	396	515	-23.1%	1,353	761	77.8%
Loss before income tax	<u>(7,580)</u>	<u>(1,715)</u>	NM	<u>(11,687)</u>	<u>(364)</u>	NM
Income tax credit/(expense)	-	1,440	NM	13	1,603	NM
(Loss)/Profit for the period	<u><u>(7,580)</u></u>	<u><u>(275)</u></u>	NM	<u><u>(11,674)</u></u>	<u><u>1,239</u></u>	NM
(Loss)/Profit for the period attributable to:						
Owners of the Company	(6,698)	683	NM	(10,271)	2,294	NM
Non-controlling interests	(882)	(958)	-7.9%	(1,403)	(1,055)	33.0%
(Loss)/Profit for the period	<u><u>(7,580)</u></u>	<u><u>(275)</u></u>	NM	<u><u>(11,674)</u></u>	<u><u>1,239</u></u>	NM
1(a)(ii) Statement of Comprehensive income						
(Loss)/Profit for the period	(7,580)	(275)	NM	(11,674)	1,239	NM
Other comprehensive income :						
Foreign currency translation of foreign entities	6	(31)	NM	26	(42)	NM
Total comprehensive income for the period	<u><u>(7,574)</u></u>	<u><u>(306)</u></u>	NM	<u><u>(11,648)</u></u>	<u><u>1,197</u></u>	NM
Total comprehensive income attributable to:						
Owners of the company	(6,696)	652	NM	(10,254)	2,252	NM
Non-controlling interests	(878)	(958)	-8.4%	(1,394)	(1,055)	32.1%
Total comprehensive income for the period	<u><u>(7,574)</u></u>	<u><u>(306)</u></u>	NM	<u><u>(11,648)</u></u>	<u><u>1,197</u></u>	NM

Notes:

(1) NM = Not meaningful



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

THE GROUP				
	2Q 2018	2Q 2017	6M 2018	6M 2017
	1 Oct 2017 to	1 Oct 2016 to	1 July 2017 to	1 July 2016 to
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation and amortisation expenses	6,112	7,358	12,188	13,694
Exchange loss/(gain) - net	1,453	(4,120)	1,965	(5,367)
Interest expense	2,414	2,357	4,805	4,816
Interest income	(109)	(32)	(234)	(50)
Allowance for doubtful trade debts	-	-	49	-
Loss on disposal of property, plant and equipment	92	-	89	7
Property, plant and equipment written off	-	-	-	8
	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>

1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year.

	THE GROUP		THE COMPANY	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	US\$'000	US\$'000	US\$'000	US\$'000
<u>ASSETS</u>				
Current assets				
Cash and bank balances	13,349	10,848	114	28
Trade receivables	61,019	59,359	-	-
Other receivables	36,122	35,252	2,527	199
Non-current asset held for sale	-	5,912	-	5,912
Inventories	507	1,012	-	-
Total current assets	110,997	112,383	2,641	6,139
Non-current assets				
Other receivables	12,710	12,578	11,361	11,355
Property, plant and equipment	278,312	290,068	116	171
Subsidiaries	-	-	92,588	92,233
Associates	30,037	30,901	*	*
Joint venture	12,270	11,996	*	*
Available-for-sale investments	2,098	2,098	2,098	2,098
Other intangible assets	186	186	-	-
Deferred tax assets	479	498	-	-
Total non-current assets	336,092	348,325	106,163	105,857
Total assets	447,089	460,708	108,804	111,996
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	17,191	18,538	-	-
Other payables	40,899	34,068	138,373	136,852
Finance leases	117	156	17	17
Bank overdraft and borrowings	132,642	135,882	40,123	39,234
Notes payables	-	36,355	-	36,355
Income tax payable	3,526	3,505	25	25
Total current liabilities	194,375	228,504	178,538	212,483
Non-current liabilities				
Notes payables	37,571	-	37,571	-
Finance leases	139	215	3	11
Other payables	28,806	34,143	-	-
Deferred tax liabilities	8,934	8,934	-	-
Total non-current liabilities	75,450	43,292	37,574	11
Capital and reserves				
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	(387)	(404)	-	-
Accumulated profits/(loss)	65,754	76,025	(345,185)	(338,375)
Equity attributable to owners of the Company	120,120	130,374	(107,308)	(100,498)
Non-controlling interests	57,144	58,538	-	-
Total equity	177,264	188,912	(107,308)	(100,498)
Total liabilities and equity	447,089	460,708	108,804	111,996

Notes:

* Amount less than US\$1,000



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

THE GROUP				
	As at 31 Dec 2017		As at 30 Jun 2017	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	132,759	-	172,393	-
Amount repayable after one year	37,710	-	215	-
Total	170,469	-	172,608	-

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.

	THE GROUP	
	6M 2018	6M 2017
	1 July 2017 to	1 July 2016 to
	31 Dec 2017	31 Dec 2016
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before income tax	(11,687)	(364)
Adjustments for:		
Depreciation of property, plant and equipment	12,188	13,694
Interest expense	4,805	4,816
Interest income	(234)	(50)
Share of net profit of associates and joint ventures	(1,353)	(761)
Exchange difference	1,744	(2,967)
Property, plant and equipment written off	-	8
Loss on disposal of property, plant and equipment	89	7
Allowance for doubtful trade debts	49	-
Operating cash flows before movements in working capital	<u>5,601</u>	<u>14,383</u>
Inventories	505	(899)
Trade receivables	(1,709)	13,972
Other receivables	(1,017)	(3,161)
Trade payables	(1,347)	(10,444)
Other payables	937	9,261
Cash generated from operations	<u>2,970</u>	<u>23,112</u>
Income tax paid	-	-
Net cash generated from operating activities	<u>2,970</u>	<u>23,112</u>
Cash flows from investing activities		
Interest received	234	50
Purchases of property, plant and equipment	(526)	(216)
Proceeds from disposal of property, plant and equipment	5,478	33
Net cash generated from/(used in) investing activities	<u>5,186</u>	<u>(133)</u>
Cash flows from financing activities		
Interest paid	(4,805)	(4,066)
Repayment of finance lease obligations	(96)	(187)
Repayment of borrowings	(6,149)	(27,224)
Proceeds of borrowings	2,951	2,826
Advances from related parties (under other payables)	2,500	-
Share buy-back	-	(76)
Fixed deposit and bank balances pledged	1,132	1,384
Net cash used in financing activities	<u>(4,467)</u>	<u>(27,343)</u>
Net increase/(decrease) in cash and cash equivalents	3,689	(4,364)
Effect of exchange rate changes	(56)	555
Cash and cash equivalents at beginning of the year	9,518	24,361
Cash and cash equivalents at end of the period	<u>13,151</u>	<u>20,552</u>
Cash and cash equivalents represent:		
Bank and cash balance	10,148	19,358
Fixed deposits	3,201	1,678
	<u>13,349</u>	<u>21,036</u>
Less:		
Fixed deposits and bank balances pledged	(198)	(484)
Cash and cash equivalents in statement of cash flows	<u>13,151</u>	<u>20,552</u>

FALCON ENERGY GROUP LIMITED

Registration No. 200403817G



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding

	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits US\$'000	Total attributable to equity holders of the parent US\$'000	Non-controlling interests US\$'000	Total US\$'000
THE GROUP										
Balance as at 1 July 2017	229,528	(4,114)	(19,608)	639	(151,692)	(404)	76,025	130,374	58,538	188,912
Total comprehensive income for the period										
Loss for the period	-	-	-	-	-	-	(10,271)	(10,271)	(1,403)	(11,674)
Other comprehensive income for the period	-	-	-	-	-	17	-	17	9	26
Total	-	-	-	-	-	17	(10,271)	(10,254)	(1,394)	(11,648)
Transaction with owners of the Company, recognised directly in equity										
Share buy-back	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	229,528	(4,114)	(19,608)	639	(151,692)	(387)	65,754	120,120	57,144	177,264
Balance as at 1 July 2016	229,528	(4,017)	10,173	639	(151,692)	(372)	197,863	282,122	56,305	338,427
Total comprehensive income for the period										
Profit/(Loss) for the period	-	-	-	-	-	-	2,294	2,294	(1,055)	1,239
Other comprehensive income for the period	-	-	-	-	-	(42)	-	(42)	-	(42)
Total	-	-	-	-	-	(42)	2,294	2,252	(1,055)	1,197
Transaction with owners of the Company, recognised directly in equity										
Share buy-back	-	(76)	(40)	-	-	-	-	(116)	(6)	(122)
Balance as at 31 December 2016	229,528	(4,093)	10,133	639	(151,692)	(414)	200,157	284,258	55,244	339,502



	Share capital US\$'000	Treasury shares US\$000	Capital reserve US\$000	Share option reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
THE COMPANY						
Balance as at 1 July 2017	229,528	(4,114)	11,824	639	(338,375)	(100,498)
Loss for the period representing total comprehensive income for the period	-	-	-	-	(6,810)	(6,810)
Share buy-back	-	-	-	-	-	-
Balance as at 31 December 2017	229,528	(4,114)	11,824	639	(345,185)	(107,308)
Balance as at 1 July 2016	229,528	(4,017)	11,824	639	9,223	247,197
Profit for the period representing total comprehensive income for the period	-	-	-	-	960	960
Share buy-back	-	(76)	-	-	-	(76)
Balance as at 31 December 2016	229,528	(4,093)	11,824	639	10,183	248,081

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	
	31 Dec 2017	30 Jun 2017
Issued ordinary shares		
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 31 December 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 financial year ended 30 June 2017.

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			
	2Q 2018 1 Oct 2017 to 31 Dec 2017	2Q 2017 1 Oct 2016 to 31 Dec 2016	6M 2018 1 July 2017 to 31 Dec 2017	6M 2017 1 July 2016 to 31 Dec 2016
Net (loss)/profit attributable to Owners of the Company (US\$'000)	<u>(6,698)</u>	<u>683</u>	<u>(10,271)</u>	<u>2,294</u>
Weighted average number of ordinary shares ('000)	<u>806,631</u>	<u>806,923</u>	<u>806,631</u>	<u>806,923</u>
Earnings per ordinary share ("EPS") for the period/year				
(a) Basic EPS (US cents)	(0.83)	0.08	(1.27)	0.28
(b) On a fully diluted EPS (US cents)#	(0.83)	0.08	(1.27)	0.28

the outstanding options 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 31 Dec 2017 US cents	As at 30 Jun 2017 US cents	As at 31 Dec 2017 US cents	As at 30 Jun 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

14.89	16.16	(13.30)	(12.46)
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Notes:

The Group's and the Company's NAV (represented as equity attributable to owners of the Company) per ordinary share as at 31 December 2017 and 30 June 2017 have been computed based on the number of 806,631,475 shares issued excluding treasury shares respectively.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

6M 2018 vs 6M 2017

The Group recorded a US\$31.84 million or 55.3% decrease in revenue from US\$57.61 million for the six months ended 31 December 2016 ("6M 2017") to US\$25.77 million for the six months ended 31 December 2017 ("6M 2018"). The decrease is made up of:

- (a) Oilfield Services Division decreased by US\$23.75 million due to lower volume of works in 6M 2018.
- (b) Marine Division's revenue decreased by US\$8.91 million due to lower deployment rate of vessels and decrease in charter rates.

As a result of the decrease in revenue, the Group's average gross profit margin reduced from 14.5% to 5.9% in 6M 2018.

Other operating income decreased by US\$5.90 million from US\$7.18 million in 6M 2017 to US\$1.28 million in 6M 2018 mainly due to the unrealized exchange gain recognized in 6M 2017.

Administrative expenses decreased by US\$0.79 million from US\$11.82 million in 6M 2017 to US\$11.03 million in 6M 2018 mainly due to the Group's continued effort in cost reduction.

The share of profit from associates and joint ventures increased by US\$0.59 million in 6M 2018 due to higher profit from joint ventures.

With the mentioned factors above, the Group generated a loss before tax of approximately US\$11.69 million in 6M 2018.

2Q 2018 vs 2Q 2017

The Group recorded a US\$10.78 million or 47.3% decrease in revenue from US\$22.79 million for the three months ended 31 December 2016 ("2Q 2017") to US\$12.01 million for three months ended 31 December 2017 ("2Q 2018"). The decrease was mainly attributable to the decline in revenue of the Marine and Oilfield Services Division.

As a result of the low deployment rate of vessels and drop in charter rates as well as the low volume of works, the Group recorded a gross loss in 2Q 2018.

Other operating income decreased by US\$4.77 million from US\$5.40 million in 2Q 2017 to US\$0.63 million in 2Q 2018 due primarily to the unrealized exchanged gain recognized in 2Q 2017.

Administrative expenses decreased by US\$3.49 million from US\$8.91 million in 2Q 2017 to US\$5.42 million in 2Q 2018 mainly due to the Group's continued effort in cost reduction.

The share of profit from associates and joint ventures decreased from US\$0.52 million in 2Q 2017 to US\$0.40 million in 2Q 2018 mainly due to the decrease in the contribution by the associates in 2Q 2018.



With the mentioned factors above, the Group generated a loss before income tax of approximately US\$7.58 million in 2Q 2018.

Statement of financial position and Statement of cash flow:

Current assets decreased by US\$1.38 million from US\$112.38 million as at 30 June 2017 to US\$111.00 million as at 31 December 2017. The decrease was mainly attributed to the increase in cash and bank balances as well as trade and other receivables and which was partially offset by the decrease in inventories and non-current asset held for sale.

Non-current assets decreased by approximately US\$12.24 million from US\$348.33 million as at 30 June 2017 to US\$336.09 million as at 31 December 2017. The decrease was due mainly to the decrease in property, plant and equipment resulted from routine depreciation.

Current liabilities decreased by US\$34.12 million from US\$228.50 million as at 30 June 2017 to US\$194.38 million as at 31 December 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. The increase in other payables of US\$6.83 million was mainly due to advances from related parties of US\$2.50 million.

Non-current liabilities increased by US\$32.16 million from US\$43.29 million as at 30 June 2017 to US\$75.45 million as at 31 December 2017 was primarily due to the reason stated in current liabilities reduction.

The Group generated a net cash flow of approximately US\$2.97 million from operating activities. Net cash flow generated from investing activities amounting to US\$5.19 million was primarily from the proceeds on disposal of property, plant and equipment. Net cash flow used in financing activities of US\$4.47 million was mainly for the repayment of existing loans and interest and advances from related parties under other payables after setting off against the draw-down of others 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.

For the 12 months ahead, the operating environment for the offshore support vessels and oilfield services business will continue to be challenging despite early indications of improvement in crude oil prices. It will take time for the market to rebalance and work out the excess supply and low rates in the Offshore Support Vessels (OSV) and oilfield services markets.

The Group will continue to exercise financial prudence to ensure that it stays resilient while the market works out its imbalances. The Group will implement measures to maximise the operational efficiency of its fleet and increase the utilisation rate. Business development activities will be focused on geographical areas and niches in the OSV and oilfield services markets which have shown increased activities.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

No

(b) Corresponding period of the immediately preceding financial year

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

No

(c) Date payable

Not applicable

(d) Book closure date

Not applicable

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

No interim dividend has been declared for the financial period ended 31 December 2017.

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
Cai Wenxing ⁽¹⁾		
- rental of premises	138	-
CDS International Forwarding (TianJin) Co Ltd ⁽²⁾		
- purchase of services	115	-
- sale of services	(176)	-

Note:

(1) Mr Cai Wenxing is a Director of the Company.

(2) Mr Cai Wenxing holds 70% of the equity interest in CDS International Forwarding (TianJin) Co Ltd.

14. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5)

The Board of Directors has confirmed that, to the best of their knowledge, nothing material has come to their attention which may render these financial results for the 6-month-period ended 31 December 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.

Tan Pong Tyea

Cai Wenxing

BY ORDER OF THE BOARD

Tan Pong Tyea
Chairman and Chief Executive Officer
12 February 2018