Falcon Energy Group Limited

Strengthening Our Core
Growing Our Business

Annual Report 2011

Contents

Our Aim

To consistently deliver quality service to our clients by using the best of our expertise and experience, and to enhance stakeholders' value in all our business activities in the energy industry.

Our Company

Falcon Energy Group Limited (FEG) is an established player in the oil and gas industry, providing a spectrum of services to global oil companies and contractors, from the initial exploration stage to production and post-production stage. The Marine Division has a fleet of offshore support vessels to provide direct support to its customers, mainly in the production phase of oil and gas projects. The Oilfield Services Division provides services such as agencies, logistics and procurement and other general support activities, while the Oilfield Project Division executes various projects for oil companies. FEG has recently entered the offshore oil drilling business through its order of two technically advanced jack-up drilling rigs, the Drilling Services Division will be developed into a full-fledged drilling business for the oil majors and national oil companies. The Resources Division taps into the energy resource sector to carry out coal trading, coal mining and other related businesses.

Strengthening Our Core

Chairman's Message

Dear Shareholders

It has been a challenging year for Falcon Energy Group Limited (FEG). In the midst of the uncertainties over the global economy and challenges faced by the Group to strengthen its core and grow its business, FEG has achieved positive financial results.

As an established company in the industry, we seek to consistently deliver quality service to our clients by using the best of our expertise and experience, and to enhance stakeholders' value in all our business activities in the energy industry.

Besides its traditional core businesses in marine, oilfield services and oilfield projects, the Group is expanding its business by venturing into related energy business such as resources and drilling services. Indeed, we believe these are steps in the right direction to enhance our business offerings to our customers and grow our revenues in the long term.

We believe our strengths will continue to help us navigate the obstacles ahead, and make FEG a stable and reputable company with great potential for growth. These strengths include strong working relationships with long-term customers and suppliers, dedicated and experienced management team, extensive list of marine equipment, good track record, efficient operations and high safety record.

PERFORMANCE REVIEW

During the past year, despite the adverse effects from the uncertain economic climate worldwide, FEG has recorded an increase in revenue by 23.7 per cent to US$79.95 million in financial year 2011 compared to US$64.61 million a year ago.

The Group's three core businesses – Marine Division, Oilfield Services Division and Oilfield Projects Division achieved revenues of US$22.98 million, US$43.57 million and US$13.40 million respectively. The main contributor to total revenue came from Oilfield Services Division at 54.5 per cent, followed by Marine Division at 28.7 per cent, and Oilfield Projects Division at 16.8 per cent.

Revenue from Oilfield Services Division increased to US$43.57 million from US$20.77 million in the previous financial year. The increase was due mainly to several one-off short term contracts and the provision of sundry services. Revenue from Oilfield Projects Division also increased to US$13.40 million compared to US$12.24 million a year ago.

However, revenue from Marine Division decreased to US$22.98 million from the previous US$31.60 million due to weak market conditions for the period. The weak results were mainly due to fewer vessels being deployed, lower charter rates and provision for doubtful debts. Although there was a dip in revenue from the Marine Division, the decision to upgrade the

"The Group is expanding its business by venturing into related energy business such as resources and drilling services. Indeed, we believe these are steps in the right direction to enhance our business offerings to our customers and grow our revenues in the long term."

chairman's message

vessels was made with a long-term view to provide more efficient services to its customers. FEG expects this effort will bear fruit in the foreseeable future with more revenue from this Division.

The Group's gross profit decreased to US$17.86 million compared to US$24.62 million a year ago. The gross profit margin for Oilfield Projects Division increased from 50.8 per cent to 55.5 per cent. However, the gross profit margin for Oilfield Services Division decreased marginally from 25.7 per cent to 25.2 per cent. Gross profit margin for Marine Division declined due mainly to lower chartering rates against a constant volume of fixed costs. These factors resulted in the decline of the Group's average gross profit margin to 22.3 per cent compared 38.1 per cent previously.

Other operating income increased to US$5.47 million compared to US$2.01 million a year ago. This was mainly due to the gain from disposal of leasehold property and the increase in the provision of vessels' sundry services.

Administrative expenses increased to US$21.34 million due mainly to the provision for doubtful debts and preliminary expenses incurred for the new Resources Division. Finance costs decreased to US$3.90 million due mainly to the one-off payment of commitment and advisory fees in 2010. The increase in the Group's share of net profit from associates was due largely to the increase in share of profit from an associate – Federal Offshore Services Pte Ltd.

As a result, the Group generated a profit before tax of approximately US$7.08 million and an after-tax profit of US$5.56 million in 2011. Net assets attributable to FEG's equity holders stood at US$189.03 million with net asset value per share of 23.22 US cents (approximately 29.38 Singapore cents) as at 31 December 2011.

STRENGTHENING OUR CORE

FEG is strengthening its traditional core business – Marine Division, Oilfield Services Division and Oilfield Projects Division.

The outlook for these three divisions looks promising as oil prices continue to climb because geopolitical uncertainties in oil producing countries have led to supply disruptions and production constraints in the global oil markets, and continuously increasing demand for oil in emerging economies. With high levels of economic activities and increasing demand in energy consumption in Asia, the offshore oil and gas industry continues to be an area of potential growth as oil majors seek to meet the region's growing demand. Thus, the Group is seeing signs of increase in activities in the offshore and marine industries.

The Marine Division is expected to do better in 2012 as many of its vessels are being deployed for work, after undergoing mandatory maintenance. The Oilfield Services and Projects Oilfield Divisions had performed well last year and are expected to make substantial contributions within the next 12 months.

Going forward, the Group will continue to strengthen its core business and prepare for the next stage of growth. We will continue to invest, grow our assets and increase operational efficiencies. With its strong competitive advantages, significant presence in the regional markets and stable financial position, the Group is well positioned to strengthen and grow its business over time.

INDUSTRY OUTLOOK

Looking at the global oil and gas industry, we expect capital expenditure to increase as it is driven mainly by high, sustained crude oil prices.

In view of the sustained high prices of oil and expected increase in gas prices, exploration and production companies are increasing expenditure in upstream activities for both conventional and unconventional oil and gas.

Another observation is that the discovery of new oil and gas resources worldwide has encouraged many exploration and production companies to increase investments in those regions. Exploration and production companies have started to increase investments in geologically challenging areas encouraged by high crude oil prices.

All this augers well for FEG as its core businesses and new drilling services are serving the oil and gas industry.

DEVELOPING OUR BUSINESS

The Group is on track in developing two new businesses – Resources Division and the newly formed Drilling Services Division. We believe that the two newly formed divisions, which are involved in the energy-related business, will complement our core business in marine, oilfield services and oilfield projects. The Resources Division fit in with the Group's energy portfolio due to its connections with major players of thermal coal in China and India. In the case of the Drilling Services Division, it is an extension of what FEG has been doing and will offer more comprehensive services to customers.

The Resources Division, which was established to tap into the energy resource sector, is exploring coal trading and mining opportunities in Indonesia. It has acquired commercial rights for two concessions and is in the process of negotiating with several others. Its team of geologists is conducting general surveys and feasibility studies at various locations in East Kalimantan and Sumatra.

The Group has embarked on a joint venture in the oil rig business with a consortium and entered into an agreement to purchase two jack-up drilling rigs. These rigs are expected to be delivered in late 2013. The Group hopes to develop this business further over the next three years. So far, it has developed substantial prospects in this segment of the oilfield business.

Against a backdrop of global economic uncertainties, the Group expects the overall operating

"Going forward, the Group will continue to strengthen its core business and prepare for the next stage of growth. We will continue to invest, grow our assets and increase operational efficiencies."

chairman's message

environment to be challenging in the year ahead. Barring any unforeseen circumstances, the Group expects to remain profitable for the financial year ending 31 December 2012.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my deepest thanks for the invaluable support and kind cooperation of our shareholders, business partners and customers. We are grateful for your continued partnership and confidence in us through the years.

Our heartfelt thanks also go to the management team and staff for their dedication and hard work. I believe we are able to sustain and grow our business due to your commitment and loyalty to the company.

Last but not least, I would like to thank our Board of Directors for their guidance and wise counsel.
I look forward to all our stakeholders' contributions so that together, we can strengthen our core and grow our business in the year ahead.

Tan Pong Tyea
Chairman and
Chief Executive Officer

"With its strong competitive advantages, significant presence in the regional markets and stable financial position, the Group is well positioned to strengthen and grow its business over time."

Growing Our Business

Business Review

FEG's Five Business Divisions

Marine **Oilfield Services** **Oilfield Projects** **Drilling Services** **Resources**

During the year, Falcon Energy Group Limited (FEG) has been positioning itself to strengthen its core activities and grow its business. As a leading regional player in the marine and oil and gas industry, it provides a spectrum of services to global oil companies and contractors, from the initial exploration stage to production and post-production stage.

Recently, it has ventured into two related energy businesses – resources and drilling services. The plan is for the Resources Division to tap into the energy resource sector through its coal trading, coal mining and other related businesses, while the Drilling Services Division will be developed into a full-fledged drilling business for the oil majors and national oil companies. In doing so, FEG will be providing a more comprehensive set of services to its wider group of customers.

Through the past 30 years, the Group has built up a solid track record. Its commitment to top quality operations, professional practices and safety standards has resulted in a clientele base that includes some of the largest oil majors in the world including Shell, ExxonMobil, Chevron, BP and TOTAL; as well as oil contractors comprising McDermott, Halliburton, PetroChina and COSL.

Currently, FEG is now operating in South-east Asia, India, China, Australia, Mexico (Americas) and the Middle East. In the Middle East, the Group has incorporated a subsidiary in United Arab Emirates known as Falcon Energy FZC in February 2011 for marketing and business development.

MARINE DIVISION

The Marine Division has a fleet of offshore support vessels to provide direct support to its customers, mainly in the production phase of oil and gas projects. The Group has taken steps to strengthen its marine business by restructuring the Marine Division into a more regional base operation, and is continuing to purchase new vessels in order to expand its fleet.

Currently, FEG owns and operates a fleet of accommodation work barges and support vessels. Its fleet of offshore support vessels provides direct support to its customers, who are mainly in the production phase of oil and gas projects. Its accommodation work barges provide engineering services such as offshore hook-up and commissioning, offshore conductor piling, hydraulic work-over/coiled tubing/well stimulation and pipe trenching.

“ Through the past 30 years, the Group has built up a solid track record. Its commitment to top quality operations, professional practices and safety standards has resulted in a clientele base that includes some of the largest oil majors in the world as well as oil contractors.”

During the year, the Group added two more vessels to its fleet. It also signed a contract for the construction of two multi-functional support vessels for deep sea operations and FEG expects to make further purchases in the year ahead.

The Marine Division is expected to do better in the year ahead as the Group is seeing much better business activities in the first quarter. Based on these activities, the Division is confident of generating more business.

OILFIELD SERVICES DIVISION

The Oilfield Services Division provides services such as agencies, logistics and procurement and other general support activities. It provides such services to oil and gas companies worldwide.

Its move into oil trading and other related activities has helped to broaden its revenue stream, thus enabling it to contribute significantly to the Group's revenues. The Division has earned a reputation in the oilfield services industry for delivering timely, efficient and cost-effective solutions and services to major oil and independent oil production companies. Therefore, the future opportunities for its services are good.

OILFIELD PROJECTS DIVISION

The Oilfield Project Division executes various projects that are related to the offshore marine and oil and gas industry, ranging in size from small facilities to multi-million dollar heavy oil facilities.

The future for the Oilfield Projects Division continues to improve from the previous year and the outlook is positive as oilfield activities have picked up.

DRILLING SERVICES DIVISION

During the year, the Group has set up its Drilling Services Division with the goal of entering the offshore oil drilling business through its order of two technically advanced jack-up drilling rigs. This Division's objective is to develop itself into a full-fledged drilling business for the oil majors and national oil companies. In this way, the Group will be adding a more integrated portfolio of offshore services for its oil and gas customers.

In 2011, the Group established TS Drilling Pte Ltd in conjunction with its consortium partners to order two jack-up rigs. These will be FEG's first pair of of jack-up drilling units. These

business review

jack-up drilling rigs will be capable of drilling in a water depth of about 375 feet. The expected date of delivery is late 2013. These purchases are in line with the Group's strategy to invest for growth and expand its business activities to related segments of the oilfield industry.

RESOURCES DIVISION

During the year, the Group has secured the commercial rights for two coal concessions and is in the process of negotiating for several others. Its team of geologists are conducting various surveys and feasibility studies at various locations in Indonesia. The Resources Division expects coal production to start at end 2012. The production is expected to start contributing to the Group's revenue in the year ahead.

The Group's long-term plan is to accumulate coal reserves and operate its own mines and develop this Division into a significant player in this business.

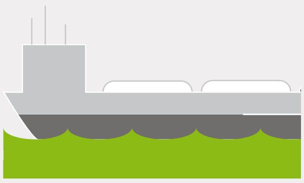
OUTLOOK

The outlook for the Group is very positive due to the high, sustained crude oil prices and increasing demand in emerging economies. In addition, we have put in place various developments during the year. Therefore, we believe that these factors will help to strengthen our core and expand our business.

Our Services

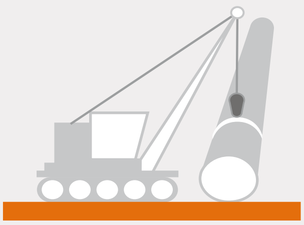
The oil production cycle and the services FEG provides at each stage:

1 Exploration



- Seismic survey
- Transportation of essential supplies & personnel
- Towing of rigs & other vessels
- Accommodation facilities
- Refuelling & re-supply
- Storage facilities
- Well testing

2 Development

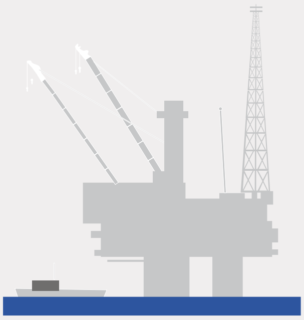


- Towing & mooring of work barges & other construction vessels
- Transportation of cargo, essential supplies, equipment & personnel
- Construction & erection of production facilities
- Cranage & workshop services
- Warehousing & storage
- Pipe laying

3 Production

- Topside & subsea repair & maintenance
- Work-over of oil wells
- Well services
- Cranage & workshop services
- Accommodation facilities
- Transportation of cargo, essential supplies, equipment & personnel
- Towing, mooring & anchor handling of facilities
- Standby duties

4 Post-Production



- De-commissioning of platforms & other production facilities
- Transportation of cargo, essential supplies & personnel
- Demobilisation of equipment

Financial Highlights

Financial Results

US$'000	FY2011[1]	FY2010[1]	FY2009[2]	FY2008[2]	FY2007[3]
Revenue	79,949	64,610	89,205	73,838	38,582
Gross Profit	17,858	24,615	38,884	41,555	20,844
Profit Before Tax	7,084	12,151	30,300	36,759	18,455
Profit After Tax	5,556	11,684	29,440	36,109	17,372
Profit After Tax (after minority interest)	3,274	11,303	28,093	36,109	17,372
Gross Profit Margin	22.3%	38.1%	43.6%	56.3%	54.0%
Profit Before Tax Margin	8.9%	18.8%	34.0%	49.8%	47.8%
Profit After Tax Margin	6.9%	18.1%	33.0%	48.9%	45.0%
Profit After Tax Margin (after minority interest)	4.1%	17.5%	31.5%	48.9%	45.0%
EPS Basic (US cents)	0.40	1.39	3.76	5.15	2.64
EPS Diluted (US cents)	0.40	1.34	3.75	5.15	2.64
Weighted Average Number of Shares ('000)	814,140	814,135	746,230	701,017	658,412

(1) FY2011, FY2010 & FY2009 : 12 months audited
(2) FY2008 : 15 months audited
(3) FY2007 : 12 months restated

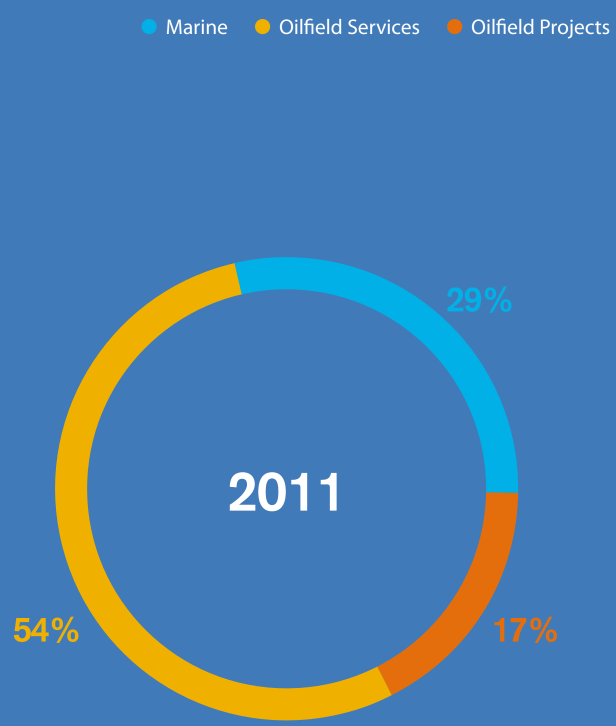
Statement of Financial Position

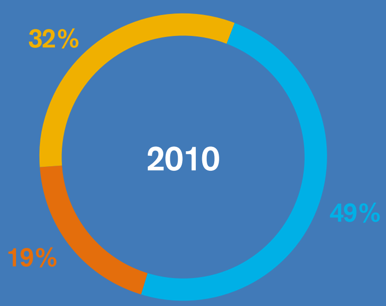
US$'000 (As at)	31 Dec 11	31 Dec 10	31 Dec 09	31 Dec 08	30 Sep 07
Current Assets	76,558	49,872	87,654	31,392	23,045
Non-Current Assets	291,758	248,460	132,446	127,157	72,633
Total Assets	368,316	298,332	220,100	158,549	95,678
Current Liabilities	67,909	33,337	28,214	30,592	14,089
Non-Current Liabilities	102,969	69,719	12,229	21,172	9,065
Total Liabilities	170,878	103,056	40,443	51,764	23,154
Net Current Assets	8,649	16,535	59,440	800	8,956
Net Assets	197,438	195,276	179,657	106,785	72,524
Shareholders' Equity	189,030	189,070	173,875	106,785	72,524
NAV Per Share (US cents)	23.22	23.22	21.36	15.03	10.51
Total Debt	131,172	94,682	26,182	28,344	12,132
Total Cash and Bank Balances	14,512	14,814	48,333	10,271	2,518
Total Number of Shares ('000)	814,140	814,135	814,135	710,419	690,203

Segmental Revenue

By Business

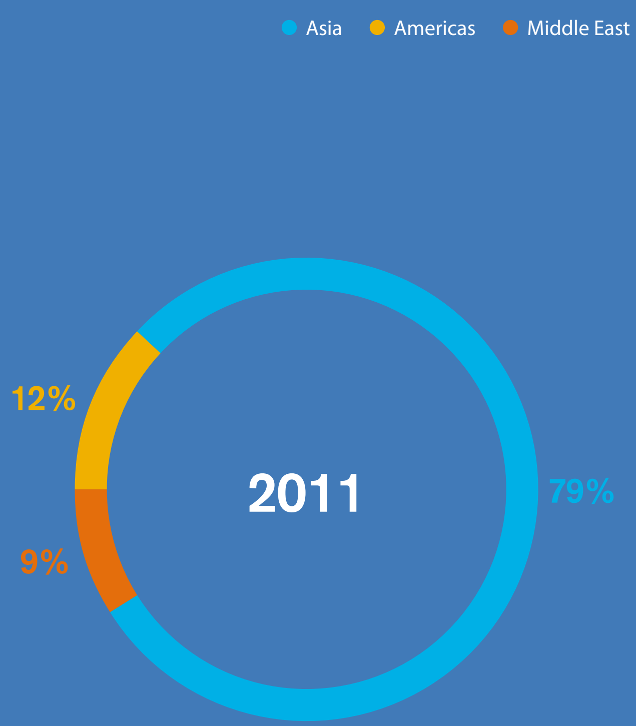
	FY 2011 US$'m	FY 2010 US$'m
Marine	22.98	31.60
Oilfield Services	43.57	20.77
Oilfield Projects	13.40	12.24
Total	**79.95**	**64.61**

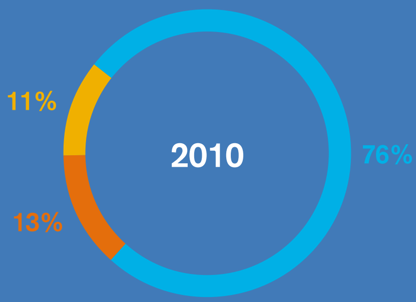




By Region

	FY 2011 US$'m	FY 2010 US$'m
Asia	63.08	49.05
Americas	9.53	7.23
Middle East	7.34	8.33
Total	**79.95**	**64.61**





Board of Directors

01

02

03

04

TAN PONG TYEA [01]

Chairman and Chief Executive Officer

Mr Tan Pong Tyea became the Chairman and CEO of Falcon Energy Group Limited in May 2006 after Ruben Capital Ventures Limited bought over the majority stake in the company. Currently, he is also the Managing Director of Oilfield Services Company Ltd (OSCL). His focus now is to explore and develop potential businesses related to the oil and gas industry in order to further the Group's business objectives.

He was the founder of the OSCL Group, which originated in 1983 when he ventured into the offshore marine services industry, particularly the business of owning, managing, operating and chartering out offshore support vessels to customers in the oil and gas industry. Mr Tan is also the Non-Executive Chairman of CH Offshore Ltd. He has more than 25 years' experiences servicing the oil companies and major contractors throughout the region. He holds a Master in Management Studies from Durham University, United Kingdom.

NEO CHIN LEE [02]

Chief Operating Officer and Executive Director

Mr Neo Chin Lee was appointed as Chief Operating Officer and Executive Director of Falcon Energy Group Limited in June 2008 and is currently in charge of overseeing the business and operations of the Marine Division. With over 30 years' experience in the offshore marine industry, he is currently Chief Executive Officer cum an executive director of Asetanian Marine Pte Ltd. Mr Neo is a Non-Executive Director of CH Offshore Ltd.

He graduated in Nautical Studies from Singapore Polytechnic and also holds a Higher Nautical Diploma from Liverpool Polytechnic, United Kingdom.

CAI WENXING [03]

Executive Director

Mr Cai Wenxing was appointed as Executive Director in July 2006. He is responsible for overseeing the business operations of the Oilfield Services Division and Oilfield Projects Division for Falcon Energy Group Limited. His role includes the exploration of new business opportunities and expansion of the customer base in China and the Middle East.

He is currently a director of Terasa-Star International Shipping Pte Ltd, Longzhu Oilfield Services (S) Pte Ltd and CDS Oilfield Services Pte Ltd. With more than 15 years of experience in the oil and gas industry, he holds a Bachelor degree from the South China Normal University.

LIEN KAIT LONG [04]

Non-Executive and Lead Independent Director

Mr Lien Kait Long was appointed as an Independent Director of Falcon Energy Group Limited in October 2004 and is also the Chairman of the Audit Committee. He has extensive experience in accounting and finance, corporate management and business investments. He has held a number of senior management positions and executive directorships in various public and private corporations in Singapore, Hong Kong and China. Currently, he serves as an independent director on the boards of several Singapore and Chinese

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companies listed on the Singapore Exchange. These listed companies are from diverse industries including manufacturing, telecommunications, offshore and marine, oil and gas, renewable energy, property, textile and food and beverage.

He holds a Bachelor of Commerce degree from Nanyang University, and is a Fellow member of the Institute of Certified Public Accountants of Singapore and Certified Public Accountants Australia.

MOHAN RAJ S/O CHARLES ABRAHAM 05

Non-Executive and Non-Independent Director

Mr Mohan Raj s/o Charles Abraham was appointed a Director of Falcon Energy Group Limited in July 2006 and re-designated as a Non-Independent Director on 4 August 2008. Currently, he is practising as an advocate and solicitor with special emphasis in the fields of company, commercial and revenue laws. He has spent more than 20 years in the legal profession and before that, nine years as a tax practitioner in the accounting profession in England and Singapore. He has sat on several boards of listed and private companies in Singapore, Hong Kong, Philippines and Malaysia.

He read law at Lincoln's Inn in London, United Kingdom and also holds a Bachelor of Accountancy degree from the National University of Singapore.

MAH KIM LOONG, LESLIE 06

Non-Executive and Independent Director

Mr Mah Kim Loong, Leslie was appointed an Independent Director of Falcon Energy Group Limited on 22 February 2011 and is also the Chairman of the Nominating Committee and the Remuneration Committee. From 2002-2009, he was with Eu Yan Sang International Limited as Executive Director and retired in 2009. Prior to this position, he was Executive Director and Company Secretary for Cerebos Pacific Limited and Finance Director at Harper Gilfillan Limited.

He is an Independent Director of Hotel Properties Ltd and Goodpack Limited. Mr Mah is a Fellow member of the Institute of Chartered Accountants in England and Wales.

TAN SOOH WHYE 07

Alternate Director

Ms Tan Sooh Whye was appointed as Alternate Director to Mr Tan Pong Tyea in July 2006. She is currently a director of Asetanian Marine Pte Ltd and Ruben Capital Venture Ltd. She is responsible for the treasury, administrative and human resource for Asetanian Marine Pte Ltd and has been with the company for over 20 years.

She graduated with a Bachelor of Arts in Economics and also holds a Diploma in Business Administration from Wilfrid Laurier University in Waterloo, Canada.

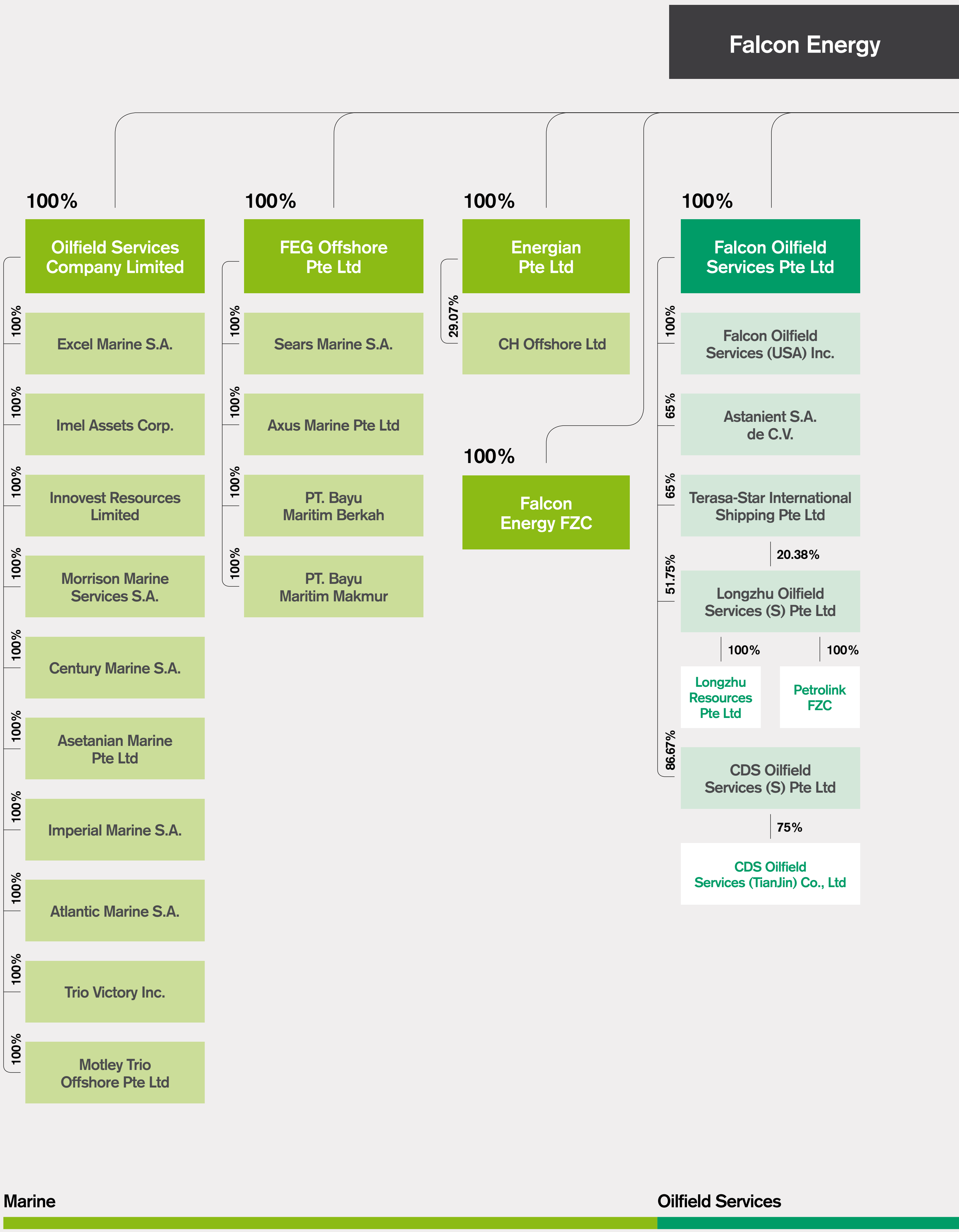
CAI WENTING 08

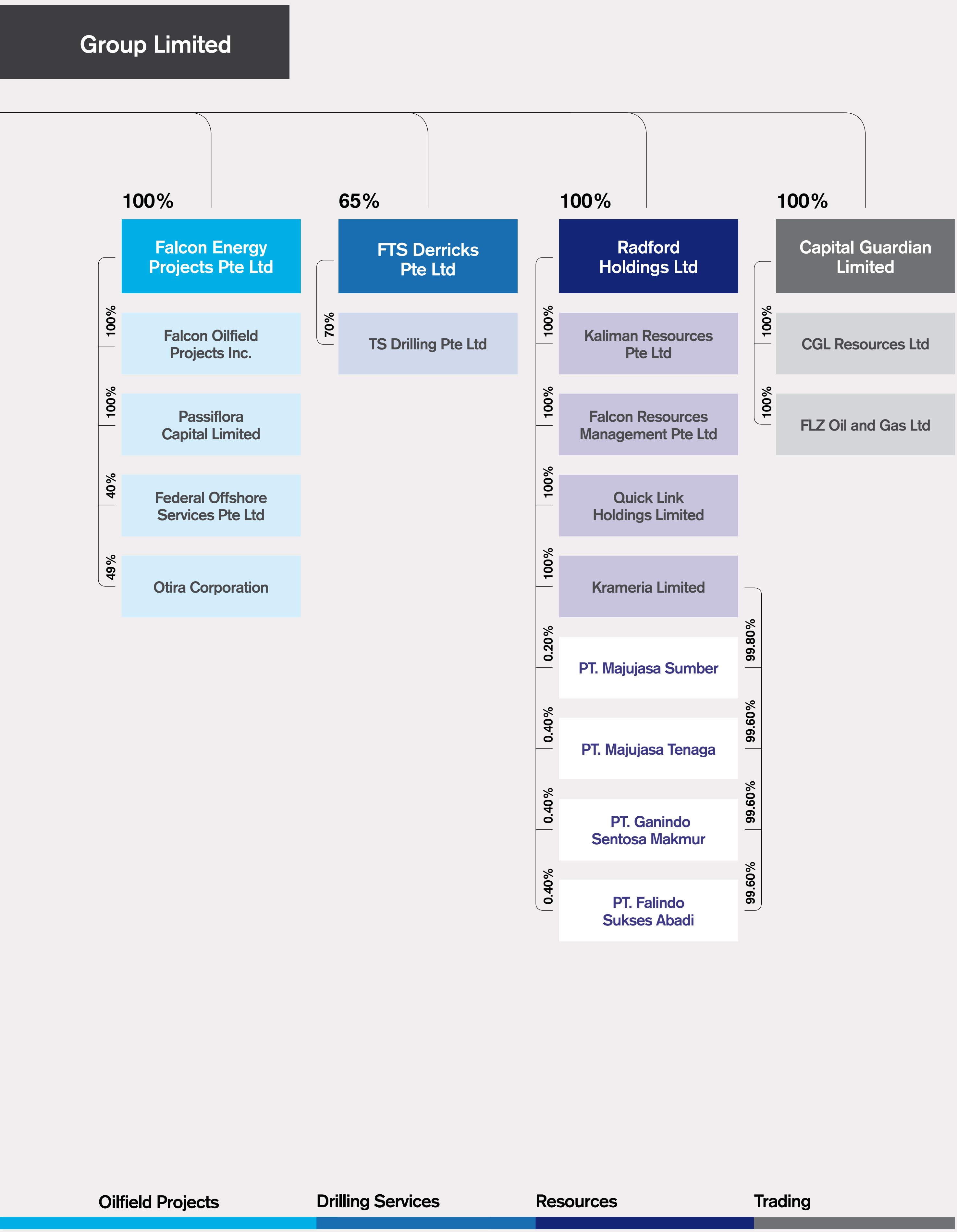
Alternate Director

Ms Cai Wenting was appointed as Alternate Director to Mr Cai Wenxing in July 2006. She is currently a director of Terasa-Star International Shipping Pte Ltd and Longzhu Oilfield Services (S) Pte Ltd, where she is responsible for the business operations and profitability.

She graduated with a Master of Business Administration from the University of South Australia, Adelaide.

Corporate Structure




Group Limited
100%
Falcon Energy Projects Pte Ltd
100%
Falcon Oilfield Projects Inc.
100%
Passiflora Capital Limited
40%
Federal Offshore Services Pte Ltd
49%
Otira Corporation
65%
FTS Derricks Pte Ltd
70%
TS Drilling Pte Ltd
100%
Radford Holdings Ltd
100%
Kaliman Resources Pte Ltd
100%
Falcon Resources Management Pte Ltd
100%
Quick Link Holdings Limited
100%
Krameria Limited
0.20%
99.80%
PT. Majujasa Sumber
0.40%
99.60%
PT. Majujasa Tenaga
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PT. Ganindo Sentosa Makmur
0.40%
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PT. Falindo Sukses Abadi
100%
Capital Guardian Limited
100%
CGL Resources Ltd
100%
FLZ Oil and Gas Ltd
Oilfield Projects
Drilling Services
Resources
Trading

Corporate Information

Board of Directors

Tan Pong Tyea
Chairman and Chief Executive Officer

Neo Chin Lee
Chief Operating Officer
and Executive Director

Cai Wenxing
Executive Director

Lien Kait Long
Non-Executive and Lead Independent Director

Mohan Raj s/o Charles Abraham
Non-Executive
and Non-Independent Director

Mah Kim Loong, Leslie
Non-Executive
and Independent Director
(Appointed on 22 February 2011)

Tan Sooh Whye
Alternate to Tan Pong Tyea

Cai Wenting
Alternate to Cai Wenxing

Audit Committee

Lien Kait Long *(Chairman)*
Mohan Raj s/o Charles Abraham
Mah Kim Loong, Leslie

Nominating Committee

Mah Kim Loong, Leslie *(Chairman)*
Tan Pong Tyea
Lien Kait Long

Remuneration Committee

Mah Kim Loong, Leslie *(Chairman)*
Lien Kait Long
Mohan Raj s/o Charles Abraham

Senior Management

Tan Pong Tyea
Chairman
/ Chief Executive Officer

Neo Chin Lee
Chief Operating Officer
/ Executive Director

Cai Wenxing
Executive Director

Cai Wenting
Alternate Director

Tan Sooh Whye
Alternate Director

Gan Wah Kwang
Chief Financial Officer

MARINE DIVISION
Sam Loh
General Manager
Asetanian Marine Pte Ltd

OILFIELD PROJECTS DIVISION
Capt. Derek Tan Jit Sin
Director
Falcon Energy Projects Pte Ltd

OILFIELD SERVICES DIVISION
Tang Nee Chiang
General Manager
Longzhu Oilfield Services (S) Pte Ltd

RESOURCES DIVISION
Steve Lau
Director
Falcon Resources Management Pte Ltd

Company Secretaries

Lim Mee Fun ACIS
Peh Lei Eng CPA

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Email: admin@feg.com.sg
Website: www.falconenergy.com.sg
Company Registration Number:
200403817G

Share Registrar

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Singapore 048623

Auditors

Deloitte & Touche LLP
Certified Public Accountants
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DBS Building Tower Two
Singapore 068809
Partner-in-charge: Lim Kuan Meng
(Appointed on 20 October 2008)

Investor Relations

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Singapore 049320

Standard Chartered Bank
Marina Bay Financial Centre (Tower 1)
8 Marina Boulevard Level 24
Singapore 018981

Report on Corporate Governance

Falcon Energy Group Limited ("Company") recognises the importance of, and is committed to, maintaining good standards of corporate governance so as to enhance corporate transparency and accountability and protect the interests of shareholders.

As the Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company seeks to comply with the listing rules of the SGX-ST as prescribed in the Listing Manual of the SGX-ST ("Listing Rules") and is guided in its corporate governance practices by the Code of Corporate Governance ("Code").

The Board of Directors ("Board") is pleased to outline the main corporate governance framework and practices of the Company in this report, with specific reference made to each of the principles set out in the Code. This report describes the Company's corporate governance practices that were in place throughout the financial year ended 31 December 2011. Other than deviations which are explained in this report, the Company has generally adhered to the principles and guidelines set out in the Code.

(A) BOARD MATTERS

Principle 1 : The Board's Conduct of Affairs

Role of the Board of Directors

The Company is headed by an effective Board to lead and control the Company. The Board comprises experienced individuals from varied backgrounds with the relevant skills and core competencies to enable them to collectively and effectively contribute to the Company. A balanced mix of executive and non-executive, and independent and non-independent directors forms the Board. Directors are expected to act in good faith and in the interests of the Company.

The Board's primary role is to protect and enhance long-term shareholders' value. It sets the overall strategy for the Company and its subsidiaries ("Group") and supervises the management. To fulfil this role, the Board is responsible for the overall corporate governance, strategic direction, formulation of polices and overseeing the investment and business of the Group. This includes the Company's compliance with laws and regulations that are relevant to the business, establishing goals and monitoring the management's performance in achieving these goals.

The Company has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. Apart from its fiduciary duties and statutory responsibilities, the Board evaluates and approves important matters such as material acquisitions and disposal of assets, financial plans, capital expenditures, and major funding and investments proposals. It also reviews and approves the financial statements and annual reports and authorises announcements of financial results to be issued.

The Board has delegated the day-to-day management and running of the Company to the management headed by the Chief Executive Officer ("CEO"), Mr Tan Pong Tyea, and the Executive Director, Mr Neo Chin Lee. The two Executive Directors are involved in the supervision of the management of the Group's operations.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board committees including an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

The number of Board and Board Committee meetings held during the financial year and the attendance of each director where relevant are as follows:

Types of Meetings	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Names of Directors	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Tan Pong Tyea *(Alternate – Tan Sooh Whye)*	4	4	–	–	1	1	–	–
Neo Chin Lee	4	3	–	–	–	–	–	–
Cai Wenxing *(Alternate – Cai Wenting)*	4	4	–	–	–	–	–	–
Lien Kait Long	4	4	5	5	1	1	1	1
Mohan Raj s/o Charles Abraham	4	4	5	5	–	–	1	1
Mah Kim Loong Leslie^	4	4	5	5	1	1	1	1
Tan Kian Huay^	–	–	–	–	–	–	–	–

^ Mr Tan Kian Huay ceased to be a non-executive and non-independent director of the Company on 22 February 2011. On 22 February 2011, Mr Mah Kim Loong Leslie was appointed an independent director of the Company. He was also appointed the chairman of the NC, the chairman of the RC and a member of the AC. He was re-elected as a director of the Company at the Annual General Meeting ("AGM") held on 27 April 2011.

Directors' Meetings Held During the Financial Year

The Board meets at least four times in a year and holds special meetings at such other times as may be necessary to address any *ad hoc* significant matters. Matters before the Board are diligently deliberated by the Board to ensure that the interests of the Company are protected. Meetings *via* telephone or videoconference are permitted under the Company's Articles of Association. In between Board meetings, important matters are discussed in person or *via* telephone and are tabled for Board decision *via* circulating resolutions in writing. Where relevant, supporting memorandum or papers are circulated to the directors.

Training

The Company recognises the importance of appropriate training for its directors. Newly-appointed directors will be given briefings and orientation on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. Mr Mah Kim Loong Leslie, who was appointed a director on 22 February 2011, had been given such briefings and orientation. The current directors have been made aware of and are familiar with their duties and obligations. In this regard, the Company does not provide a formal letter to directors outlining their duties and obligations.

The directors will also be briefed from time to time on regulatory changes which have an important bearing on the Company and the directors' obligations towards the Company.

Principle 2 : Board Composition and Guidance

The Board comprises six (6) directors, two (2) of whom are independent, and two (2) alternate directors. The directors of the Company as at the date of this report are as follows:

Executive Directors :

Tan Pong Tyea	(Chairman and Chief Executive Officer)
Neo Chin Lee	(Executive Director)
Cai Wenxing	(Executive Director)

Non-Executive Directors :

Lien Kait Long	(Lead Independent Director)
Mah Kim Loong Leslie	(Independent Director)
Mohan Raj s/o Charles Abraham	(Non-independent Director)

Alternate Directors :

Tan Sooh Whye	(Alternate Director to Tan Pong Tyea)
Cai Wenting	(Alternate Director to Cai Wenxing)

The Board composition was changed in 2011. On 22 February 2011:

(a) Mr Tan Kian Huay ceased to be a non-executive and non-independent director of the Company.

(b) Mr Mah Kim Loong Leslie was appointed an independent director of the Company. He was also appointed the chairman of the NC, the chairman of the RC and a member of the AC. He was re-elected as a director of the Company at the AGM held on 27 April 2011.

With independent directors making up one-third of the Board composition, the Company has adhered to the Code. The independent directors have participated actively in the decision-making process during Board deliberations. Accordingly, there is a strong and independent element on the Board to enable the Board to exercise objective judgement on corporate affairs independently from the management.

The Board examines its size with a view towards determining the impact of its effectiveness. The composition of the Board is also reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

report on corporate governance continued

For the year under review, the NC is of the view that the current Board size is appropriate and effective, taking into account the nature and scope of the Company's operations.

Independent Members of the Board of Directors

A director who has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company, is considered to be independent. The NC reviews the independence of each director on an annual basis based on the Code's definition of what constitutes an independent director. The NC is of the view that the two (2) independent directors (who represent one-third of the Board) are independent and no individual or small group of individuals dominates the Board's decision-making process.

Principle 3 : Chairman and Chief Executive Officer

The Group's Chairman and Chief Executive Officer is Mr Tan Pong Tyea. He has in-depth knowledge of the business and operations of the Group. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure (i.e. where the CEO and chairman of the Board is the same person), so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. Moreover the scale of the business does not warrant a meaningful separation of the roles. In addition, in view of Mr Tan's past performance, integrity and objectivity in discharging his responsibilities, the Board fully supports the retention of his role as Chairman and CEO. In connection therewith, Mr Lien Kait Long is the lead independent director and is available to shareholders where they have concerns which contact through the normal channels of the Chairman or the CEO has failed to resolve or for which such contact is inappropriate.

As the Chairman and CEO, Mr Tan Pong Tyea is responsible for, *inter alia*, the day-to-day running of the Group and the exercise of control over the quality, quantity and timeliness of information flow between the Board and the management. He also schedules Board meetings, oversees the preparation of the agenda for Board meetings and assists in ensuring compliance with the Group's guidelines on corporate governance. Mr Tan has played an instrumental role in developing the business of the Group and has also provided the Group with strong leadership and vision.

Although the roles and responsibilities for both the Chairman and CEO are vested in Mr Tan, the Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual, for example, all major decisions made by Mr Tan will be reviewed by the Board. Mr Tan's performance and appointment to the Board will be reviewed periodically by the NC.

Principle 4 : Board Membership

Nominating Committee

Until 22 February 2011, the NC was constituted by Mr Tan Pong Tyea, Mr Lien Kait Long and Mr Tan Kian Huay. Mr Tan Kian Huay ceased to be a non-executive and non-independent director of the Company on 22 February 2011. On 22 February 2011, Mr Mah Kim Loong Leslie was appointed an independent director. Mr Mah Kim Loong Leslie was also appointed the chairman of the NC. He was re-elected as a director of the Company at the AGM held on 27 April 2011.

The NC is currently chaired by Mr Mah Kim Loong Leslie with Mr Tan Pong Tyea and Mr Lien Kait Long as members.

The NC's primary functions are to evaluate and to review nominations for appointment and re-appointment to the Board and the various committees, to assess the effectiveness of the Board, to nominate any director for re-election at the AGM, having regard to the director's contribution and performance, and to determine whether or not the director is independent.

Despite some of the directors having other board representations, the NC is satisfied that these directors are able to and have adequately carried out their duties as directors of the Company.

Under the Company's existing Articles of Association, at each annual general meeting of the Company, at least one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not lesser than one-third) shall retire from office by rotation and subject themselves for re-nomination and re-election at regular intervals and at least once every three (3) years.

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Newly appointed director(s) shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

In the event that the appointment of a new director is required, the NC will seek to identify the competence required for the Board to fulfill its responsibilities and may engage recruitment consultants or other independent experts to undertake research on, or assess potential candidates for new positions on the Board.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as director.

The NC has recommended to the Board the nomination of Mr Tan Pong Tyea and Mr Lien Kait Long for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendation.

The profile of each director and other relevant information are set out in the section entitled "Board of Directors" on pages 14 and 15 of this Annual Report.

Principle 5 : Board Performance

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholder's value.

For the year under review, a formal assessment of the effectiveness of the Board as a whole was undertaken by the NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

Principle 6 : Access to Information

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management. All directors have unrestricted access to the Company's records and information to enable them to constantly keep track of the Group's financial position. Detailed Board papers are prepared for each meeting of the Board and are normally circulated in advance of each meeting. The Board papers include sufficient information from the management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. All directors have separate and independent access to all levels of senior executives in the Group and the Company Secretaries, and are encouraged to speak to other employees to seek additional information if they so require.

At least one of the Company Secretaries attends all Board meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with.

Each director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

(B) REMUNERATION MATTERS

Principle 7 : Procedures for Developing Remuneration Policies

Remuneration Committee

Until 22 February 2011, the RC was constituted by Mr Lien Kait Long, Mr Mohan Raj s/o Charles Abraham and Mr Tan Kian Huay. Mr Tan Kian Huay ceased to be a non-executive and non-independent director of the Company on 22 February 2011. On 22 February 2011, Mr Mah Kim Loong Leslie was appointed an independent director. Mr Mah Kim Loong Leslie was also appointed the chairman of the RC. He was re-elected as a director of the Company at the AGM held on 27 April 2011.

The RC is currently chaired by Mr Mah Kim Loong Leslie with Mr Lien Kait Long and Mr Mohan Raj s/o Charles Abraham as members.

The primary functions of the RC are to review and recommend the remuneration packages for the directors, CEO and key executives, to cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind, and to implement and administer the Falcon Energy Group Employee Share Option Scheme ("Scheme").

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In discharging its functions, the RC may, at the Company's expense, obtain such independent legal and other professional advice as it deems necessary.

No director is involved in determining his own remuneration.

Principle 8 : Level and Mix of Remuneration

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

The RC adopted a Director's Fee framework in which the non-executive and independent directors will receive directors' fees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate the directors. Directors' fees are recommended by the Board for the approval of the shareholders at the Company's AGM.

The Executive Directors do not receive directors' fees. The remuneration for the key executives comprises a basic salary, a benefit component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The RC reviews the remuneration of Executive Directors and key executives on an annual basis to ensure that it commensurates with their performance, giving due regard to the financial and commercial health and business needs of the Group. Their performance is reviewed periodically by the RC and the Board.

Employee Share Option Scheme

The Scheme was implemented on 28 October 2004 as an incentive plan for employees of the Group based on individual performance. It is administered by the RC.

Principle 9 : Disclosure on Remuneration

A breakdown, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2011, is as follows:

	Fees %	Salary[i] %	Bonus %	Profit Sharing %	Other Benefits[ii] %	Share Options %	Total %
S$500,000 and above							
Tan Pong Tyea	-	82.37	7.12	-	10.51	-	100
S$250,000 to S$500,000							
Neo Chin Lee	-	80.39	7.12	-	12.49	-	100
Cai Wenxing		84.19	15.81	-	-	-	100
Below S$250,000							
Tan Sooh Whye [1]	-	75.98	6.78	-	17.24	-	100
Cai Wenting [2]		87.10	12.90	-	-	-	100
Lien Kait Long	100	-	-	-	-	-	100
Mohan Raj s/o Charles Abraham	100	-	-	-	-	-	100
Mah Kim Loong Leslie[3]	100	-	-	-	-	-	100
Tan Kian Huay [4]	100	-	-	-	-	-	100

(1) Alternate to Tan Pong Tyea
(2) Alternate to Cai Wenxing
(3) Appointed on 22 February 2011
(4) Resigned on 22 February 2011

(i) salary is inclusive of CPF contribution;
(ii) other benefits refer to benefits-in-kind such as car, allowances, club membership, etc. made available to directors as appropriate.

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Key Executives

The remuneration of the key executives of the Group for the financial year ended 31 December 2011 is as follows:

	Fees %	Salary[i] %	Bonus %	Profit Sharing %	Other Benefits[ii] %	Share Options %	Total %
Below S$250,000							
Tan Jit Sin	-	78.34	6.82	-	14.84	-	100
S$250,000 to S$500,000							
Gan Wah Kwang	-	80.00	7.23	-	12.77	-	100

[i] salary is inclusive of CPF contribution;
[ii] other benefits refer to allowances, club membership, etc. made available to key executives as appropriate.

Immediate Family Member of a Director or the CEO

For the financial year ended 31 December 2011, there were no employees who are immediate family members of a director or the CEO, and whose remuneration exceeded S$150,000. The remuneration paid to these employees is determined on the same basis as the remuneration of other unrelated employees.

(C) ACCOUNTABILITY AND AUDIT

Principle 10 : Accountability

As stated above, the Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and quarterly results announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The management will provide the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Principle 11 : Audit Committee

Until 22 February 2011, the AC was constituted by Mr Lien Kait Long as the chairman of the AC with Mr Mohan Raj s/o Charles Abraham and Mr Tan Kian Huay as members. Mr Tan Kian Huay ceased to be a non-executive and non-independent director of the Company on 22 February 2011. On 22 February 2011, Mr Mah Kim Loong Leslie was appointed an independent director. Mr Mah Kim Loong Leslie was also appointed a member of the AC. He was re-elected as a director of the Company at the AGM held on 27 April 2011.

The AC is currently chaired by Mr Lien Kait Long with Mr Mohan Raj s/o Charles Abraham and Mr Mah Kim Loong Leslie as members.

The Board is of the view that the AC members are appropriately qualified to discharge their responsibilities.

The primary functions of the AC are:

(i) To review the audit plans of the external and internal auditors;

(ii) To review the external and internal auditors' reports;

(iii) To review the co-operation given by the Company's officers to the external and internal auditors;

(iv) To review the financial statements of the Company and the Group before their submission to the Board;

(v) To nominate the external auditors for appointment or re-appointment and approve the terms of engagement of the external auditors;

(vi) To review non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;

(vii) To review the adequacy of the internal audit function;

(viii) To evaluate the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, and risk management, by reviewing written reports from the internal and external auditors, and the management's responses and actions to correct any deficiencies;

(ix) To review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual issued by SGX-ST, and by such amendments made thereto from time to time; and

(x) To review interested person transactions as defined in Chapter 9 of the Listing Manual of the SGX-ST.

Apart from the duties listed above the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation, which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC has been given full access to and has obtained the co-operation of the management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC meets annually with the internal auditors and the external auditors, without the presence of the Company's management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors.

The AC meets from time to time with the Group's external and internal auditors and the management to review accounting, auditing and financial reporting matters so as to provide the necessary checks and balances to ensure that an effective control environment is maintained in the Group. The AC also studies proposed changes in accounting policies and discusses the accounting implications of major transactions.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors. Having satisfied as to the foregoing and that Listing Rule 712 has been complied with, the AC has recommended the re-appointment of Deloitte & Touche LLP as external auditors at the forthcoming AGM.

Both the AC and Board have reviewed the appointment of different auditors for its subsidiaries and significant associated companies and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company has complied with Listing Rule 716.

Whistle-blowing Policy

The Company has adopted a policy and procedure on whistle-blowing as part of the Company's system of internal controls. This is to ensure that arrangements are in place in order to detect and deter any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement, financial reports and records of the Company. The Group provides an avenue for employees to bring their complaints responsibly, or to report any possible improprieties in matters of financial reporting or other matters that they may encounter, to the AC without fear of reprisal.

The AC has not received any complaints as at the date of this report.

Principle 12 : Internal Controls

The Board recognises its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. For the financial year under review, the Board is of the view that there is no significant weakness or breakdown in the Company's existing system of internal controls and they provide reasonable, but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal control could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The AC will:

(i) satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;

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(ii) ensure that a review of the effectiveness of the Group's material controls including financial, operating and compliance controls and risk management, is conducted at least annually. Such reviews can be carried out by the internal auditors and/or the external auditors; and

(iii) ensure that the internal control recommendations made by the internal and external auditors have been implemented by the management.

Based on the findings by the external auditors and the various management controls put in place, the Board with the concurrence of the AC is of the view that the Group's internal controls addressing financial, operational and compliance risks are adequate in meeting the needs of the Group and provide reasonable (though not absolute) assurance against material financial misstatements and loss, and safeguard the Group's assets. The management continues to focus on improving the standard of internal controls and corporate governance.

Principle 13 : Internal Audit

The Group has outsourced its internal audit function to BDO Consultants Pte Ltd ("BDO"). The aim of the internal audit function is to promote internal control in the Group and to monitor the performance and effective application of internal audit procedures. The internal auditors plans their internal audit schedules in consultation with, but independent of, the management and the internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The internal auditors report primarily to the Chairman of the AC. The AC has reviewed the internal audit report prepared by BDO and will follow up with the management on the implementation of the recommendations by the internal auditor.

The Audit Committee has reviewed and discussed internal audit reports in the course of the financial year. Internal audits are conducted based on a rotational internal audit plan that is approved by the AC prior to the commencement of the outsourced internal audits. The AC will be following up with management on the implementation of the internal audit recommendations by the internal auditors.

(D) COMMUNICATION WITH SHAREHOLDERS

Principles 14 and 15: Communication with Shareholders and Greater Shareholder Participation

The Company does not practise selective disclosure. In line with continuing disclosure obligations of the Company pursuant to the Listing Rules and the Companies Act (Chapter 50) of Singapore ("Act"), the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Information is communicated to the shareholders on a timely basis through:

- annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Act and Singapore Financial Reporting Standards;
- quarterly financial statements containing a summary of the financial information and affairs of the Group for the year that are published through the SGXNET and news releases;
- notices and explanatory memoranda for general meetings;
- press and analyst briefings for the Group's full year results as well as other briefings, as appropriate;
- press releases on major developments of the Group; and
- disclosures to the SGX.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairmen of the AC, the RC and the NC are normally available at the meetings to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by the shareholders.

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(E) DEALING IN SECURITIES

In line with Listing Rule 1207(19) on Dealings in Securities issued by the SGX-ST, the Group has procedures in place prohibiting dealings in the Company's shares by its officers while in possession of price sensitive information and during the period commencing two weeks prior to the announcement of the Company's quarterly results and one month prior to the announcement of the Company's full year results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. Employees who attend management committee meetings have to observe the "closed window" periods.

Save as disclosed below, the Board confirms that for the financial year ended 31 December 2011, the Company has complied with Listing Rule 1207(19):

Although the Company had informed all directors, officers and senior management personnel in writing as to the abovementioned "closed window" periods, Cai Wenxing (a director and substantial shareholder of the Company) had, as disclosed in the two SGXNET announcements dated 20 February 2012, sold 500,000 shares in the Company on 13 February 2012 and 400,000 shares in the Company on 16 February 2012. For the purpose of good corporate governance, the Company has reminded all directors, officers and senior management personnel to observe the said "closed window" periods, and will continue to issue regular reminders.

(F) MATERIAL CONTRACTS

1. CDS Oilfield Services (Tianjin) Co., Ltd. (a subsidiary of the Company) ("CDSTJ") entered into a contract ("Relevant Contract") dated 6 July 2010 with CDS International Forwarding (Tianjin) Co. Ltd. ("CDSIF") pursuant to which CDSTJ agreed to, inter alia, provide manpower to CDSIF for the purposes of CDSIF's obligations under a contract ("Underlying Contract") with a third party ("Third Party") to provide logistics and storage services to the Third Party. Mr Cai Wenxing, a director of the Company, holds 70% of the equity interests in CDSIF. The Underlying Contract required CDSIF to procure a performance bond of US$160,000 in favour of the Third Party in respect of CDSIF's obligations under the Underlying Contract. Under the Relevant Contract, CDSTJ also agreed to furnish the said performance bond that is required by the Third Party. The arrangement under the Relevant Contract was extended in 2011 through four subsequent contracts. These four contracts provided for monthly management fees of RMB250,000, RMB350,000, RMB350,000 and RMB420,000 to be paid by CDSIF to CDSTJ for the periods from January to March 2011, April to June 2011, July to September 2011 and October to December 2011 respectively. The arrangement was extended for another quarter from 1 January 2012 with a decrease in the monthly management fee to RMB350,000 in view of lower volume of work.

2. Longzhu Oilfield Services (S) Pte. Ltd. (a subsidiary of the Company) ("LZOS") granted an indemnity dated 26 July 2010 in favour of Australian and New Zealand Banking Group Limited, Singapore Branch ("ANZ Banking Group") for the amount of US$160,000 in consideration of ANZ Banking Group issuing a performance bond of the amount of US$160,000 in respect of CDSIF's obligations under the Underlying Contract. Although the Relevant Contract placed the obligation on CDSTJ to furnish the performance bond, LZOS had assisted CDSTJ in procuring the performance bond as CDSTJ did not have the capacity to perform its obligation. There is corporate benefit to the Group as the Group is remunerated by way of the management fee payable by CDSIF to CDSTJ under the Relevant Contract. The indemnity is still subsisting as at the date of this report.

Other than the abovementioned contracts, there were no material contracts of the Company or its subsidiaries involving the interests of the CEO, directors or controlling shareholders during the financial year ended 31 December 2011.

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(G) INTERESTED PERSON TRANSACTIONS

The Company has established review and approval procedures to ensure that all transactions with interested persons entered into by the Group are reported in a timely manner to the AC and those transactions are conducted on an arm's length basis and are not prejudicial to the interest of the Group and its shareholders. Save for the following interested person transactions as disclosed below, there were no interested person transactions entered into by the Company for the financial year under review:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Listing Rule 920) US$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Listing Rule 920 (excluding transactions less than S$100,000) US$'000
Cai Wenxing[(1)]		
Rental of premises	250	-
CDS International Forwarding (TianJin) Co. Ltd[(2)]		
Provision of indemnity for performance bond	160	-
Sale of services	4,532	-
Purchase of services	483	-
PT LPS Indonesia [(3)]		
Sales of goods	109	-

Note :

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

(2) Mr Cai Wenxing is a director of the Company. He holds 70% of the equity interests in CDS International Forwarding (Tianjin) Co. Ltd.

(3) Mr Cai Wenxing is a director of the Company. He holds 99.99% of the equity interest in PT LPS Indonesia.

(H) RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Board and the management regularly review the Group's businesses and operations to identify areas of business risks and the appropriate measures to control and mitigate these risks. The management is accountable to the Board for ensuring the effectiveness of risk management and adherence to risk appetite limits. The management reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC.

Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2011.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Tan Pong Tyea
Neo Chin Lee
Cai Wenxing
Lien Kait Long
Mohan Raj s/o Charles Abraham
Mah Kim Long, Leslie (Appointed on February 22, 2011)
Tan Sooh Whye (Alternate director to Tan Pong Tyea)
Cai Wenting (Alternate director to Cai Wenxing)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 3 and 5 of the Report of the Directors.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital, share options, warrants and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of director and companies in which interests are held	Direct interest			Indirect interest		
	At January 1, 2011	At December 31, 2011	At January 21, 2012	At January 1, 2011	At December 31, 2011	At January 21, 2012
The Company (Ordinary shares)						
Tan Pong Tyea	417,960,700	417,960,700	417,960,700	88,393,051	88,393,051	88,393,051
Neo Chin Lee	10,000,000	10,000,000	10,000,000	-	-	-
Cai Wenxing	-	1,036,000	1,036,000	70,933,592	70,933,592	70,933,592
Lien Kait Long	75,000	75,000	75,000	-	-	-
Mah Kim Loong, Lesile	14,000	14,000	14,000	-	-	-
Tan Sooh Whye	10,000,000	10,000,000	10,000,000	3,629,500	3,629,500	3,629,500
Cai Wenting	23,716,216	23,716,216	23,716,216	-	-	-
(Shares options)						
Neo Chin Lee	400,000	400,000	400,000	-	-	-
Cai Wenxing	250,000	250,000	250,000	-	-	-
Lien Kait Long	200,000	200,000	200,000	-	-	-
Mohan Raj s/o Charles Abraham	200,000	200,000	200,000	-	-	-
Cai Wenting	150,000	150,000	150,000	-	-	-

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES continued

Name of director and companies in which interests are held	Direct interest At January 1, 2011	Direct interest At December 31, 2011	Direct interest At January 21, 2012	Indirect interest At January 1, 2011	Indirect interest At December 31, 2011	Indirect interest At January 21, 2012
(Warrants)						
Tan Pong Tyea*	83,592,139	83,592,139	83,592,139	17,678,609	17,678,609	17,678,609
Neo Chin Lee	2,000,000	2,000,000	2,000,000	-	-	-
Cai Wenxing**	-	-	-	14,186,718	14,186,718	14,186,718
Lien Kait Long	15,000	15,000	15,000	-	-	-
Tan Sooh Whye*	2,000,000	2,000,000	2,000,000	729,200	729,200	729,200
Cai Wenting**	4,743,243	4,743,243	4,743,243	-	-	-

* *Tan Pong Tyea and Tan Sooh Whye are siblings.*

** *Cai Wenxing and Cai Wenting are siblings.*

By virtue of Section 7 of the Singapore Companies Act, Tan Pong Tyea is deemed to have an interest in all the related corporations of the Company.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit, which is required to be disclosed under section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) Options to take up unissued shares

The Falcon Energy Group Employee Share Option Scheme (the "Scheme") is administered by the Remuneration Committee ("Committee") comprising:

Mah Kim Long, Leslie (Chairman - Appointed on February 22, 2011)
Lien Kait Long
Mohan Raj s/o Charles Abraham

As Tan Pong Tyea is a Controlling Shareholder, he is not eligible to participate in the Scheme.

The Committee may grant options to eligible employees at any time during the period when the Scheme is in force, subject to terms and conditions set out in the Scheme.

According to the terms and conditions set out in the Scheme, the exercise price for each share in respect of which an option is exercisable shall be determined by the Committee, in its absolute discretion, on the date of grant, at:

- a price equal to the Market Price; or
- a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that:

  i. the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the Singapore Exchange Securities Trading Limited and approved by the Company in General Meetings); and

report of the directors continued

5 SHARE OPTIONS continued

(a) *Options to take up unissued shares continued*

ii. the prior approval of the Company in General Meeting shall have been obtained for the making of offers and grant of options under the Scheme at a discount not exceeding the maximum discount as aforesaid (for the avoidance of doubt, such prior approval shall be required to be obtained only once and, once obtained, shall unless revoked, authorise the making of offers and grants of options under the Scheme at such discount for the duration of the Scheme).

The aggregate number of new shares over which the Committee may grant options on any date, when added to the number of new shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued share capital of the Company on the date preceding the date of grant of an option.

* *market price - a price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five consecutive trading days, immediately preceding the Date of Grant of that option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST.*

(b) *Unissued shares under option and options exercised*

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. The numbers of outstanding share options under the scheme are as follows:

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at 1.1.2011	Granted	Cancelled	Balance at 31.12.2011	Exercise price per share	Exercisable period
5.6.2009	4,600,000	-	-	4,600,000	S$0.40	5.6.2011 to 5.6.2019

In respect of options granted in 2009, 650,000 options were granted to Executive Directors, 750,000 options were granted to non-executive directors and 3,200,000 options were granted to employees.

No employees or employee of related corporations has received 5% or more of the total options available under this scheme except as disclosed below.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual).

The information on directors and key executive officers of the Company participating in the Scheme is as follows:

	Options granted during the financial financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Name of directors					
Neo Chin Lee	-	400,000	-	-	400,000
Cai Wenxing	-	250,000	-	-	250,000
Lien Kait Long	-	200,000	-	-	200,000
Mohan Raj s/o Charles Abraham	-	200,000	-	-	200,000
Cai Wenting	-	150,000	-	-	150,000
Name of employees					
Gan Wah Kwang	-	250,000	-	-	250,000
Tan Jit Sin	-	250,000	-	-	250,000

report of the directors continued

5 SHARE OPTIONS continued

(c) At the end of the financial year, there were no shares of the Company or any corporation in the Group under option.

6 WARRANTS

On November 1, 2010, the Company issued 162,826,994 warrants.

As at the end of the financial year, there were 162,821,794 (2010 : 162,826,994) outstanding warrants, which can be exercised to subscribe for 162,821,794 (2010 : 162,826,994) ordinary shares of the Company.

7 AUDIT COMMITTEE

The members of the Audit Committee are as follows:

Lien Kait Long	-	Independent non-executive (Chairman)
Mah Kim Long, Leslie	-	Independent non-executive (Appointed on February 22, 2011)
Mohan Raj s/o Charles Abraham	-	Non-independent non-executive

The Audit Committee has met 5 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

a) the audit plan of the external auditors, their audit report, their management letter and the management's response;
b) the annual financial statements, and announcements before submission to the Board of Directors for approval;
c) internal control and procedures, including the internal auditor's internal audit plan and internal audit findings;
d) to ensure that the internal audit function is adequately resourced;
e) the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues and matters arising from the audits;
f) to consider and make recommendation on the re-appointment of the external auditors; and
g) Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has reviewed the independence of Deloitte & Touche LLP including the volume of non-audit services supplied by Deloitte & Touche LLP and is satisfied of Deloitte & Touche LLP's position as an independent external auditor. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group and of the Company at the forthcoming AGM of the Company. The Board of Directors has accepted the Audit Committee's recommendation to nominate Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming AGM of the Company.

report of the directors continued

8 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....

Tan Pong Tyea

....

Cai Wenxing

March 30, 2012

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 36 to 85 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....

Tan Pong Tyea

....

Cai Wenxing

March 30, 2012

Independent Auditors' Report

To the members of falcon energy group limited

Report on the Financial Statements

We have audited the financial statements of Falcon Energy Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 85.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at December 31, 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Lim Kuan Meng
Partner
Appointed on October 20, 2008

March 30, 2012

Statements of Financial Position

December 31, 2011

	Note	Group 2011 US$'000	Group 2010 US$'000	Company 2011 US$'000	Company 2010 US$'000
ASSETS					
Current assets					
Cash and bank balances	6	14,512	14,814	3,266	8,269
Trade receivables	7	33,198	22,566	-	-
Other receivables	8	4,787	11,228	139,803	141,069
Inventories	9	24,061	1,264	-	-
Total current assets		76,558	49,872	143,069	149,338
Non-current assets					
Other receivables	8	8,340	1,420	6,114	-
Property, plant and equipment	10	166,348	133,540	7,076	2,088
Investment in subsidiaries	11	-	-	182,753	166,683
Investment in associates	12	115,217	113,500	-	-
Other intangible assets	13	1,853	-	-	-
Total non-current assets		291,758	248,460	195,943	168,771
Total assets		368,316	298,332	339,012	318,109
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	14	7,668	3,997	-	-
Other payables	15	16,724	3,268	6,638	543
Finance leases	16	138	112	-	-
Borrowings	17	41,833	25,419	24,963	13,167
Derivative financial liability	18	117	172	-	-
Income tax payable		1,429	369	-	-
Total current liabilities		67,909	33,337	31,601	13,710
Non-current liabilities					
Other payables	15	13,205	-	-	-
Finance leases	16	425	456	-	-
Borrowings	17	89,339	69,263	22,964	15,594
Total non-current liabilities		102,969	69,719	22,964	15,594
Capital, reserves and non-controlling interests					
Share capital	19	225,826	225,824	225,826	225,824
Warrants reserve	20	12,535	12,535	12,535	12,535
Share-based payments	21	639	479	639	479
Merger reserve	22	(151,692)	(151,692)	-	-
Foreign currency translation reserve		(462)	(306)	-	-
Accumulated profits		102,184	102,230	45,447	49,967
Equity attributable to equity holders of the Company		189,030	189,070	284,447	288,805
Non-controlling interests		8,408	6,206	-	-
Total equity		197,438	195,276	284,447	288,805
Total liabilities and equity		368,316	298,332	339,012	318,109

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2011

	Note	Group 2011 US$'000	Group 2010 US$'000
Revenue	23	79,949	64,610
Cost of sales		(62,091)	(39,995)
Gross profit		17,858	24,615
Other operating income	24	5,469	2,006
Administrative expenses		(21,342)	(15,453)
Finance costs	25	(3,898)	(4,046)
Share of net profit of associates	12	8,997	5,029
Profit before income tax	26	7,084	12,151
Income tax expense	27	(1,528)	(467)
Profit for the year		5,556	11,684
Other comprehensive income:			
Foreign currency translation of foreign entities		(236)	130
Total comprehensive income for the year		5,320	11,814
Profit for the year attributable to:			
Equity holders of the Company		3,274	11,303
Non-controlling interests		2,282	381
Total		5,556	11,684
Total comprehensive income attributable to:			
Equity holders of the Company		3,118	11,390
Non-controlling interests		2,202	424
Total		5,320	11,814
Earnings per share (US cents)			
- Basic	28	0.40	1.39
- Diluted	28	0.40	1.34

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended December 31, 2011

	Note	Share capital US$'000	Warrants reserve US$'000	Share-based payments US$'000	Merger reserve US$'000	Foreign currency translations reserve US$'000	Accumulated profits US$'000	Equity attributable to equity holders of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Group										
Balance at January 1, 2010		225,824	-	160	(151,692)	(393)	99,976	173,875	5,782	179,657
Total comprehensive income for the year		-	-	-	-	87	11,303	11,390	424	11,814
Issue of warrants	20	-	12,535	-	-	-	-	12,535	-	12,535
Recognition of share-based payments	21	-	-	319	-	-	-	319	-	319
Dividends	29	-	-	-	-	-	(9,049)	(9,049)	-	(9,049)
Balance at December 31, 2010		225,824	12,535	479	(151,692)	(306)	102,230	189,070	6,206	195,276
Total comprehensive income for the year		-	-	-	-	(156)	3,274	3,118	2,202	5,320
Exercise of warrants	20	2	(*)	-	-	-	-	2	-	2
Recognition of share-based payments	21	-	-	160	-	-	-	160	-	160
Dividends	29	-	-	-	-	-	(3,320)	(3,320)	-	(3,320)
Balance at December 31, 2011		225,826	12,535	639	(151,692)	(462)	102,184	189,030	8,408	197,438

* *Amount less than US$1,000*

statements of changes in equity continued

Year ended December 31, 2011

	Note	Share capital US$'000	Warrants reserve US$'000	Share-based payments US$'000	Accumulated profits US$'000	Total US$'000
Company						
Balance at January 1, 2010		225,824	-	160	61,010	286,994
Total comprehensive income for the year		-	-	-	(1,994)	(1,994)
Issue of warrants	20	-	12,535	-	-	12,535
Recognition of share-based payments	21	-	-	319	-	319
Dividends	29	-	-	-	(9,049)	(9,049)
Balance at December 31, 2010		225,824	12,535	479	49,967	288,805
Total comprehensive income for the year		-	-	-	(1,200)	(1,200)
Exercise of warrants	20	2	(*)	-	-	2
Recognition of share-based payments	21	-	-	160	-	160
Dividends	29	-	-	-	(3,320)	(3,320)
Balance at December 31, 2011		225,826	12,535	639	45,447	284,447

* *Amount less than US$1,000*

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2011

	Group	
	2011	2010
	US$'000	US$'000
Operating activities		
Profit before income tax	7,084	12,151
Adjustments for:		
Depreciation of property, plant and equipment	9,325	7,720
Allowance for doubtful trade debts	7,171	3,445
Trade debts written off	16	-
Interest expense	3,716	3,008
Share-based payments	160	319
Changes in fair value of derivative financial instrument	(55)	61
(Gain) Loss on disposal of property, plant and equipment	(1,099)	13
Share of net profit of associates	(8,997)	(5,029)
Interest income	(30)	(408)
Exchange difference on translation	(52)	(72)
Operating cash flows before movements in working capital	17,239	21,208
Trade receivables	(17,819)	1,098
Other receivables	(479)	151
Inventories	(22,797)	(401)
Trade payables	3,671	(3,333)
Other payables (Note A)	4,566	(2,001)
Cash (used in) generated from operations	(15,619)	16,722
Income tax paid	(468)	(1,030)
Net cash (used in) from operating activities	(16,087)	15,692
Investing activities		
Acquisition of an associate	-	(104,774)
Payments for intangible assets	(1,853)	-
Purchase of property, plant and equipment (Note A)	(22,709)	(15,934)
Proceeds from disposal of property, plant and equipment	3,118	2
Interest received	30	408
Dividend received from associates	7,280	2,331
Net cash used in investing activities	(14,134)	(117,967)

consolidated statement of cash flows continued

Year ended December 31, 2011

	Group	
	2011	2010
	US$'000	US$'000
Financing activities		
Proceeds from the issuance of warrants	-	12,535
Proceeds of borrowings	42,470	96,574
Repayment of borrowings	(22,980)	(28,074)
Dividends paid	(3,320)	(9,049)
Interest paid	(3,903)	(3,325)
Fixed deposits and bank balances pledged	1,096	(1,232)
Repayment of finance leases obligations	(130)	(51)
Exercise of warrants	2	-
Advances from related parties	17,845	-
Net cash from financing activities	31,080	67,378
Net decrease in cash and cash equivalents	859	(34,897)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(65)	146
Cash and cash equivalents at beginning of year	12,303	47,054
Cash and cash equivalents at end of year (Note 6)	13,097	12,303

Notes to statements of cash flows:

A: During the financial year, the Group purchased property, plant and equipment with an aggregate cost of US$44,271,000 (2010 : Nil) out of which US$21,250,000 (2010 : Nil) remained as outstanding payables and US$125,000 (2010 : Nil) was acquired under finance leases arrangement. The outstanding payables was made up of US$17,000,000 of bank borrowings and US$4,250,000 of other payables.

Interest expense of US$187,000 (2010 : US$317,000) was capitalised and included as part of the purchase of property, plant and equipment during the financial year.

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2011

1 GENERAL

The Company (Registration No. 200403817G) is incorporated in Republic of Singapore with its principal place of business and registered office at 10 Anson Road, #33-15 International Plaza, Singapore 079903. The Company is listed on mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") from September 8, 2009. The financial statements are expressed in United States dollars.

The principal activity of the Company is that of investment holdings. The principal activities of the subsidiaries and associates are disclosed in Notes 11 and 12 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2011 were authorised for issue by the Board of Directors on March 30, 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2011. The adoption of these new/ revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the management anticipates that the adoption of the FRSs, INT FRSs and amendments to FRSs that were issued but effective only in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's entity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investment in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions,Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits respectively*;
- liabilities or equity instruments related to share-based payments transaction of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment award transactions of the acquirer in accordance with FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

notes to financial statements continued

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENT – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

Cash and cash equivalents

These comprise cash on hand, demand deposits and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". These receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance lease are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rental are recognised as an expense in the periods in which they incurred.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Work in progress consist principally of construction and consumable materials, supplies, trading and finished products for sale which are stated at the lower of cost determined on a first-in, first out basis or weighted average cost, and net realisable value.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets less residual value, other than freehold land and construction work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	20 years
Leasehold office premises	-	58 years
Vessels	-	15 to 20 years
Dry-docking	-	5 years
Plant and machinery	-	3 to 10 years
Furniture and fittings	-	3 to 10 years
Renovation	-	3 years
Motor vehicles	-	4 to 10 years

Depreciation is not provided on construction work-in-progress and freehold land.

Dry-docking expenditure for major overhauls of a floating equipment is deferred when incurred and amortised over a period from the current dry-docking date to the next estimated dry-docking date (normally takes place every three to five years).

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss.

Fully depreciated assets still in use are retained in the financial statements until they are no longer in use.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Club membership

Club membership is measured at cost less any accumulated impairment.

Mining rights

Mining rights are stated at cost less accumulated amortisation and are amortised on a straight-line basis over the shorter of their useful lives estimated based on the total proven and probable reserves of the coal mine or contractual period from the date of commencement of commercial production which approximates the date from which they are available for use.

Pre-mining expenses

Pre-mining expenses includes land subsidence, restoration, rehabilitation, environmental survey and exploration costs. Pre-mining expenses are stated at cost less accumulated amortisation and are amortised on a straight line basis over the shorter of their useful lives estimated based on the total proven and probable reserves of the coal mine or contractual period from the date of commencement of commercial production which approximates the date from which they are available for use.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with definite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

ASSOCIATES – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under *FRS 105 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant associate.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Charter hire income is recognised on straight-line basis over the term of the relevant lease.

Revenue from rendering of marine services is recognised in the period in which the services are rendered.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when the goods are delivered and legal title is passed.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders right to receive payment have been established.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in United States dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

notes to financial statements continued

December 31, 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

DERIVATIVE FINANCIAL INSTRUMENTS – The Group enters into derivative financial instruments to manage its exposure to interest rate, namely interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months, or is expected to be realised in the Group's normal operating cycle.

Derivative not designated into an effective hedge relationship are classified as a current asset or a current liability.

SHARE-BASED PAYMENTS – The Group has an employee share option scheme under which it can issue equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

WARRANTS RESERVE – Warrants reserve consists of the consideration paid by the Company. The consideration paid in respect of any warrant exercised will be transferred from the warrants reserve to the share capital account. Upon the expiry of the warrants, the balance of the warrants reserve will be available to the owners of the Company.

SEGMENT – A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products and services within particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of the other segments.

notes to financial statements continued

December 31, 2011

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) *Critical judgements in applying the Group's accounting policies*

The management is of the opinion that there are no instances of application of judgement that are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of the Group's trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

Allowances for inventories

Management reviews the inventory aging listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, the Group conducts physical counts on its inventories on a periodic basis in order to determine whether an allowance is required to be made. Management is satisfied that no allowance for obsolete and slow-moving inventories is required as the fair value of the inventories approximate its carrying value as at year end. The carrying amounts of the Group's inventories are disclosed in Note 9 to the financial statements.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The management has evaluated the carrying values of the vessels through the valuation obtained and assessed that there is no impairment required. The carrying amounts of the Group's property, plant and equipment are disclosed in Note 10 to the financial statements.

Impairment in investment in subsidiaries and associates

Determining whether investments in subsidiaries and associates are impaired requires an estimation of the value in use of those investments. The value in use calculation requires the Group to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of those investments based on such estimates and is confident that the allowance for impairment, where necessary, is adequate. The carrying amounts of the investments in subsidiaries and associates are disclosed in Notes 11 and 12 to the financial statements respectively.

notes to financial statements continued

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Impairment of intangible assets

The Group assesses at end of each reporting period whether there is any objective evidence that intangible assets are impaired. The management has evaluated the carrying values of intangible assets through available market sources and probability of discovering commercially viable quantities of mineral resources and assessed that there is no impairment required. The carrying amounts of the Group's intangible assets are disclosed in Note 13 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the bank borrowings (Note 17) and equity attributable to equity holders of the Company, comprising paid up capital, accumulated profits and other reserves.

The Group's management reviews the capital structure on an on-going basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year. As at the end of the reporting period, the Group is in compliance with externally imposed capital requirements.

(b) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	51,669	47,804	143,050	149,316
Financial liabilities				
Borrowings and payables at amortised cost	169,332	102,515	54,565	29,304
Derivative financial liability	117	172	-	-

notes to financial statements continued
December 31, 2011

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT CONTINUED

(c) Financial risk management policies and objectives

The management of the Group monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. The Group's overall financial risk management seeks to minimise potential adverse effects of financial performance of the Group. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(i) Market risk

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Management monitors risks associated with changes in foreign currency exchange rates and interest rates and will consider appropriate measures should the need arises.

There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(ii) Foreign currency risk management

The Group transacts businesses significantly in Singapore Dollars ("S$"), United States Dollars ("US$"), Chinese Renminbi ("RMB") and United Arab Emirates Dirham ("UAE"). Transactions in other currencies ("others"), eg Hong Kong Dollars, Thai Baht, Euro Dollars, Mexican Peso etc are limited and such exposures to foreign exchange risk are minimal.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies at the reporting date are as follows:

	2011					2010				
	S$	US$	RMB	UAE	Others	S$	US$	RMB	UAE	Others
Group (US$'000)										
Cash and bank balances	5,130	104	1	138	320	8,397	276	408	78	188
Trade receivables	481	1,937	-	154	-	163	1,120	95	1,162	312
Other receivables	299	-	-	118	389	436	214	-	225	-
Trade payables	3,401	-	-	117	214	1,174	192	-	228	177
Other payables	1,221	99	-	220	177	1,032	97	-	3	-
Finance lease	483	-	-	-	80	568	-	-	-	-
Borrowings	12,377	-	-	-	-	7,082	-	-	-	-
Company (US$'000)										
Cash and bank balances	2,354	-	-	-	-	7,097	-	-	-	-
Other receivables	181	-	-	-	-	236	-	-	-	-
Other payables	439	-	-	-	-	425	-	-	-	-
Borrowings	10,052	-	-	-	-	3,761	-	-	-	-

notes to financial statements continued

December 31, 2011

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT CONTINUED

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the United States Dollars ("US$") against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss will increase (decrease) by:

	S$ Impact		US$ Impact		RMB Impact		UAE Impact		Others Impact	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Profit or loss (US$'000)										
Group	(1,157)	(86)	194	132	*	51	7	124	(18)	32
Company	(796)	314	-	-	-	-	-	-	-	-

* *Amount less than US$1,000*

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, the reverse of the above amount will be the impact to the profit or loss.

The Group's sensitivity to foreign exchange rate changes has increased during the current period mainly due to an increase in monetary liabilities denominated in foreign currency.

(iii) <u>*Interest rate risk management*</u>

The Group is exposed to interest rate risks as the Group borrows funds at both fixed and floating interest rates (see Notes 16 and 17 to the financial statements for details of these borrowings). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

The Group's exposures to interest rate changes on its financial liabilities are detailed in the liquidity risk management below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit or loss for the year ended December 31, 2011 would decrease/increase by US$602,000 (2010 : decrease/increase by US$499,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate borrowings.

notes to financial statements continued

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT CONTINUED

(iv) Credit risk management

Credit risk refers to the risk that debtors/counterparties will default on their obligations to repay the amount owing to the Group, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. A substantial portion of the Group's revenue is on credit terms. These credit terms are normally contractual. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered.

The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets, which are mainly the carrying amounts of trade and other receivables and cash and bank balances as stated in the statement of financial position.

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. Cash and bank balances are mainly transacted or placed with banks of high credit ratings assigned by international credit-rating agencies.

(ii) Financial assets that are past due but not impaired

The age analysis of trade receivables, which are not secured by any collateral or credit enhancement, is as follows:

	Group	
	2011	2010
	US$'000	US$'000
Not past due	22,029	8,929
91 days to 180 days	2,581	3,464
> 180 days to 1 year	3,563	7,331
> 1 year and < 2 years	5,025	2,842
	33,198	22,566
Impaired receivables – collectively assessed	7,171	3,445
Less: Allowance for doubtful debts	(7,171)	(3,445)
Total trade receivables, net	33,198	22,566

The Group has not made any provision for balances past due at the reporting date as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Information relating to the trade receivables is disclosed in Note 7 to the financial statements.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 32, if the full guaranteed amount is claimed by the counterparty to the guarantee is US$18,396,000 (2010: US$18,231,000). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

notes to financial statements continued

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT CONTINUED

(v) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management manages liquidity risk by maintaining adequate reserve and actual cash flows and matching the maturity profiles of financial assets and liabilities, and monitoring the utilisation of bank borrowings and ensure compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial assets and liabilities for non-derivative financial assets and liabilities, the table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date of which the Group can be received or be required to pay. The table includes both interest and principal cash flow.

Liquidity and interest risk analyses

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 to 5 years	Adjustments	Total
	%	US$'000	US$'000	US$'000	US$'000
Group					
2011					
Non-interest bearing	-	46,283	-	-	46,283
Variable interest rate	0.73	5,423	-	(37)	5,386
Total		51,706	-	(37)	51,669
2010					
Non-interest bearing	-	47,296	-	-	47,296
Variable interest rate	0.48	510	-	(2)	508
Total		47,806	-	(2)	47,804
Company					
2011					
Non-interest bearing	-	142,241	-	-	142,241
Variable interest rate	0.73	815	-	(6)	809
Total		143,056	-	(6)	143,050
2010					
Non-interest bearing	-	149,007	-	-	149,007
Variable interest rate	0.48	310	-	(1)	309
Total		149,317	-	(1)	149,316

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT CONTINUED

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 to 5 years	After 5 years	Adjustments	Total
	%	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
2011						
Non-interest bearing	-	24,392	13,205	-	-	37,597
Fixed interest rate	5.72	2,517	3,683	-	(318)	5,882
Variable interest rate	8.62	41,145	86,139	3,273	(4,704)	125,853
Total		68,054	103,027	3,273	(5,022)	169,332
2010						
Non-interest bearing	-	7,265	-	-	-	7,265
Fixed interest rate	5.85	2,507	6,030	113	(485)	8,165
Variable interest rate	3.86	24,081	66,208	136	(3,340)	87,085
Total		33,853	72,238	249	(3,825)	102,515
Company						
2011						
Non-interest bearing	-	6,638	-	-	-	6,638
Fixed interest rate	5.00	1,020	764	-	(85)	1,699
Variable interest rate	3.61	25,008	19,927	3,273	(1,980)	46,228
Total		32,666	20,691	3,273	(2,065)	54,565
2010						
Non-interest bearing	-	543	-	-	-	543
Fixed interest rate	5.00	1,020	1,812	-	(135)	2,697
Variable interest rate	4.14	12,708	14,357	136	(1,137)	26,064
Total		14,271	16,169	136	(1,272)	29,304

Derivative financial instruments

The Group's derivative financial instruments comprise of interest rate swaps with contracted net cash outflows amounting to US$29,000 (2010 : US$32,000) due within 1 year and US$53,000 (2010 : US$92,000) due within 1 to 5 years.

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December 31, 2011

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT CONTINUED

(vi) *Fair value of financial assets and financial liabilities*

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, approximate their fair values due to relatively short-term maturity of these financial assets and liabilities. The fair values of other classes of financial assets and liabilities are disclosed in respective notes to financial statements.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accept pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instrument; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The derivative financial liability as disclosed in Note 18 to the financial statements is classified under Level 2. There were no significant transfers between Level 1 and 2 of the fair value hierarchy in 2010 and 2011.

The management consider that the carrying amounts of financial assets and financial liabilities are recorded at amortised cost in the financial statements and approximate their fair values.

5 OTHER RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Entities in which Mr Cai Wenxing and Ms Cai Wenting have interest

Asetanian Offshore Pty Ltd
CDS International Forwarding (Tianjin) Co. Ltd
Greenland Petroleum Operation Pte Ltd
Kewin Management Consultancy
PT LPS Indonesia
Servicios Especializados en Importacion Deqza S.C.
Zhongxing Petroleum Construction Pte Ltd

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December 31, 2011

5 OTHER RELATED PARTY TRANSACTIONS CONTINUED

Entity in which Mr Mohan Raj s/o Charles Abraham has interest

Abraham Advocates and Solicitors

(i) *During the year, the Group entered into the following transactions with related parties:*

Trading transactions:

Sales of goods to related parties were made at the group's usual price list. Purchases were made at market price discounted to reflect the quantity of goods purchased.

	Group	
	2011	2010
	US$'000	US$'000
With CDS International Forwarding (Tianjin) Co. Ltd		
Sales of services	(4,532)	-
Purchase of services	483	1,033
Purchase of goods	-	17
With Greenland Petroleum Operation Pte Ltd		
Sales of services	(30)	(103)
With Kewin Management Consultancy		
Sales of services	(21)	-
With Otira Corporation (Note 12)		
Bareboat charges	4,891	4,891
With PT LPS Indonesia		
Sales of goods	(109)	(213)
Other transactions:		
With Messrs Abraham Advocates and Solicitors		
Professional fee expense	55	62
With Mr Cai Wenxing		
Interest expense	46	-
With Mr Cai Wenxing and Ms Cai Wenting		
Rental expense	250	230

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5 OTHER RELATED PARTY TRANSACTIONS CONTINUED

(ii) Related party balances

	Group	
	2011	2010
	US$'000	US$'000
Trade receivables (Note 7)		
CDS International Forwarding (Tianjin) Co. Ltd	3,518	-
PT LPS Indonesia	322	-
Total	3,840	-
Other receivables (Note 8)		
Asetanian Offshore Pty Ltd	30	30
CDS International Forwarding (Tianjin) Co. Ltd	-	34
PT LPS Indonesia	-	1
Zhongxing Petroleum Construction Pte Ltd	-	1
Kewin Management Consultancy	4	-
Total	34	66
Other payables (Note 15)		
CDS International Forwarding (Tianjin) Co. Ltd	86	7
Servicios Especializados en Importacion Deqza S.C.	16	-
PT LPS Indonesia	252	467
Total	354	474

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2011	2010
	US$'000	US$'000
Short-term benefits	1,903	1,705
Post-employment benefits	66	41
Total	1,969	1,746

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

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6 CASH AND BANK BALANCES

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Cash on hand and bank balances	9,126	14,306	2,457	7,960
Fixed deposits	5,386	508	809	309
Total	14,512	14,814	3,266	8,269
Less: Fixed deposits and bank balances pledged	(1,415)	(2,511)	(809)	(300)
Cash and cash equivalents in statement of cash flows	13,097	12,303	2,457	7,969

Fixed deposits bear interests at effective interest rates ranging from 0.25% to 1.13% (2010 : 0.33% to 0.62%) per annum and for a tenure of 30 days to a year (2010 : 30 days to a year).

Pledged fixed deposits amounting to US$1,028,000 (2010 : US$300,000) and bank balances amounting to US$387,000 (2010 : US$2,211,000), totalling US$1,415,000 (2010 : US$2,511,000), are pledged to financial institution in respect of banking facilities provided to the Company and the subsidiaries (Note 17).

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	5,130	8,397	2,354	7,097
Indonesia Rupiah	320	-	-	-
United Arab Emirates Dirham	138	78	-	-
United States Dollars	104	276	-	-
Chinese Renminbi	1	408	-	-
Mexican Peso	-	188	-	-

notes to financial statements continued

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7 TRADE RECEIVABLES

	Group	
	2011	**2010**
	US$'000	**US$'000**
Outside parties	36,529	26,011
Less: Allowance for doubtful debts	(7,171)	(3,445)
Net	29,358	22,566
Related parties (Note 5)	3,840	-
Total	33,198	22,566

Movement in the above allowance:

Balance at beginning of the year	3,445	-
Increase in allowance recognised in profit or loss	7,171	3,445
Written off	(3,445)	-
Balance at end of the year	7,171	3,445

The average credit period on sales of goods is 90 days (2010 : 90 days). No interest is charged on the outstanding trade receivable balance.

The allowance for doubtful receivables has been determined by reference to past default experience and the review of the trade receivables listing by management. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The management are of opinion that no further credit provision is required.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2011	**2010**
	US$'000	**US$'000**
United States Dollars	1,937	1,120
Singapore Dollars	481	163
United Arab Emirates Dirham	154	1,162
Indonesia Rupiah	-	312
Chinese Renminbi	-	95

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8 OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Deposits for property, plant and equipment	6,950	-	6,114	-
Prepayments	2,218	2,224	19	22
Sundry deposits	2,172	1,490	100	64
Other receivables	1,753	3,692	78	618
Due from related parties (Note 5)	34	66	-	-
Due from associate (Note 12)	-	5,176	-	-
Due from subsidiaries (Note 11)	-	-	145,261	140,365
Total	13,127	12,648	151,572	141,069
Less: Non-current portion	(8,340)	(1,420)	(6,114)	-
Current portion	4,787	11,228	145,458	141,069

Non-current portion is made up of:

Deposits for property, plant and equipment	6,950	-	6,114	-
Prepayment	1,390	1,420	-	-
Total	8,340	1,420	6,114	-

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Indonesia Rupiah	389	-	-	-
Singapore Dollars	299	436	181	236
United Arab Emirates Dirham	118	225	-	-
United States Dollars	-	214	-	-
Chinese Renminbi	-	-	-	-

9 INVENTORIES

	Group	
	2011	2010
	US$'000	US$'000
Equipment components, at cost	591	1,264
Work-in-progress	23,470	-
Total	24,061	1,264

The work-in-progress relates to the construction of 2 rigs which the Group has contracted for as trading inventory.

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10 PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Freehold land US$'000	Leasehold office premises US$'000	Vessels US$'000	Dry-docking US$'000	Plant and machinery US$'000	Furniture and fittings US$'000	Renovation US$'000	Motor vehicles US$'000	Construction work-in progress US$'000	Total US$'000
Group											
Cost:											
At January 1, 2010	913	58	2,134	138,508	1,760	565	297	522	1,169	-	145,926
Translation adjustment	52	3	-	-	-	5	2	6	9	-	77
Additions	699	-	-	6,708	6,102	91	27	7	14	2,603	16,251
Disposals	-	-	-	-	-	(53)	(6)	-	-	-	(59)
At December 31, 2010	1,664	61	2,134	145,216	7,862	608	320	535	1,192	2,603	162,195
Translation adjustment	(116)	(7)	-	-	-	2	(4)	9	(31)	-	(147)
Additions	-	-	6,579	33,721	2,003	164	30	627	249	898	44,271
Disposals	-	-	(2,134)	-	-	(3)	-	(115)	(101)	-	(2,353)
At December 31, 2011	1,548	54	6,579	178,937	9,865	771	346	1,056	1,309	3,501	203,966
Accumulated depreciation:											
At January 1, 2010	121	-	77	19,187	75	354	233	401	510	-	20,958
Translation adjustment	8	-	-	-	-	-	1	4	8	-	21
Depreciation	75	-	34	6,669	512	110	23	76	221	-	7,720
Disposals	-	-	-	-	-	(40)	(4)	-	-	-	(44)
At December 31, 2010	204	-	111	25,856	587	424	253	481	739	-	28,655
Translation adjustment	(26)	-	-	-	-	3	(2)	8	(11)	-	(28)
Depreciation	76	-	68	8,002	779	97	23	110	170	-	9,325
Disposals	-	-	(138)	-	-	(3)	-	(115)	(78)	-	(334)
At December 31, 2011	254	-	41	33,858	1,366	521	274	484	820	-	37,618
Carrying amount:											
At December 31, 2010	1,460	61	2,023	119,360	7,275	184	67	54	453	2,603	133,540
At December 31, 2011	1,294	54	6,538	145,079	8,499	250	72	572	489	3,501	166,348

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December 31, 2011

10 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Leasehold office premises US$'000	Furniture and fittings US$'000	Plant and machinery US$'000	Renovation US$'000	Total US$'000
Company					
Cost:					
At January 1, 2010	2,134	25	120	115	2,394
Additions	-	-	39	-	39
At December 31, 2010	2,134	25	159	115	2,433
Additions	6,579	23	44	529	7,175
Disposal	(2,134)	-	-	(115)	(2,249)
At December 31, 2011	6,579	48	203	529	7,359
Accumulated depreciation:					
At January 1, 2010	77	10	59	80	226
Additions	34	5	45	35	119
At December 31, 2010	111	15	104	115	345
Additions	68	6	40	77	191
Disposal	(138)	-	-	(115)	(253)
At December 31, 2011	41	21	144	77	283
Carrying amount:					
At December 31 2010	2,023	10	55	-	2,088
At December 31, 2011	6,538	27	59	452	7,076

As at the end of the reporting period, borrowing costs of US$601,000 (2010 : US$414,000) has been included in the cost of the qualifying asset of the Group in accordance with FRS23 *Borrowing Costs*.

The carrying amounts of the Group's certain plant and equipment includes an amount of US$409,000 (2010 : US$391,000) secured in respect of assets held under finance leases (Note 16).

The Group and the Company has pledged leasehold office premises amounting to US$6,538,000 (2010 : US$2,023,000) and vessels amounting to US$111,283,000 (2010 : US$55,808,000) with a total carrying amount of US$117,819,000 (2010 : US$57,831,000) to secure banking facilities granted to the Group and the Company (Note 17).

11 INVESTMENT IN SUBSIDIARIES

	Company 2011 US$'000	Company 2010 US$'000
Unquoted equity shares, at cost:		
At beginning of year	166,683	166,676
Addition	7	7
At end of year	166,690	166,683
Deemed investment in subsidiary	16,063	-
Total	182,753	166,683

The balance with subsidiary is unsecured, interest-free and not expected to be repayable within one year. As the amount due from subsidiary has no definite repayment period, it is not possible for management to calculate what the fair value of this balance is at the end of the reporting period.

notes to financial statements continued

December 31, 2011

11 INVESTMENT IN SUBSIDIARIES CONTINUED

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in the financial statements.

Details of the Company's subsidiaries as at December 31, 2011 and 2010 are as follows:

Name of entity	Cost of investment 2011 US$'000	Cost of investment 2010 US$'000	Effective equity interest and voting power 2011 %	Effective equity interest and voting power 2010 %	Place of incorporation/ operation	Principal activities
Held by the Company:						
Capital Guardian Limited[1]	*	-	100	-	Hong Kong	Investment holding
Energian Pte Ltd[2]	7	7	100	100	Singapore	Investment holding
Falcon Energy FZC[1] [7]	7	-	100	-	United Arab Emirates	Marketing and business development
Falcon Energy Projects Pte Ltd[2]	716	716	100	100	Singapore	Investment holding
Falcon Oilfield Services Pte Ltd[2]	67	67	100	100	Singapore	Investment holding
FEG Offshore Pte Ltd[8]	*	*	100	100	Singapore	Investment holding
FTS Derricks Pte Ltd[1]	*	-	65	-	Singapore	Investment holding, rigs owner and operators
Oilfield Services Company Limited[3]	165,893	165,893	100	100	Hong Kong	Investment holding
Radford Holdings Limited[1]	*	*	100	100	Hong Kong	Investment holding
	166,690	166,683				

* *Amount less than US$1,000*

Name of entity	Effective equity interest and voting power 2011 %	Effective equity interest and voting power 2010 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Asetanian Marine Pte Ltd[2]	100	100	Singapore	Ship manager
Astanient S.A. de C.V.[4]	65	65	Republic of Mexico	Providing services to oil field companies
Atlantic Marine S.A.[1]	100	100	Republic of Panama	Vessel owner and charterer

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December 31, 2011

11 INVESTMENT IN SUBSIDIARIES CONTINUED

Name of entity	Effective equity interest and voting power 2011 %	2010 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Axus Marine Pte Ltd[2]	100	100	Singapore	Vessel owner and charterer
Capital Guardian Limited[1]	-	100	Hong Kong	Oil trading and other related activities
CDS Oilfield Service (S) Pte Ltd[2]	86.67	86.67	Singapore	Shipping agent
CDS Oilfield Service (Tianjin) Co., Ltd[5]	65	65	People's Republic of China	International trade logistics and oilfield services of engineering technical and consultation
CGL Resources Limited[1] [7]	100	-	Labuan	Coal trading and related activities
Century Marine S.A.[1]	100	100	Republic of Panama	Vessel owner and charterer
Excel Marine S.A.[1]	100	100	Republic of Panama	Vessel owner and charterer
Falcon Oilfield Projects Inc[1]	100	100	British Virgin Islands	Project management
Falcon Oilfield Services (USA) Inc.[6]	100	100	United States of America	Providing services to oil field companies
Falcon Resource Management Pte Ltd[2] [7]	100	-	Singapore	Mining management and other related services; and investment holding
FLZ Oil & Gas Limited[1] [7]	100	-	Labuan	Crude oil trading and related activities
Imel Assets Corporation[1]	100	100	Republic of Panama	Vessel owner and charterer
Imperial Marine S.A.[1]	100	100	Republic of Panama	Vessel owner and charterer
Innovest Resources Ltd[1]	100	100	British Virgin Islands	Vessel owner and charterer
Kaliman Resources Pte Ltd[2]	100	100	Singapore	Mining and quarrying
Krameria Limited[1] [7]	100	-	Hong Kong	Investment holding
Longzhu Oilfield Services (S) Pte Ltd[2]	65	65	Singapore	Shipping agencies for offshore oilfield explorations, construction and marine transportations
Longzhu Resources Pte Ltd[2]	65	65	Singapore	Trading of sand
Morrison Marine Services S.A.[1]	100	100	Republic of Panama	Vessel owner and charterer

notes to financial statements continued

December 31, 2011

11 INVESTMENT IN SUBSIDIARIES CONTINUED

Name of entity	Effective equity interest and voting power 2011 %	2010 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Motley Trio Offshore Pte Ltd[(1)]	100	100	British Virgin Islands	Vessel owner and charterer
Passiflora Capital Limited[(1)]	100	100	British Virgin Islands	Bareboat charterer
Petrolink FZC[(1)]	100	100	United Arab Emirates	Import, export and trading in oil and gas field equipment and marine equipment related accessories
PT Bayu Maritim Makmur[(8)]	100	-	Indonesia	Vessel owner and charterers
PT Bayu Maritim Berkah[(8)]	100	-	Indonesia	Vessel owner and charterers
PT Majujasa Sumber[(8)]	100	-	Indonesia	Coal trading and mining activities
PT Majujasa Tenaga[(8)]	100	-	Indonesia	Coal trading and mining activities
Quick Link Holdings Limited[(1) (7)]	100	-	Hong Kong	Investment holding
Sears Marine S.A.[(1)]	100	100	Republic of Panama	Vessel owner and charterer
Terasa-Star International Shipping Pte Ltd[(2)]	65	65	Singapore	Provision of shipping and transportation services and sales of demulsifies
TS Drilling Pte Ltd [(7) (8)] (70% equity interest held by FTS Derricks Pte Ltd)	45.5	-	Singapore	Trading, owning and operating of rigs
Trio Victory Inc [(1)]	100	100	British Virgin Islands	Vessel owner and charterer

Notes:

(1) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes. Not required to be audited in the country of incorporation.
(2) Audited by Deloitte & Touche LLP, Singapore.
(3) Audited by Lau, Tsui & Company, Certified Public Accountants.
(4) Audited by DFK Lopez Novelo, S.C.P.
(5) Audited by Tian Jin Hua Xiang United Accounting Firm. The entity is audited by Deloitte & Touche LLP, Singapore for consolidation purposes.
(6) Results immaterial to the Group and reviewed for consolidation purposes (2010 : Audited by Lee, Huang and Associates, P.C.).
(7) Incorporated during the financial year.
(8) Incorporated during the financial year. Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.

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12 INVESTMENT IN ASSOCIATES

	Group 2011 US$'000	Group 2010 US$'000
Quoted equity shares, at cost	104,774	104,774
Unquoted equity shares, at cost	5,656	5,656
Share of post-acquisition profit, net of dividend received	4,787	3,070
Total	115,217	113,500

Details of the Group's associates at December 31, 2011 and 2010 are as follows:

Name of entity	Effective equity interest and voting power 2011 %	2010 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Federal Offshore Services Pte Ltd[(2)]	40	40	Singapore	Vessel owner and charterer
Otira Corporation[(1)]	49	49	British Virgin Islands	Bareboat charterer
CH Offshore Ltd[(3)] [(4)]	29	29	Singapore	Vessel owner and charterer

Notes:

(1) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.
(2) Audited by another firm of Certified Public Accountants.
(3) A public listed company on SGX with June year end and audited by Deloitte & Touche LLP, Singapore.
(4) The Group has pledged the shares of the associate to secure banking facilities granted to the Group (Note 17).

The following amounts are included in the Group's financial statements as a result of the equity accounting of the associate.

	Group 2011 US$'000	Group 2010 US$'000
Statement of Financial Position		
Total assets	294,829	310,820
Total liabilities	(38,181)	(70,089)
Net assets	256,648	240,731
Group's share of associate's net assets	115,217	113,500
Statement of Comprehensive Income		
Revenue	58,803	54,395
Profit for the year	38,466	28,158
Group's share of associate's profit for the year	8,997	5,029

At the end of reporting period, the market value of the quoted equity shares in an associate held by Group were approximately US$55,235,000 (equivalent to S$71,750,000) [2010 : US$77,769,000 equivalent to S$102,500,000].

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13 OTHER INTANGIBLE ASSETS

	Group			
	Club membership	Mining concession	Pre-mining expenses	Total
	US$'000	US$'000	US$'000	US$'000
At January 1 and December 31, 2010	-	-	-	-
Additions	187	633	1,033	1,853
At December 31, 2011	187	633	1,033	1,853

The intangible assets included above, except club membership, have finite useful lives, over which the assets are amortised.

Club membership has an indefinite useful life and is assessed for impairment based on indicative market prices.

Mining concession will be amortised over 5 years or shorter period based on the total proven and probable reserves of the coal mine starting from the date of commercial operation.

Mining expenses will be amortised upon commencement of the mining operations.

As the Group has not started commercial operation of the mining operations, there are no amortisation expense for the financial year just ended.

14 TRADE PAYABLES

	Group	
	2011	2010
	US$'000	US$'000
Outside parties	7,668	3,997

The average credit period on purchases of goods is 30 days (2010 : 30 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2011	2010
	US$'000	US$'000
Singapore Dollars	3,401	1,174
Thai Baht	126	79
United Arab Emirates Dirham	117	228
Indonesian Rupiah	39	1
Euro Dollars	35	97
Malaysian Ringgit	14	-
United States Dollars	-	192

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15 OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Due to a non-controlling shareholder	10,890	-	-	-
Accrued expenses	8,002	1,594	396	368
Due to associates (Note 12)	5,556	-	-	-
Other payables	2,729	1,200	200	175
Due to directors of the Company	2,398	-	-	-
Due to related parties (Note 5)	354	474	-	-
Due to subsidiaries (Note 11)	-	-	6,042	-
Total	29,929	3,268	6,638	543
Less: Non-current	(13,205)	-	-	-
Current	16,724	3,268	6,638	543

The amounts due to a non-controlling shareholder, associates, related parties, directors of the Company and subsidiaries are unsecured, interest-free and are repayable on demand. The non-controlling shareholders and directors, with payables amounting to US$10,890,000 and US$2,315,000 respectively, have confirmed that they will not demand for payment within the next twelve months from the end of reporting period.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	1,221	1,032	439	425
United Arab Emirates Dirham	220	3	-	-
Indonesia Rupiah	177	-	-	-
United States Dollars	99	97	-	-

16 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
Group	US$'000	US$'000	US$'000	US$'000
Within one year	160	137	138	112
In the second to fifth years inclusive	431	398	382	347
After five years	45	113	43	109
Total	636	648	563	568
Less: Future finance charges	(73)	(80)	NA	NA
Present value of lease obligations	563	568	563	568
Less: Due within 12 months			(138)	(112)
Due after 12 months			425	456

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December 31, 2011

16 FINANCE LEASES CONTINUED

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2011	2010
	US$'000	US$'000
Singapore Dollars	483	568
Indonesia Rupiah	80	-

It is the Group's policy to lease certain of its plant and equipment under finance leases. The remaining lease terms as at the end of the reporting period were for approximately 6 years (2010 : 7 years). The effective borrowing rate was 4.240% to 9.078% (2010 : 4.240% to 8.148%) per annum. Interest rates are fixed at the contract date and thus expose the Group to fair value interest rate risk. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

17 BORROWINGS

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Bank loan I	46,500	57,700	-	-
Bank loan II	10,500	17,000	10,500	17,000
Bank loan III	14,375	-	14,375	-
Bank loan IV	13,000	8,000	13,000	8,000
Bank loan V	3,620	4,900	-	-
Bank loan VI	2,325	3,321	-	-
Bank loan VII	1,699	2,697	1,699	2,697
Bank loan VIII	-	1,064	-	1,064
Bank loan IX	2,158	-	2,158	-
Bank loan X	2,346	-	2,346	-
Bank loan XI	3,849	-	3,849	-
Bank loan XII	13,800	-	-	-
Bank loan XIII	17,000	-	-	-
Total	131,172	94,682	47,927	28,761
Less: Current portion	(41,833)	(25,419)	(24,963)	(13,167)
Non-current portion	89,339	69,263	22,964	15,594

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17 BORROWINGS CONTINUED

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
The bank loans are repayable as follows:				
Within one year	41,833	25,419	24,963	13,167
Within two to five years	86,177	69,131	19,802	15,462
After five years	3,162	132	3,162	132
Total	131,172	94,682	47,927	28,761

As at the end of the reporting period, details of the bank loans are as follows:

Loan I — An outstanding loan amount of US$46.50 million (2010 : US$57.70 million). The loan is repayable in 15 quarterly instalments of US$2.50 million each commencing from July 2010 and one final instalment of US$27,500,000. The loan is secured over the shares of an associate. As at December 31, 2011, the effective interest rate for the loan is 3.59% (2010 : 3.53%) per annum. Subsequent to year end, the subsidiary made a principal repayment of US$9,000,000 (2010 : Nil).

Loan II — An outstanding loan amount of US$10.50 million (2010 : US$17.00 million). The loan is repayable in 20 quarterly instalment of US$1.00 million each commencing May 2010. The loan is secured by mortgage over 2 vessels (2010 : 4 vessels) of the Group. As at December 31, 2011, the effective interest rate for the loan is 5.04% (2010 : 4.62%) per annum.

Loan III — An outstanding loan amount of US$14.38 million. The loan is repayable in 24 quarterly instalment of US$0.63 million each commencing December 2011. The loan is secured by fixed deposit of US$500,000 and mortgage over 1 vessel of the Group. As at December 31, 2011, the effective interest rate for the loan is 5.04% per annum.

Loan IV — An outstanding revolving credit loan amount of US$13.00 million (2010 : US$8.00 million). The loan is secured mortgage over 3 vessels of the Group. The loan carries interest at 1.75% plus prime rate per annum. As at December 31, 2011, the effective interest rate for the loan is 4.64% (2010 : 4.62%) per annum.

Loan V — An outstanding loan amount of US$3.62 million (2010 : US$4.90 million). The loan is repayable in 19 quarterly instalments of US$320,000 each commencing from September 25, 2009 and one final instalment of US$420,000. The loan is secured by mortgage of a Group's vessel and its related charter hire income and bank balances equivalent to a quarter instalment of US$371,000 (2010 : US$371,000). As at December 31, 2011, the effective interest rate for the loan is 5.50% (2010 : 5.50%) per annum.

Loan VI — An unsecured outstanding loan amount of US$2.33 million (2010 : US$3.32 million). The loan is denominated in Singapore dollars and has a monthly repayment of S$104,166, commencing on June 2010 for a period of 47 months and a final instalment of S$104,198. The loan carries a effective interest rate of 5.00% (2010 : 5.00%) per annum.

Loan VII — An unsecured outstanding loan amount of US$1.70 million (2010 : US$2.70 million). The loan is denominated in Singapore dollars and has a monthly repayment of S$115,239 in the first year and S$105,093 for the remaining years, commencing on October 2009 for a period of 48 months. The loan carries fixed interest rate of 5.00% (2010 : 5.00%) per annum.

Loan VIII — In 2010, an outstanding loan of US$1.07 million. The loan was denominated in Singapore dollars and was obtained for the purpose of financing the purchase of leasehold office premises. The term loan was repayable within 10 years commencing in September 2007, with a first and second year monthly payment of S$19,946 and S$21,070 respectively, while the remaining years of S$20,000 per month. The loan was secured on the leasehold office premises with a carrying amount of US$2,023,000 and fixed deposit of US$309,000 (2010 : US$300,000). The loan carried interest at effective interest rate of 2.78% per annum. The loan was fully repaid during the financial year.

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December 31, 2011

17 BORROWINGS CONTINUED

Loan IX An outstanding loan amount of US$2.16 million. The loan is denominated in Singapore dollars and is repayable in 72 monthly instalments of approximately S$41,600 each commencing from August 20, 2011. The loan is secured on leasehold office premises with a carrying amount of US$3.13 million. As at December 31, 2011, the effective interest rate for the loan is 2.0% per annum.

Loan X An outstanding loan amount of US$2.35 million. The loan is denominated in Singapore dollars and is repayable within 10 years commencing in September 2011, with a first and second year monthly payment of approximately S$28,200 and S$28,400 respectively with the remaining balance in equal instalment of approximately S$28,700 for the remaining years. The loan is secured on leasehold office premises with a carrying amount of US$3.40 million. As at December 31, 2011, the effective interest rate for the loan is 1.75% per annum.

Loan XI An unsecured outstanding loan amount of US$3.85 million. The loan is denominated in Singapore dollars and the loan bears interest at 2.0% per annum above bank's cost of funds. As at the end of the reporting period, the effective interest rate is 2.74% per annum. The loan is rolled over on a quarterly basis and is repayable on demand.

Loan XII An outstanding loan amount of US$13.80 million. The loan is repayable in 19 quarterly instalments of US$550,000 each commencing from January 2012 and one final instalment of US$3.90 million. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at December 31, 2011, the effective interest rate for the loan is 2.27% per annum.

Loan XIII An outstanding loan amount of US$17.00 million and bears interest at 2.90% per annum above the bank's cost of fund. The loan is repayable in 20 quarterly instalments of US$592,857 each commencing from April 2012 and a final instalment of US$5,142,860. The loan is secured by mortgage over a vessel of the Group, and its related insurance and charter hire income.

The management estimates that the fair value of the Group and Company's bank loans approximates their carrying value as the borrowings bear interest at floating rates or approximate floating rates.

At the end of the financial year, the Group has available US$12,885,000 (2010 : US$6,209,000) of undrawn facilities in respect of which all conditions precedent had been met.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	12,377	7,082	10,052	3,761

18 DERIVATIVE FINANCIAL LIABILITY

	Group	
	2011	2010
	US$'000	US$'000
Fair value of interest rate swap	117	172

The Group uses interest rate swap, which is due in 5 years, to manage its exposure to interest rate movements on some of its bank borrowings, which have been fully drawn down in 2009, by swapping the borrowing from floating rates to fixed rates. Borrowing with carrying value of US$3.62 million (2010 : US$4.90 million) had floating interest payments at cost at fund plus variable rate of 2.00% per annum. The floating rate has been swapped to fixed rates of 5.50% (2010 : 5.50%) per annum.

The fair value of swaps as at December 31, 2011 is estimated to be a loss of approximately US$117,000 (2010 : US$172,000). This amount is based on quoted market prices for equivalent instruments at the end of reporting period. The interest rate swap was accounted for at fair value, which adjustment gain of US$55,000 (2010 : adjustment loss of US$61,000) is recognised in profit or loss.

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19 SHARE CAPITAL

	Group and Company			
	2011	2010	2011	2010
	Number of ordinary shares		US$'000	US$'000
Issued and paid up:				
At beginning of year	814,134,970	814,134,970	225,824	225,824
Issue of shares on exercise of warrant	5,200	-	2	-
At end of year	814,140,170	814,134,970	225,826	225,824

The Company has one class of ordinary shares which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

20 WARRANTS RESERVE

On November 1, 2010, the Company issued 162,826,994 warrants at S$0.10 per warrant, on the basis of one warrant for every five shares held in the share capital of the Company. Each warrant entitles the holder to subscribe for one new ordinary share in the Company at a subscription price of S$0.40 per share. The warrants shall be exercised at any time commencing on and including the date immediately after the preceding the third anniversary of the date of issue of the warrants. Warrants remaining unexercised after the expiry date shall lapse and cease to be valid for any purpose.

	Group and Company			
	2011	2010	2011	2010
	Number of warrants		US$'000	US$'000
At beginning of year	162,826,994	-	12,535	-
Issue of warrants	-	162,826,994	-	12,535
Exercise of warrant	(5,200)	-	(*)	-
At end of year	162,821,794	162,826,994	12,535	12,535

* *Amount less than US$1,000*

21 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all directors and employees of the Company except the Controlling Shareholders. The scheme is administered by the Remuneration and Share Option Committee. Options are exercisable at a price that is equivalent to the Market Price; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of Shareholders shall have been obtained in a separate resolution. The vesting period is 2 years. If the options remain unexercised after a period of 3 years for Non-executive Director and 8 years for Executive Directors and Employees from June 5, 2011, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2011		2010	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
Outstanding at beginning and end year	4,600,000	0.40	4,600,000	0.40
Exercisable at end of year	4,600,000	0.40	-	-

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December 31, 2011

21 SHARE-BASED PAYMENTS CONTINUED

In 2009, the weighted average exercise price at the date of grant for share options granted was S$0.40. The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 6.7 years (2010 : 7.2 years).

The options were granted on June 5, 2009. The estimated fair values of the options granted on those dates were US$639,000.

For the financial year ended December 31, 2011, the Group and the Company recognised an expense of US$160,000 (2010 : US$319,000) related to fair value of the options granted and a corresponding credit to the share option reserve.

22 MERGER RESERVE

The merger reserve comprises the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under common control and accounted for under the pooling of interest method of consolidation.

Under merger accounting, the assets, liabilities, revenue, expenses and cash flows of all the entities within the Group are combined after making such adjustments as are necessary to achieve consistency of accounting policies. This manner of presentation reflects the economic substance of combining companies, which were under common control throughout the relevant period, as a single economic enterprise.

23 REVENUE

	Group	
	2011	**2010**
	US$'000	**US$'000**
Charter hire income	33,476	43,722
Services rendered	22,910	12,168
Sales of goods	23,563	8,720
Total	79,949	64,610

24 OTHER OPERATING INCOME

	Group	
	2011	**2010**
	US$'000	**US$'000**
Other vessel operation income	3,795	1,446
Gain on disposal of property, plant and equipment	1,099	-
Net foreign exchange gains	481	-
Interest income	30	408
Government grant - Jobs credit scheme	4	44
Sundry income	60	108
Total	5,469	2,006

notes to financial statements continued

December 31, 2011

25 FINANCE COSTS

	Group	
	2011	2010
	US$'000	US$'000
Interest expenses to non-related companies:		
- Bank borrowings	3,873	3,296
- Finance leases	30	29
Fair value charges on derivative financial liability charged to profit or loss (Note 18)	(55)	61
Commitment fees	237	977
Total	4,085	4,363
Less: Interest amount capitalised in property, plant and equipment (Note 10)	(187)	(317)
Net	3,898	4,046

26 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging (crediting):

	Group	
	2011	2010
	US$'000	US$'000
Allowance for doubtful trade receivables	7,171	3,445
Trade debts written off	16	-
Audit fees:		
- auditors of the Company	301	217
- auditors of the subsidiaries	53	26
Cost of defined contribution plans included in employee benefits expense	348	240
Cost of inventories recognised as an expense	18,705	8,225
Directors' remuneration:		
- of the Company	411	375
- of the subsidiaries	1,744	1,096
Directors' fee	106	77
Depreciation of property, plant and equipment	9,325	7,720
Employee benefits expense (including directors' remuneration)	7,884	6,549
(Gain) Loss on disposal of property, plant and equipment	(1,099)	13
Net foreign exchange (gains) losses	(481)	755
Non-audit fees:		
- auditors of the Company	40	19
- auditors of the subsidiaries	10	34
Share-based payments	160	319

notes to financial statements continued

December 31, 2011

27 INCOME TAX EXPENSE

	Group	
	2011	2010
	US$'000	US$'000
Current tax	1,480	451
Underprovision of current tax in prior years	48	16
Net	1,528	467

Domestic income tax is calculated at 17% (2010 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

Total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2011	2010
	US$'000	US$'000
Profit before income tax	7,084	12,151
Income tax expense at Singapore's statutory rate of 17%	1,204	2,066
Exempt income	(529)	-
Tax effect of non-taxable income	(1,371)	(2,766)
Tax effect of non-deductible expenses	2,091	1,142
Underprovision in prior years	48	16
Effect of different tax rates of subsidiaries operating in other tax jurisdiction	70	9
Others	15	-
Income tax expense	1,528	467

28 EARNINGS PER SHARE

	Group	
	2011	2010
Earnings:		
Profit attributable to equity holders of the Company (US$'000)	3,274	11,303
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	814,140	814,135
Effect of dilutive potential ordinary shares - share options*	-#	4,600
Effect of dilutive potential ordinary shares - warrants*	-#	27,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	814,140	845,947
Earnings per share (US cents):		
Basic	0.40	1.39
Diluted	0.40	1.34

** for the purpose of calculating diluted EPS, assumption was made that the total outstanding warrants and the total outstanding employee share options issued will be converted into ordinary shares.*

 # the options and the warrants are 'out-of-money'.

notes to financial statements continued

December 31, 2011

29 DIVIDENDS

For the financial year ended December 31, 2011, a tax exempt (1-tier) final dividend of S$0.005, equivalent to US$0.004, per ordinary shares on 814,139,970 shares amounting to approximately S$4,071,000 equivalent to US$3,320,000, out of accumulated profits, was paid to shareholders in respect on the previous financial year.

For the financial year ended December 31, 2010,

(i) a tax exempt (1-tier) final dividend of S$0.01, equivalent to US$0.0073, per ordinary shares on 814,134,970 shares amounting to approximately S$8,141,000, equivalent to US$5,955,000, out of accumulated profits, was paid to shareholders in respect on the financial year ended December 31, 2009.

(ii) a tax exempt (1-tier) interim dividend of S$0.005, equivalent to US$0.0038, per ordinary shares on 814,134,970 shares amounting to approximately S$4,070,000, equivalent to US$3,094,000, out of accumulated profits, was paid to shareholders in respect of the financial year ended December 31, 2010.

30 OPERATING LEASES

	Group	
	2011	2010
	US$'000	US$'000
The Group as lessee		
Minimum lease payments paid under operating leases recognised as expense in the year	8,792	8,552

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2011	2010
	US$'000	US$'000
Within one year	8,690	8,342
In the second to fifth year inclusive	32,635	32,330
After five years	9,086	17,138
Total	50,411	57,810

Operating lease payments represent rentals payable to the Group for certain of its office properties and vessel. Leases are negotiated for term for 1 to 8 year and rentals are fixed.

The Group as lessor

The Group rents out vessels under operating leases.

As at the end of the reporting period, the Group has contracted with customers for the following minimum lease payments:

	Group	
	2011	2010
	US$'000	US$'000
Charter hire income	33,476	43,722
Within one year	18,753	12,122
Within two to five years	32,120	32,142
After five years	9,086	17,138
Total	59,959	61,402

All vessels held have committed customers for 1 to 7 years (2010 : 1 to 8 years).

notes to financial statements continued

December 31, 2011

31 FUTURE CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure and commitments not provided for in the financial statements:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Contracted but not provided for:				
- acquisition of property, plant and equipment	40,946	25,616	34,646	21,000

32 CONTINGENT LIABILITIES

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Guarantees given to bank in respect of bank facilities granted to an associate	18,125	17,087	18,125	17,087
Banker guarantees	111	984	111	984
Performance guarantee for related party	160	160	-	-
Total	18,396	18,231	18,236	18,071

The financial effects of FRS 39 relating to the financial guarantee contracts issued by the Group are not material to the financial statements of the Group and therefore not recognised.

The Company has received certain claims from a contractor for non-payment on various invoices. The Company has counterclaimed for unsatisfactory works performed. Certain information usually required by FRS 37 – *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed because the matter is still at its preliminary stages. Based on legal advice received and information presently available, the Company is of the view that it has grounds to make claims and resist the counterclaims.

33 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products and services, which information is prepared and reported to the Group's chief operating decision makers for the purposes of resource allocation and assessment of performance.

The Group is principally engaged in five (2010 : three) reportable segments, namely (1) Marine – vessel owner and charterer, (2) Oilfield services – sourcing spare parts and machineries, and providing services to oilfield companies and (3) Oilfield Projects – services to oilfield companies providing shipping and transportation services, sales of demulsifiers and international trade, logistics and oilfield services of engineering, technical and consultation and shipping agencies for offshore oilfield explorations, construction and marine transportation, (4) Resources – coal mining and trading activities, (5) Drilling – trading, owning and operating of oil rigs.

The accounting policies of the reportable segments are the same as the Group's accounting policies describe in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, director's remuneration, share of results of associates, interest income, foreign exchange gains and losses, finance costs at corporate level.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

notes to financial statements continued

December 31, 2011

33 SEGMENT INFORMATION CONTINUED

Segment information about the Group's operations is presented below.

	Marine US$'000	Oilfield services US$'000	Oilfield projects US$'000	Resources US$'000	Drilling US$'000	Corporate US$'000	Elimination US$'000	Total US$'000
2011								
Revenue								
External sales	22,983	43,565	13,401	-	-	-	-	79,949
Inter-segment sales	-	3,038	-	-	-	-	(3,038)	-
Total revenue	22,983	46,603	13,401	-	-	-	(3,038)	79,949
Result								
Segment result	(8,591)	8,192	4,962	(1,149)	(64)	(1,395)	-	1,955
Share of net profit of associates								8,997
Interest income	9	19	-	-	-	2	-	30
Finance costs	(2,288)	(32)	-	-	-	(1,578)	-	(3,898)
Profit before income tax								7,084
Income tax expense								(1,528)
Profit for the year								5,556
2010								
Revenue								
External sales	31,604	20,767	12,239	-	-	-	-	64,610
Inter-segment sales	-	1,631	-	-	-	-	(1,631)	-
Total revenue	31,604	22,398	12,239	-	-	-	(1,631)	64,610
Result								
Segment result	10,549	1,474	1,290	-	-	(2,553)	-	10,760
Share of net profit of associates								5,029
Interest income	1	11	-	-	-	396	-	408
Finance costs	(2,774)	(29)	-	-	-	(1,243)	-	(4,046)
Profit before income tax								12,151
Income tax expense								(467)
Profit for the year								11,684

notes to financial statements continued

December 31, 2011

33 SEGMENT INFORMATION CONTINUED

Segment assets represent cash and bank balances, trade receivables, other receivables, inventories, property, plant and equipment which are attributable to each operating segments. Segment liabilities represent trade payables, other payables, finance leases, borrowings, derivative financial liability and income tax payables, which are attributable to each operating segments.

Corporate assets mainly represent cash and bank balances, other receivables and property, plant and equipment at corporate level.

Corporate liabilities represent other payables and borrowings at corporate level.

	Marine US$'000	Oilfield services US$'000	Oilfield projects US$'000	Resources US$'000	Drilling US$'000	Corporate US$'000	Total US$'000
Assets and Liabilities							
2011							
Segment assets	281,119	27,337	15,311	4,315	23,581	16,653	368,316
Segment liabilities	95,708	6,560	6,802	65	13,220	48,523	170,878
2010							
Segment assets	249,345	19,895	18,031	-	-	11,061	298,332
Segment liabilities	69,350	4,062	341	-	-	29,303	103,056
2011							
Allowance for doubtful trade receivables	7,171	-	-	-	-	-	7,171
Capital additions	35,655	893	1	543	4	7,175	44,271
Depreciation	8,703	419	6	6	-	191	9,325
2010							
Allowance for doubtful trade receivables	78	568	2,799	-	-	-	3,445
Capital additions	12,822	3,388	1	-	-	40	16,251
Depreciation	7,094	496	10	-	-	120	7,720

notes to financial statements continued

December 31, 2011

33 SEGMENT INFORMATION CONTINUED

Geographical information

The Group's operations are located in Americas, Asia and Middle East. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

	Revenue US$'000	Non-current assets* US$'000
2011		
Asia[1]	19,913	86,713
Indonesia	13,133	56,768
Mexico	7,690	830
Middle East[2]	12,600	2
Singapore	26,613	32,228
Total	79,949	176,541
2010		
Asia[1]	16,211	113,777
Indonesia	18,397	-
Mexico	5,793	942
Middle East[2]	5,201	-
Saudi Arabia	6,515	-
Singapore	12,493	20,241
Total	64,610	134,960

* *exclude investment in associates.*
[1] Asia includes India, Thailand, Malaysia, China, Australia and Korea.
[2] Middle East includes United Arab Emirates, Iran and Oman.

Information about major customers

Revenue from the largest customer per segment is as follows:

	Group 2011 US$'000	Group 2010 US$'000
Marine	5,030	9,789
Oilfield services	16,332	11,283
Oilfields projects	8,030	8,030

Statistics of Shareholdings

As at 22 March 2012

Number of shares	-	814,140,170
Class of shares	-	Ordinary shares
Voting rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	265	8.71	14,153	-
1,000 - 10,000	1,052	34.56	7,524,416	0.92
10,001 - 1,000,000	1,691	55.55	116,642,549	14.33
1,000,001 and above	36	1.18	689,959,052	84.75
Total :	**3,044**	**100.00**	**814,140,170**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Tan Pong Tyea	243,760,700	29.94
2.	Amfraser Securities Pte. Ltd.	98,000,000	12.04
3.	Hong Leong Finance Nominees Pte Ltd	80,129,000	9.84
4.	Citibank Nominees Singapore Pte Ltd	66,794,018	8.20
5.	Cai Wenting	23,716,216	2.91
6.	Longzhu Oilfield Services Limited	22,594,595	2.78
7.	Camelot Capital Consultants Ltd	17,459,459	2.14
8.	Maybank Kim Eng Securities Pte Ltd	13,967,417	1.72
9.	UOB Kay Hian Pte Ltd	11,958,200	1.47
10.	Cheah See Han	10,354,500	1.27
11.	HSBC (Singapore) Nominees Pte Ltd	10,224,000	1.26
12.	DBS Vickers Securities (Singapore) Pte Ltd	10,164,050	1.25
13.	Neo Chin Lee	10,000,000	1.23
14.	Tan Sooh Whye	10,000,000	1.23
15.	OCBC Securities Private Ltd	9,343,650	1.15
16.	Glenealy Gold Investments Limited	7,038,460	0.86
17.	Phillip Securities Pte Ltd	6,766,947	0.83
18.	Lim & Tan Securities Pte Ltd	4,493,000	0.55
19.	United Overseas Bank Nominees Pte Ltd	4,486,000	0.55
20.	DBS Nominees Pte Ltd	2,778,335	0.34
Total		**664,028,547**	**81.56**

Statistics of Warrantholdings

As at 22 March 2012

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings		No. of Warrantholders	%	No. of Warrants	%
1	- 999	9	0.90	2,409	-
1,000	- 10,000	671	66.96	3,244,704	1.99
10,001	- 1,000,000	308	30.74	22,706,920	13.95
1,000,001 and above		14	1.40	136,867,761	84.06
Total :		**1,002**	**100.00**	**162,821,794**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1.	Tan Pong Tyea	83,592,139	51.34
2.	Citibank Nominees Singapore Pte Ltd	13,322,399	8.18
3.	Phillip Securities Pte Ltd	5,396,570	3.31
4.	Cai Wenting	4,743,243	2.91
5.	Longzhu Oilfield Services Limited	4,518,919	2.78
6.	Lim & Tan Securities Pte Ltd	4,252,200	2.61
7.	Maybank Kim Eng Securities Pte Ltd	4,196,400	2.58
8.	Mayban Nominees (Singapore) Pte Ltd	3,502,000	2.15
9.	Camelot Capital Consultants Ltd	3,491,891	2.14
10.	UOB Kay Hian Pte Ltd	3,300,000	2.03
11.	Neo Chin Lee	2,000,000	1.23
12.	Tan Sooh Whye	2,000,000	1.23
13.	OCBC Securities Private Ltd	1,424,000	0.87
14.	Loo Wei Bin	1,128,000	0.69
15.	DBS Vickers Securities (Singapore) Pte Ltd	872,200	0.54
16.	Tan Siah Hwee	825,000	0.51
17.	United Overseas Bank Nominees Pte Ltd	710,200	0.44
18.	Lim Yan Ling	618,000	0.38
19.	Neo Kai Tee	581,000	0.36
20.	Wong Cheung Chai	580,000	0.36
Total		**141,054,161**	**86.64**

statistics of warrantholdings continued

As at 22 March 2012

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 22 March 2012:-

	Direct Interest	%	Deemed Interest	%
Ruben Capital Ventures Ltd	48,338,997	5.94	-	-
Tan Pong Tyea	417,960,700	51.34	88,393,051	10.86
Cai Wenxing	136,000	0.02	70,933,592	8.71

Notes:

(1) Ruben Capital Ventures Ltd's direct interest in the 48,338,997 ordinary shares is held in the name of Amfraser Securities Pte Ltd.

(2) Tan Pong Tyea's deemed interest in the 88,393,051 ordinary shares in the capital of Falcon Energy Group Limited ("shares") comprises:
   (i) his deemed interest in the 48,338,997 shares held by AmFraser Securities Pte Ltd by virtue of his 79.21% shareholding interest in Ruben Capital Ventures Limited;
   (ii) his deemed interest in the 22,594,595 shares held by Longzhu Oilfield Services Limited by virtue of his 100% shareholding interest in Real Trek Pacific Ltd which holds 50% shareholding interest in Longzhu Oilfield Services Limited; and
   (iii) 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.

(3) Cai Wenxing's deemed interest in the 70,933,592 ordinary shares in the capital of Falcon Energy Group Limited ("shares") comprises:
   (i) 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
   (ii) his deemed interest in the 48,338,997 Shares held by AmFraser Securities Pte. Ltd. by virtue of his 20.79% equity interest in Ruben Capital Ventures Limited.

FREE FLOAT

Based on the information available to the Company as at 22 March 2012 and to the best knowledge of the Directors and the substantial shareholders of the Company, approximately 30.81% of the issued ordinary shares of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice of the Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at 10 Anson Road #33-15 International Plaza Singapore 079903 on Monday, 30 April 2012 at 2.30 p.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2011, together with the Auditors' Report thereon. (Resolution 1)

2. To approve the payment of Directors' fees of S$120,000/- for the financial year ending 31 December 2012, to be paid half yearly in arrears. (Resolution 2)

3. To re-elect Mr. Tan Pong Tyea, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. (Resolution 3)

4. To re-elect Mr. Lien Kait Long, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. (Resolution 4)

5. To re-appoint Messrs. Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 5)

6. To transact any other business that may be transacted at an Annual General Meeting.

As Special Business:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **"Share Issue Mandate** (Resolution 6)

That pursuant to the Company's Articles of Association and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the share capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities."

notice of the eighth annual general meeting continued

8. **"Renewal of Shares Buyback Mandate** (Resolution 7)

That

(a) for the purposes of the Companies Act (Chapter 50) of Singapore ("Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchases**"), transacted on the Singapore Exchange Securities Trading Limited ("SGX-ST") through the SGX-ST's trading system or through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the rules of the Listing Rules ("**Off-Market Purchase**"),

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the SGX-ST Listing Manual as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("Share Buyback Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on:

(i) the date on which the next annual general meeting of the Company ("AGM") is held or required by law to be held;

(ii) the date on which the Share buybacks are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the total number of Shares in the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding applicable brokerage, stamp duties, goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price;

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price,

notice of the eighth annual general meeting continued

where:

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

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

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

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

9. "**Falcon Energy Group Employee Share Option Scheme** (Resolution 8)

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Falcon Energy Group Employee Share Option Scheme ("Scheme") and pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of shares of the Company from time to time."

By Order of the Board

Peh Lei Eng
Company Secretary

Singapore
12 April 2012

notice of the eighth annual general meeting continued

Explanatory Notes

Resolution 3 – Mr. Tan Pong Tyea will, upon re-election as a Director of the Company, remain as member of Nominating Committee.

Resolution 4 – Mr. Lien Kait Long will, upon re-election as a Director of the Company, remain as Chairman of Audit Committee and member of Nominating and Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 6 – The Ordinary Resolution 6 proposed in item 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Resolution 7 – The Ordinary Resolution 7 under item 8 above, if passed, will renew the Share Buyback Mandate and will authorize the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2011 are set out in greater detail in the Shareholders' Circular enclosed together with the Annual Report.

Resolution 8 – The Ordinary Resolution 8 proposed in item 9, is to authorise the Directors to offer and grant options in accordance with the provisions of the Falcon Energy Group Employee Share Option Scheme ("Scheme") and pursuant to Section 161 of the Companies Act, Chapter 50 to allot and issue shares under the Scheme up to an amount not exceeding fifteen per cent (15%) of the total number of shares of the Company from time to time.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend in his stead. A proxy need not be a Member of the Company.

2. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.

3. The instrument appointing a proxy 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 holding the Annual General Meeting.

PROXY FORM

EIGHTH ANNUAL GENERAL MEETING
FALCON ENERGY GROUP LIMITED
(Registration No. 200403817G)

IMPORTANT:
1. For investors who have used their CPF moneys to buy shares in the Capital of Falcon Energy Group Limited, this report 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 member/members of the above company, hereby appoint:

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

and/or failing him / her (delete as appropriate)

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

or failing him/her, the Chairman of the meeting as my/our proxy to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Eighth Annual General Meeting of the Company to be held at 10 Anson Road, #33-15 International Plaza, Singapore 079903 on Monday, 30 April 2012 at 2.30 p.m. and at any adjournment thereof.

The proxy shall vote on the Resolutions set out in the Notice of Meeting in accordance with my/our directions as indicated with an "x" in the appropriate space below. Where no such direction is given, the proxy may vote or abstain from voting on any matter at the Meeting or at any adjournment thereof.

No.	Resolutions	For	Against
	ROUTINE BUSINESS		
1.	To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2011, together with the Auditors' Report thereon.		
2.	To approve the payment of Directors' fees of S$120,000/- for the financial year ending 31 December 2012, to be paid half yearly in arrears.		
3.	To re-elect Mr. Tan Pong Tyea as Director (under Article 115).		
4.	To re-elect Mr. Lien Kait Long as Director (under Article 115).		
5.	To re-appoint Messrs Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration.		
No.	**Resolutions**	**For**	**Against**
	SPECIAL BUSINESS		
6.	To approve the Share Issue Mandate.		
7.	To renew the Share Buyback Mandate.		
8.	To authorize the Directors to offer and grant options and issue shares in accordance with the provisions of the Falcon Energy Group Employee Share Option Scheme.		

Dated this ____________ day of ________________________ 2012

Total Number of Ordinary Shares Held	
CDP Registers	
Register of Members	

____
Signature(s) of *member(s) or Common Seal of Corporate Shareholder(s)

* Please delete accordingly

Notes :

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the proportion of shares to be represented by each proxy must be stated.

2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specified the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. This instrument of proxy must be executed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.

4. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representative in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such body corporate.

5. This instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), 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 fixed for holding the Annual General Meeting.

6. Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for the holding of the Annual General Meeting as certified by CDP to the Company.

Falcon Energy Group Limited

10 Anson Road
#33-15 International Plaza
Singapore 079903

www.falconenergy.com.sg
Company Registration Number: 200403817G