FEG

Falcon Energy Group Limited

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Company Registration Number: 200403817G

Falcon Energy Group Limited Annual Report 2012/2013

FEG

Falcon Energy Group Limited

Annual Report 2012/2013

Consolidating Our Strengths Growing Our Future

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.

We are consolidating our strengths through our core businesses – Marine, Oilfield Services and Oilfield Projects. The Marine Division operates a fleet of offshore support vessels and accommodation work barges, mainly for 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.

We are growing our future by further establishing two businesses – Drilling Services and Resources. The Group's offshore oil drilling business is set to expand with a number of technically advanced jack-up drilling rigs; and collaboration with new joint venture partners, who can contribute effectively to the development of this business. The Resources Division taps into the energy resource sector to carry out coal trading, coal mining and other related businesses.


Consolidating
Our Strengths

Chairman's Message

We 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.

Dear Shareholders

It has been a satisfactory year for Falcon Energy Group Limited (FEG) despite the lingering uncertainties over the global economy and their impact on the business environment where the Group operates. We are glad to see positive signs from our strategy to consolidate our core businesses and grow our newer businesses. As a result, FEG has achieved positive financial results for the period under review.

As an established company in the oil and gas industry, FEG provides a spectrum of services to global oil companies and contractors, from the initial exploration stage to production and post-production stage. We 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.

During the past financial period, we have been consolidating our strengths through our traditional core businesses in Marine, Oilfield Services and Oilfield Projects; and growing our future by establishing our two newer businesses in Drilling Services and Resources.

We believe we were able to enhance our position in the oil and gas industry because of our many strengths such as strong working relationships with long-term customers and suppliers, as well as capable and experienced management and engineering teams. We also owned an extensive list of marine assets and equipment, and have a good track record, efficient operations and a good safety record.

Performance Review

The Group had announced the change of its financial year end from 31 December to 31 March. Hence, the results reported for the current financial period covers 15 months from 1 January 2012 to 31 March 2013 as compared to the previous 12 months from 1 January 2011 to 31 December 2011.

Despite the adverse effects from the ongoing economic uncertainties worldwide, FEG has recorded an encouraging increase in revenue, increasing by 45 per cent to US$116.20 million for the 15 months ended 31 March 2013 compared to US$79.95 million for the 12 months ended 31 December 2011.

The revenue from the Group's three traditional core businesses went up. The Marine Division's revenue grew by 132 per cent to US$53.34 million compared to US$22.98 million registered 15 months ago, due mainly to more vessels being deployed. The Oilfield Services Division's revenue increased by 6 per cent to US$46.11 million from US$43.57 million because of the inclusion of the three months' revenue from 1 January 2013 to

Chairman's Message

31 March 2013. The Oilfield Projects Division's revenue grew to US$16.75 million, up 25 per cent from US$13.40 million.

Due to the higher revenue, the Group saw higher gross profit, up 85 per cent at US$33.01 million compared to US$17.86 million 15 months earlier The Marine Division's gross profit margin had improved from negative to 29 per cent due primarily to the increase in revenue. However, gross profit margin for the Oilfield Services Division dropped to 18 per cent from 25 per cent due mainly to the lower margin of the one-off short term contract secured in the first quarter of 2012. For the Oilfield Projects Division, gross profit margin increased marginally to 58 per cent from 56 per cent. These factors resulted in the increase in Group's average gross profit margin to 28 per cent from 22 per cent.

As a result, the Group saw a 56 per cent rise in profit before tax of approximately US$11.08 million compared to US$7.08 million; and an after-tax profit of US$10.38 million, up 87 per cent increase from US$5.56 million 15 months ago. Net assets attributable to FEG's equity holders stood at US$199.00 million. Earnings went up to 1.20 US cents, up from 0.40 US cents while net asset value per share increased to 24.44 US cents as at 31 March 2013, up from 23.22 US cents.

The Board has proposed a final (one-tier tax-exempt) dividend of 0.5 Singapore cent per ordinary share. This works out to a dividend payout ratio of approximately 32 per cent for financial year 2012.

Consolidating Our Strengths

The Group is consolidating its strengths through its traditional core business – Marine Division, Oilfield Services Division and Oilfield Projects Division. The outlook for these three divisions remains positive. Revenue from the Marine Division is expected to continue to grow strongly with better market conditions.

During the past 15 months, FEG has purchased three new vessels, which will be suitable for shallow water, deep water as well as sub-sea support. One accommodation work barge has been commissioned and the other two 78-metre multi-functional support vessels are expected to be delivered by mid-2013.

The revenues from the Oilfield Services Division and Oilfield Projects Division went up for the period under review. Both divisions' activities are well-established, and they will continue to contribute stable earnings to the Group's total revenue.

Moving ahead, the Group will continue to establish its core business by further investments, growing its assets, extending its markets and increasing operational efficiencies. With its strong competitive advantages, significant presence in the regional markets and stable financial position, FEG is in a strong position to expand these traditional core businesses well in the long-term.

During the past two years, we have entered into the oil rig markets with the purchases of modern jack-up drilling rigs and collaboration with joint venture partners.

Growing Our Future

The Group is growing its future through its two newer energy-related businesses – the Resources Division and the Drilling Services Division. We believe that these divisions will complement our traditional businesses in marine, services and projects and help FEG to become a stronger player in serving the oil majors and national oil companies.

The Resources Division fits in with the Group's energy portfolio and taps into the energy resource sector to carry out coal related businesses. It has acquired commercial rights for several coal concessions in Indonesia and substantial resources have been gathered.

During the past two years, we have entered into the oil rig market with the purchases of modern jack-up drilling rigs and collaboration with joint venture partners. Steps are being taken to grow this business further.

Acknowledgements

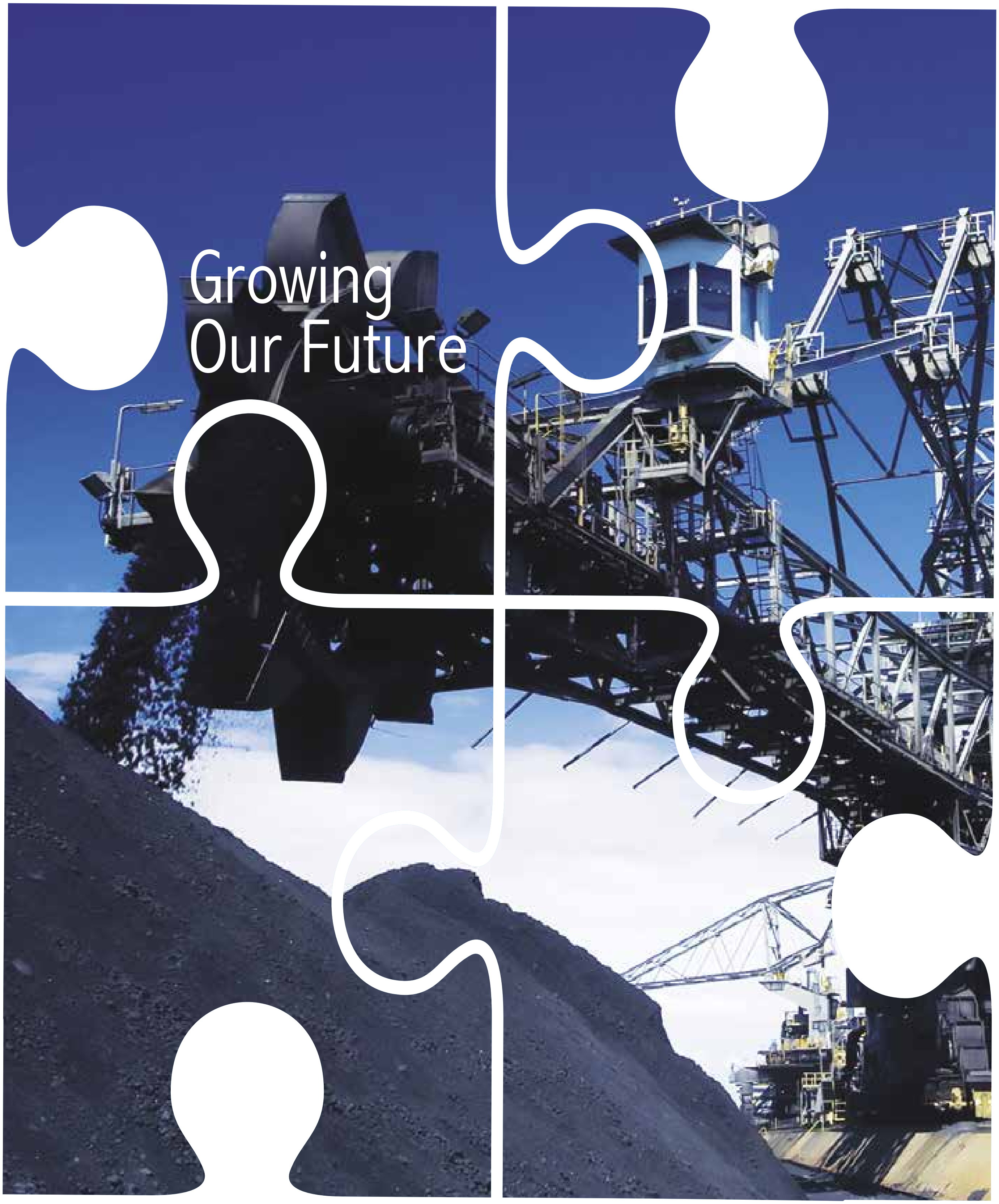
On behalf of the Board, I would like to take this opportunity to record my appreciation for the continuing support of our shareholders, business partners and customers.

My thanks also go to the management team and staff for their commitment and hard work on behalf of the company. I believe your expertise and teamwork have helped FEG to grow over time.

Finally, I would like to thank my fellow Board members for their wise counsel and contributions and also extend a warm welcome to Mr Chan Guan Ngang, Christopher, who was appointed an Independent and Non-executive Director in June 2012. He is also the Chairman of the Remuneration Committee and the Nominating Committee, and a member of the Audit Committee. I believe his invaluable experiences will be an asset to the Board. I also like to express my thanks to Mr Mah Kim Loong, Leslie, who resigned as an Independent Director on 15 June 2012.

Although there are still headwinds in the global and local economies, we are optimistic that we can perform better for the financial year ending 31 March 2014.

Tan Pong Tyea
Chairman and
Chief Executive Officer


Growing
Our Future

Business Review

... FEG's footprints are in South-east Asia namely Indonesia, Malaysia, Brunei, Thailand and Singapore; China; the Middle East and Mexico.

During the year under review, Falcon Energy Group Limited (FEG) has been busy consolidating its core business in Marine, Oilfield Services and Oilfield Projects, as well as growing its future through its newer businesses in Drilling Services and Resources. The aim is to reinforce and build up FEG's position as a leading regional player, which provides a more comprehensive scope of services to a broader group of customers in the oil and gas industry.

Currently, FEG's footprints are in South-east Asia namely Indonesia, Malaysia, Brunei, Thailand and Singapore; China; the Middle East and Mexico.

Marine Division

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

To consolidate its strength in the marine business, FEG is continuing to expand its marine fleet at a controlled pace. Two units of Multi-Functional Support Vessels for deep sea operations and one new accommodation work barge have been acquired. In April 2013, the Group commissioned its new accommodation work barge in Singapore and will take delivery of its two Multi-Functional Support Vessels in the next few months.

For the past financial year, the performance for Marine Division is satisfactory, growing its revenue by 132 per cent to US$53.34 million. It saw the fruit of its mandatory

Business Review

maintenance exercise started more than two years ago with more of its upgraded vessels currently being chartered out. With the new vessels being deployed in the year ahead, the Group expects the Marine Division to continue its momentum of strong growth and remain as a major contributor to FEG's total revenue.

Oilfield Services Division

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

During the year under review, the Oilfield Services Division's revenue went up by 6 per cent to US$46.11 million, making it the second highest contributor to FEG's total revenue. The Group expects the Oilfield Services Division to continue contributing stable earnings to FEG.

Oilfield Projects Division

The Oilfield Project Division executes various projects for oil companies. The projects range in size from small facilities to multi-million dollar heavy oil facilities.

For the year under review, the Oilfield Projects Division has performed up to expectations with its revenue growing by 25 per cent to US$16.75 million. We foresee the global oilfield activities remaining strong, hence there will be more business opportunities for the Oilfield Projects Division.

Drilling Services Division

During the past financial period, the Drilling Services Division has expanded its business with the orders of a number of technically advanced jack-up drilling rigs, and collaboration with new joint venture partners, who can contribute effectively to the development of this business.

The Group has signed contracts for the construction of two jack-up drilling rigs from China and one from Singapore. Two of these contracts were announced in October 2011 and one in April 2013. One rig (GustoMSC CJ46-X100) was launched at the shipyard in China at end of March 2013. Work on the other rig in the shipyard in China is progressing well. These jack-up drilling rigs are capable of operating in a water depth of up to 375 feet. The expected date of delivery for both rigs is late 2013. The third rig is being built in Singapore as its subsidiary, FTS Derricks Pte. Ltd., has signed a contract with Keppel FELS Limited for the construction of a mobile self-elevating drilling unit (a Keppel FELS Super B Class Self Elevating Offshore Jack-up Drilling Unit).

We foresee the strategic steps taken by the Group to consolidate its traditional businesses and the development of the Drilling Services and Resources Divisions will broaden its revenue streams and scope of operations.

With the completion and delivery of several oil rigs in the coming year, the Group expects its Drilling Division to be one of the key contributors to FEG's growth in the future.

Resources Division

The Resources Division taps into the energy resource sector to carry out coal mining related businesses.

It had since acquired commercial rights for several coal concessions in Indonesia. Due to the drop in coal prices last year, the Group has delayed the start of its coal production for the time being but is actively engaged in acquiring more resources as the valuation of coal concessions has become more attractive. Currently, its team of geologists is actively conducting surveys and feasibility studies at various locations in Indonesia with a view to further acquisitions.

The Group's long-term plan is to develop the Resources Division into a significant player in this energy segment.

Going Forward

Going forward, the outlook for the Group is positive as the demand for oil and energy remains strong especially in the emerging economies. We foresee the strategic steps taken by the Group to consolidate its traditional businesses and the development of the Drilling Services and Resources Divisions will broaden its revenue streams and scope of operations.

Financial Highlights

Financial Results

US$'000	FY2012/13(1)	FY2011(2)	FY2010(2)	FY2009(2)	FY2008(1)
Revenue	116,195	79,949	64,610	89,205	73,838
Gross Profit	33,005	17,858	24,615	38,884	41,555
Profit Before Tax	11,075	7,084	12,151	30,300	36,759
Profit After Tax	10,381	5,556	11,684	29,440	36,109
Profit After Tax (after minority interest)	9,790	3,274	11,303	28,093	36,109
Gross Profit Margin	28.4%	22.3%	38.1%	43.6%	56.3%
Profit Before Tax Margin	9.5%	8.9%	18.8%	34.0%	49.8%
Profit After Tax Margin	8.9%	6.9%	18.1%	33.0%	48.9%
Profit After Tax Margin (after minority interest)	8.4%	4.1%	17.5%	31.5%	48.9%
EPS Basic (US cents)	1.20	0.40	1.39	3.76	5.15
EPS Diluted (US cents)	1.00	0.40	1.34	3.75	5.15
Weighted Average Number of Shares ('000)	814,193	814,140	814,135	746,230	701,017

Note:
(1) FY2012/13 & FY2008 : 15 months audited
(2) FY2011, FY2010 & FY2009 : 12 months audited

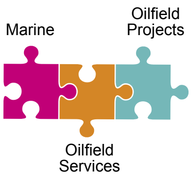
Statement Of Financial Position

US$'000 (As at)	31-Mar-13	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08
Current Assets	93,060	76,558	49,872	87,654	31,392
Non-Current Assets	307,777	291,758	248,460	132,446	127,157
Total Assets	**400,837**	**368,316**	**298,332**	**220,100**	**158,549**
Current Liabilities	74,743	67,909	33,337	28,214	30,592
Non-Current Liabilities	118,013	102,969	69,719	12,229	21,172
Total Liabilities	**192,756**	**170,878**	**103,056**	**40,443**	**51,764**
Net Current Assets	**18,317**	**8,649**	**16,535**	**59,440**	**800**
Net Assets	**208,081**	**197,438**	**195,276**	**179,657**	**106,785**
Shareholders' Equity	198,998	189,030	189,070	173,875	106,785
NAV Per Share (US cents)	24.44	23.22	23.22	21.36	15.03
Total Debt	147,045	131,172	94,682	26,182	28,344
Total Cash and Bank Balances	15,890	14,512	14,814	48,333	10,271
Total Number of Shares ('000)	814,193	814,140	814,135	814,135	710,419

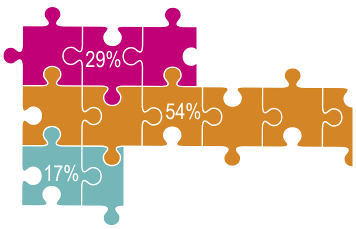
Segmental Revenue

By Business

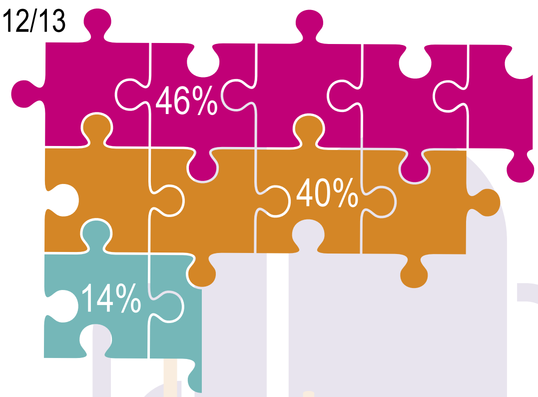
	FY2012/13 US$'m	FY2011 US$'m
Marine	53.34	22.98
Oilfield	46.11	43.57
Project	16.75	13.40
Total	116.20	79.95



2011

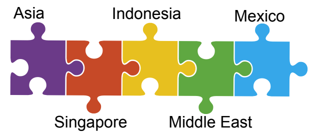


2012/13

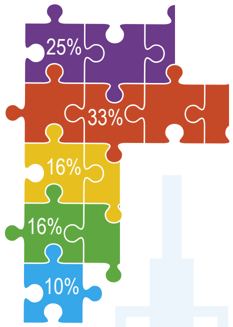


By Region

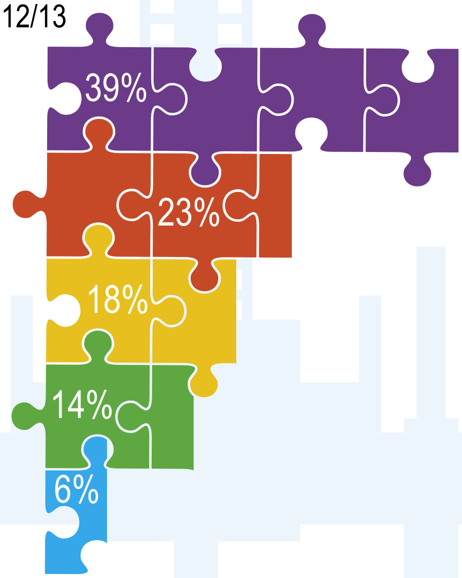
	FY2012/13 US$'m	FY2011 US$'m
Asia	45.20	19.91
Singapore	26.51	26.61
Indonesia	21.29	13.14
Middle East	16.09	12.60
Mexico	7.11	7.69
Total	116.20	79.95



2011



2012/13



Board of Directors

Back Row (L to R): Cai Wenting, Chan Guan Ngang Christopher, Mohan Raj s/o Charles Abraham, Lien Kait Long, Tan Sooh Whye;
Front Row (L to R): Cai Wenxing, Tan Pong Tyea, Neo Chin Lee

TAN PONG TYEA

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

Executive Director

Mr Neo Chin Lee was appointed as 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

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, Oilfield Projects and Drilling Services Divisions for Falcon Energy Group Limited. His role includes the exploration of new business opportunities and expansion worldwide.

He is currently CEO of Terasa- Star International Shipping Pte Ltd, Longzhu Oilfield Services (S) Pte Ltd and CDS Oilfield Services Pte Ltd. With more than 20 years of experience in the oil and gas industry, he holds a Bachelor degree from the South China Normal University.

LIEN KAIT LONG

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 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 packaging.

He holds a Bachelor of Commerce 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

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 from the National University of Singapore.

CHAN GUAN NGANG, CHRISTOPHER

Non-Executive and Independent Director

Mr Chan Guan Ngang, Christopher was appointed an Independent and Non-Executive Director of Falcon Energy Group Limited on 5 June 2012. He is the Chairman of the Remuneration Committee and Nominating Committee, and a member of the Audit Committee.

He started his career in the civil service and later, spent 25 years in the banking industry. His banking career involved stints at Chartered Bank (now known as Standard Chartered Bank) and later, the Overseas Union Bank with his last appointment as a Vice President.

Mr Chan is a member of the Mount Alvernia Hospital's Audit & Risk Management Committee, an appointment he held since 2011. He holds a Bachelor of Social Sciences, majoring in Economics from the University of Singapore (now known as National University of Singapore).

TAN SOOH WHYE

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

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.

Senior Management

Back Row (L to R): Derek Tan Jit Sin, Kenny Lim Tze Kern, Sam Loh Meng Sum, Steve Lau Tat Hoong, Tang Nee Chiang, Kenny Lieu Chin Leong, Jimmy Wong Cheung Chai, Eric Shao Lei, Gan Wah Kwang; *Front Row (L to R):* Cai Wenting, Cai Wenxing, Tan Pong Tyea, Neo Chin Lee, Tan Sooh Whye

CORPORATE OFFICE

Tan Pong Tyea
Chairman and
Chief Executive Officer

Neo Chin Lee
Executive Director

Cai Wenxing
Executive Director

Cai Wenting
Alternate Director

Tan Sooh Whye
Alternate Director

Gan Wah Kwang
Chief Financial Officer

Kenny Lieu Chin Leong
Financial Controller

MARINE DIVISION

Sam Loh Meng Sum
Regional General Manager
Asetanian Marine Pte Ltd

Kenny Lim Tze Kern
Regional General Manager
Asetanian Marine Pte Ltd

OILFIELD PROJECTS DIVISION

Derek Tan Jit Sin
Director
Falcon Energy Projects Pte Ltd

OILFIELD SERVICES DIVISION

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

Eric Shao Lei
Deputy General Manager
Terasa-Star International Shipping Pte Ltd

RESOURCES DIVISION

Steve Lau Tat Hoong
Director
Falcon Resources Management Pte Ltd

Jimmy Wong Cheung Chai
Director
Falcon Resources Management Pte Ltd

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

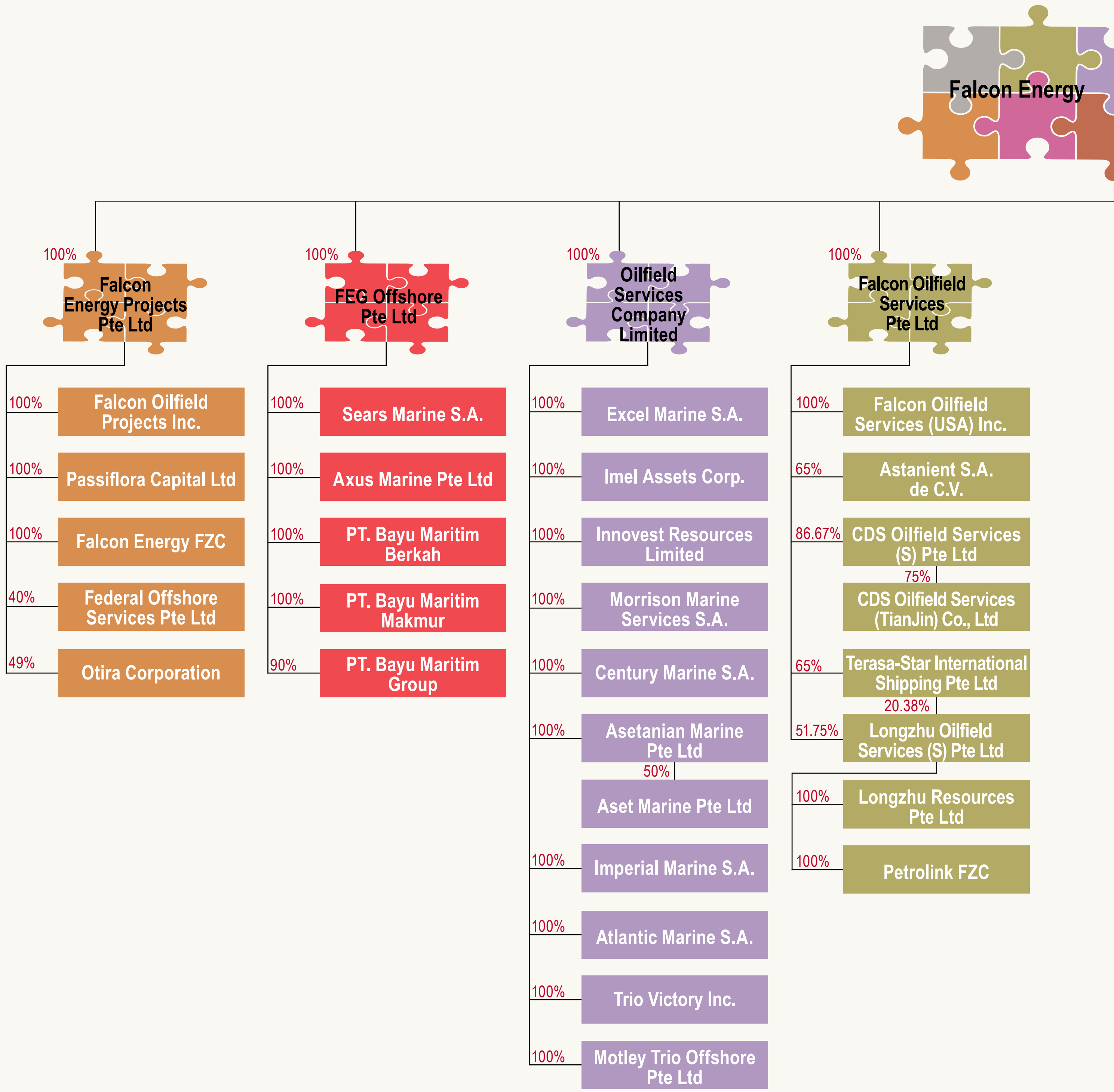
3 Production

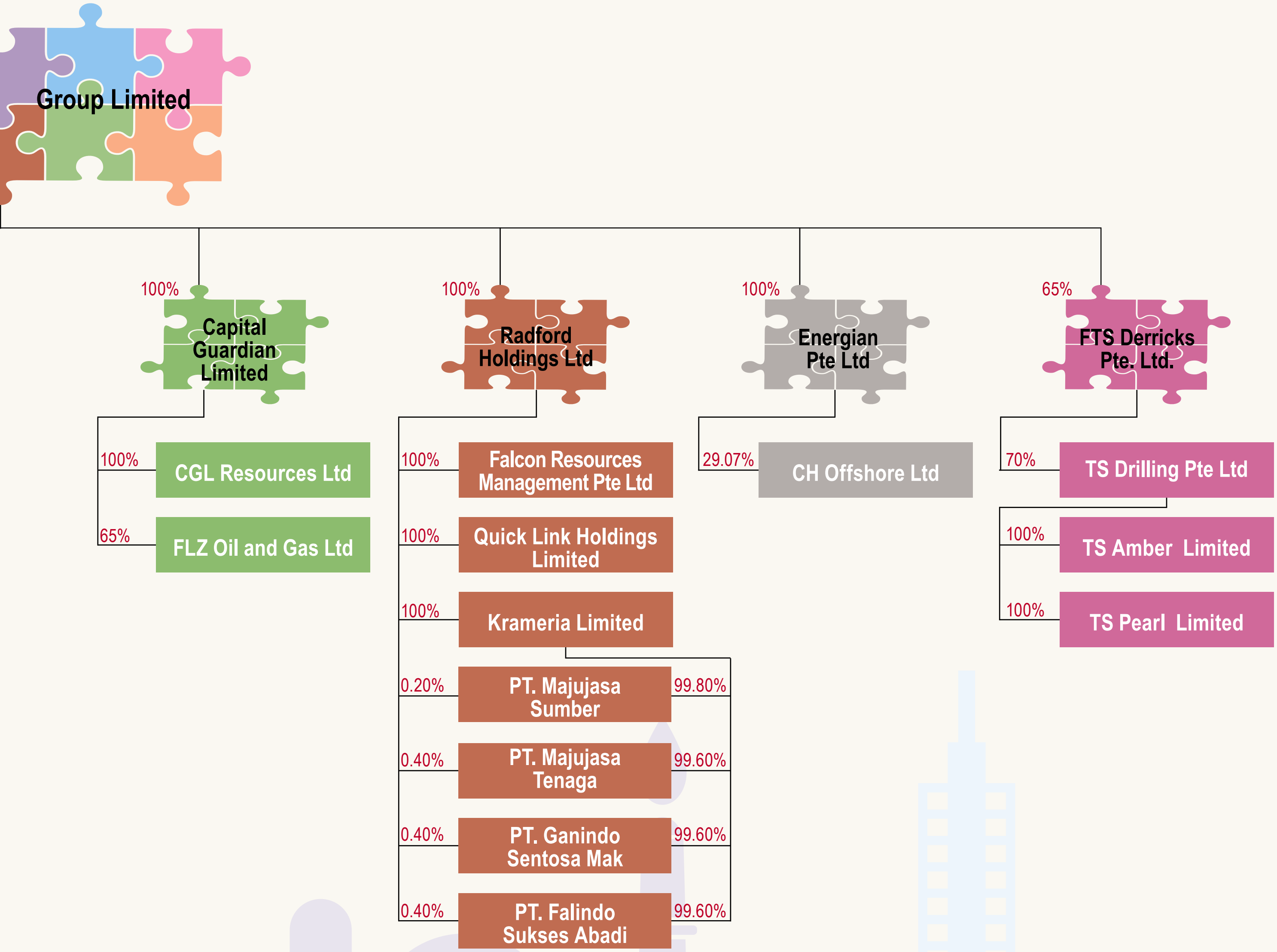
- Topside & subsea repair & maintenance
- Work-over of oil wells
- Well services
- Cranage & workshop services
- Accommodation facilities
- Transportation of cargo, essential supplies, equipment & personnel
- Towing & mooring & anchor handling of facilities
- Standby duties

4 Post-Production

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

Corporate Structure




Group Limited
100%
Capital Guardian Limited
100%
CGL Resources Ltd
65%
FLZ Oil and Gas Ltd
100%
Radford Holdings Ltd
100%
Falcon Resources Management Pte Ltd
100%
Quick Link Holdings Limited
100%
Krameria Limited
0.20%
PT. Majujasa Sumber
99.80%
0.40%
PT. Majujasa Tenaga
99.60%
0.40%
PT. Ganindo Sentosa Mak
99.60%
0.40%
PT. Falindo Sukses Abadi
99.60%
100%
Energian Pte Ltd
29.07%
CH Offshore Ltd
65%
FTS Derricks Pte. Ltd.
70%
TS Drilling Pte Ltd
100%
TS Amber Limited
100%
TS Pearl Limited

Corporate Information

Board of Directors

Tan Pong Tyea
Chairman and Chief Executive Officer

Neo Chin Lee
Executive Director

Cai Wenxing
Executive Director

Lien Kait Long
Non-Executive and Lead Independent Director

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

Chan Guan Ngang, Christopher
Non-Executive and Independent Director (Appointed on 5 June 2012)

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

Chan Guan Ngang, Christopher

Nominating Committee

Chan Guan Ngang, Christopher
Chairman

Tan Pong Tyea

Lien Kait Long

Remuneration Committee

Chan Guan Ngang, Christopher
Chairman

Lien Kait Long

Mohan Raj s/o Charles Abraham

Senior Management

CORPORATE OFFICE

Tan Pong Tyea
Chairman and Chief Executive Officer

Neo Chin Lee
Executive Director

Cai Wenxing
Executive Director

Cai Wenting
Alternate Director

Tan Sooh Whye
Alternate Director

Gan Wah Kwang
Chief Financial Officer

Kenny Lieu Chin Leong
Financial Controller

MARINE DIVISION

Sam Loh Meng Sum
Regional General Manager
Asetanian Marine Pte Ltd

Kenny Lim Tze Kern
Regional General Manager
Asetanian Marine Pte Ltd

OILFIELD PROJECTS DIVISION

Derek Tan Jit Sin
Director
Falcon Energy Projects Pte Ltd

OILFIELD SERVICES DIVISION

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

Eric Shao Lei
Deputy General Manager
Terasa-Star International Shipping Pte Ltd

RESOURCES DIVISION

Steve Lau Tat Hoong
Director
Falcon Resources Management Pte Ltd

Jimmy Wong Cheung Chai
Director
Falcon Resources Management Pte Ltd

Company Secretaries

Lim Mee Fun ACIS

Peh Lei Eng CA

Registered Office

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Singapore 079903
Tel: (65) 6538 7177 Fax: (65) 6538 7188
Email: admin@feg.com.sg
Website: www.falconenergy.com.sg
Company Registration Number: 200403817G

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way #32-00 Tower Two
Singapore 068809
Partner-in-charge: Sanjay Panjabi
(Appointed on 14 August 2012)

Investor Relations

Waterbrooks Consultants Pte Ltd
Wayne Koo
Tel: (65) 6100 2228
Email: wayne.koo@waterbrooks.com.sg

Principal Bankers

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#02-00 OCBC Centre East
Singapore 049514

Standard Chartered Bank
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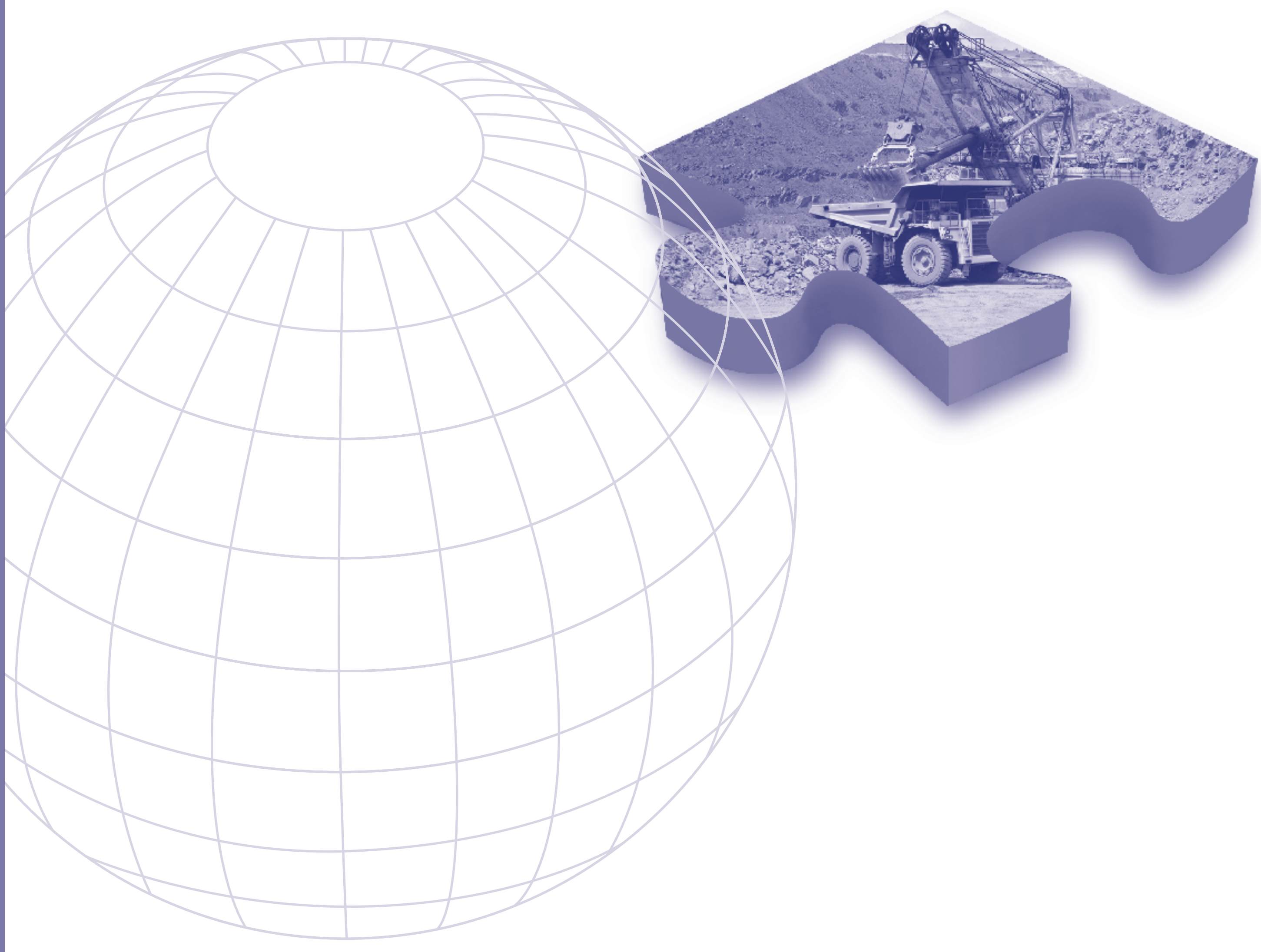
Report On Corporate Governance



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 period ended 31 March 2013. 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.

Corporate Governance *continued*

The number of Board and Board Committee meetings held during the financial period ended 31 March 2013 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)	6	6	–	–	1	1	–	–
Neo Chin Lee	6	3	–	–	–	–	–	–
Cai Wenxing (Alternate – Cai Wenting)	6	5	–	–	–	–	–	–
Lien Kait Long	6	6	6	6	1	1	1	1
Mohan Raj s/o Charles Abraham	6	5	6	5	–	–	1	1
Mah Kim Loong Leslie^	6	3	6	3	1	1	1	1
Chan Guan Ngang Christoper^	6	3	6	3	1	–	1	–

^ On 5 June 2012, Mr Chan Guan Ngang Christopher was appointed an independent director of the Company. Mr Mah Kim Loong Leslie resigned as an independent director of the Company on 15 June 2012. Subsequent to his resignation, he also ceased to be a member of the AC and chairman of the NC and the RC. Following the resignation of Mr Mah Kim Loong Leslie, Mr Chan Guan Ngang Christopher was appointed a member of the AC and the chairman of the NC and the RC on 15 June 2012.

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. Supporting memorandum or papers are circulated to the directors where relevant.

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 Chan Guan Ngang Christopher, who was appointed an independent director on 5 June 2012, 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)
Cai Wenxing	(Executive Director)
Neo Chin Lee	(Executive Director)

Non-Executive Directors :

Lien Kait Long	(Lead Independent Director)
Mohan Raj s/o Charles Abraham	(Non-independent Director)
Chan Guan Ngang Christopher	(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 2012:

(a) On 5 June 2012, Mr Chan Guan Ngang Christopher was appointed an independent director of the Company.

(b) On 15 June 2012, Mr Mah Kim Loong Leslie resigned as an independent director of the Company. Subsequent to his resignation, he also ceased to be a member of the AC and chairman of the NC and the RC.

(c) Following the resignation of Mr Mah Kim Loong Leslie, Mr Chan Guan Ngang Christopher was appointed a member of the AC and the chairman of the NC and the RC on 15 June 2012.

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.

For the financial period 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.

<u>Principle 3 : Chairman and Chief Executive Officer</u>

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

Corporate Governance *continued*

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 Executive 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 15 June 2012, the NC was constituted by Mr Mah Kim Loong Lesile as the chairman of the NC with Mr Tan Pong Tyea and Mr Lien Kait Long as members. Mr Mah Kim Loong Lesile resigned as an Independent director of the Company on 15 June 2012 and subsequent to his resignation, he also ceased to be the chairman of the NC. Mr Chan Guan Ngang Christopher was appointed an independent director of the Company on 5 June 2012 and was appointed the chairman of the NC on 15 June 2012.

The NC is currently chaired by Mr Chan Guan Ngang Christopher 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.

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 Cai Wenxing, Mr Mohan Raj s/o Charles Abraham and Mr Chan Guan Ngang Christopher 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 is set out in the section entitled "Board of Directors" on pages 12 to 13 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 financial period 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 15 June 2012, the RC was constituted by Mr Mah Kim Loong Lesile as the chairman of the RC with Mr Lien Kait Long and Mr Mohan Raj s/o Charles Abraham as members. Mr Mah Kim Loong Lesile resigned as an Independent director of the Company on 15 June 2012 and subsequent to his resignation, he also ceased to be the chairman of the RC. Mr Chan Guan Ngang Christopher was appointed an independent director of the Company on 5 June 2012 and was appointed the chairman of the RC on 15 June 2012.

The RC is currently chaired by Mr Chan Guan Ngang Christopher 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").

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.

Corporate Governance *continued*

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 paid for the financial period ended 31 March 2013, is as follows:

	Fees %	Salary(i) %	Bonus %	Profit Sharing %	Other Benefits(ii) %	Share Options %	Total %
S$500,000 and above							
Tan Pong Tyea	–	80	10	–	10	–	100
Neo Chin Lee	–	78	10	–	12	–	100
Cai Wenxing	–	85	15	–	–	–	100
S$250,000 to S$500,000							
Cai Wenting (2)	–	84	16	–	–	–	100
Below S$250,000							
Tan Sooh Whye (1)	–	75	9	–	16	–	100
Lien Kait Long	100	–	–	–	–	–	100
Mohan Raj s/o Charles Abraham	100	–	–	–	–	–	100
Chan Guan Ngang Christopher (3)	100	–	–	–	–	–	100
Mah Kim Loong Lesile (4)	100	–	–	–	–	–	100

(1) Alternate to Tan Pong Tyea
(2) Alternate to Cai Wenxing
(3) Appointed on 5 June 2012
(4) Resigned on 15 June 2012
(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.

Key Executives

The remuneration of the key executives of the Group for the financial period ended 31 March 2013 is as follows:

	Fees %	Salary(i) %	Bonus %	Profit Sharing %	Other Benefits(ii) %	Share Options %	Total %
S$250,000 to S$500,000							
Tan Jit Sin	–	76	10	–	14	–	100
Gan Wah Kwang	–	81	10	–	9	–	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

Details of an employee whose remuneration exceeds S$150,000 and is an immediate family member of a director or the CEO are set out below:

Name of Employee	Remuneration
Wong Cheung Chai [1]	S$150,000 to S$200,000

Notes:
(1) Mr Wong Cheung Chai is the spouse of Ms Tan Sooh Whye, the Alternate Director to Mr Tan Pong Tyea. He is also the brother-in-law of Mr Tan Pong Tyea, Chairman and Chief Executive Officer of the Company.

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 15 June 2012, 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 Mah Kim Loong Lesile as members. Mr Mah Kim Loong Lesile resigned as an Independent director of the Company on 15 June 2012 and subsequent to his resignation, he also ceased to be a member of the AC. Mr Chan Guan Ngang Christopher was appointed an independent director of the Company on 5 June 2012 and was appointed a member of the AC on 15 June 2012.

The AC is currently chaired by Mr Lien Kait Long with Mr Mohan Raj s/o Charles Abraham and Mr Chan Guan Ngang Christopher 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:

Corporate Governance *continued*

(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 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 period 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;

(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 AC has reviewed and discussed internal audit reports in the course of the financial period ended 31 March 2013. 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.

Corporate Governance *continued*

(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 quarterly and 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.

(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.

The Board confirms that for the financial period ended 31 March 2013, the Company has complied with Listing Rule 1207(19).

(F) MATERIAL 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 period ended 31 March 2013.

(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 period under review:

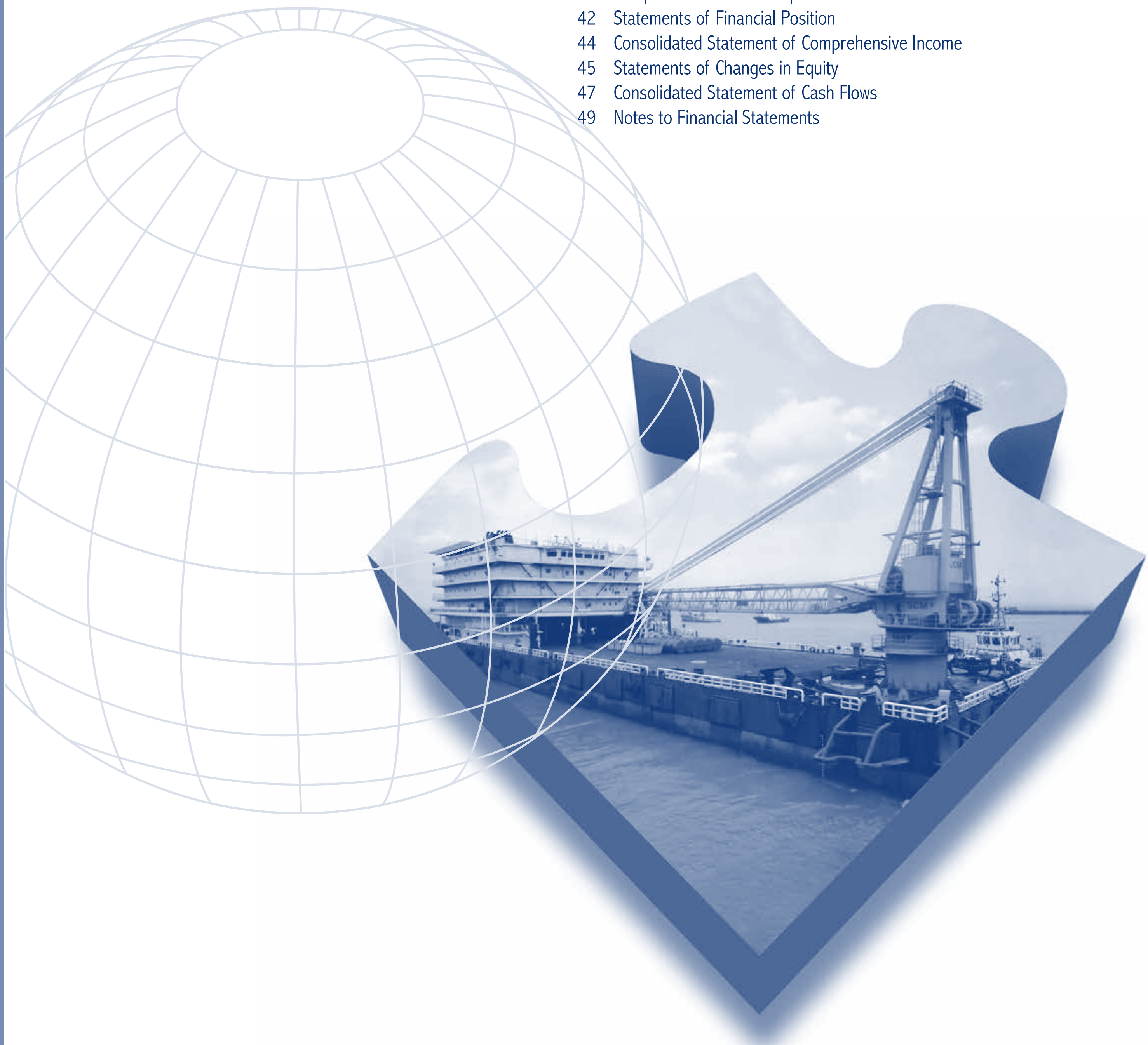
Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Listing Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Listing Rule 920 (excluding transactions less than S$100,000)
	US$'000	US$'000
Cai Wenxing (1)		
– Rental of premises	354	–
CDS International Forwarding (TianJin) Co. Ltd (2)		
– Sale of services	809	–

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.

(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.

Financial Contents



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 March 31, 2013.

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	
Chan Guan Ngang Christopher	(Appointed on June 5, 2012)
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:

Report of the Directors *continued*

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *continued*

	Direct interest			Indirect interest		
Name of director and companies in which interests are held	**At January 1, 2012**	**At March 31, 2013**	**At April 21, 2013**	**At January 1 2012**	**At March 31, 2013**	**At April 21, 2013**
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	–	–	70,933,592	70,933,592	70,933,592
Lien Kait Long	75,000	75,000	75,000	–	–	–
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	–	–	–
(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:

Chan Guan Ngang Christopher	(Chairman) (Appointed on June 15, 2012)
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
  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*

Report of the Directors *continued*

5 SHARE OPTIONS *continued*

(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 1.1.2012	Exercised	Cancelled/ Lapsed	Balance at 31.03.2013	Exercise price per share	Exercisable period
5.6.2009	4,600,000	(50,000)	–	4,550,000	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.

Holders of the above share options have no right to participate in any share issues of any other company. 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:

Name of director	Options granted during the 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 the 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
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 key executive officer					
Gan Wah Kwang	–	250,000	–	–	250,000
Tan Jit Sin	–	250,000	–	–	250,000

6 WARRANTS

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

As at the end of the financial year, there were 162,818,794 (2011 : 162,821,794) outstanding warrants, which can be exercised to subscribe for 162,818,794 (2011 : 162,821,794) ordinary shares of the Company.

7 AUDIT COMMITTEE

The members of the Audit Committee are as follows:

Lien Kait Long	–	Independent non-executive (Chairman)
Chan Guan Ngang Christopher	–	Independent non-executive (Appointed on June 15, 2012)
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 Group's financial and operating results and accounting policies;
c) the financial statements of the Company, and the consolidated financial statements of the Group before submission to the directors and external auditors' report on those financial statements;
d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
e) internal control and procedures, including the internal auditor's internal audit plan and internal audit findings;
f) 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;
g) to consider and make recommendation on the re-appointment of the external auditors; and
h) 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.

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

July 5, 2013

Statements of the 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 42 to 106 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 March 31, 2013 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

July 5, 2013

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 March 31, 2013, 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 period from January 1, 2012 to March 31, 2013, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 106.

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 modified audit opinion.

Basis for Qualified Opinion

We draw attention to Note 3(b)(v) and Note 12 to the financial statements. As at the date of our report, we have not been able to conclude whether any allowance is required in respect of US$43.95 million receivables as at March 31, 2013 from a client of one of the associates of the Group, CH Offshore Ltd ("CHO"), as the component auditors were not able to complete their assessment of the recoverability of this amount and were unable to satisfy themselves by other means. We were also unable to perform alternative audit procedures as group auditors. The financial effects of any adjustments, if considered to be necessary, and the accounts affected are disclosed in Note 3(b)(v) to the financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 of the Company as at March 31, 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the period 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 by 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
Chartered Accountants
Singapore

Panjabi, Sanjay Gordhan
Partner
Appointed on August 14, 2012

July 5, 2013

Statements of Financial Position

March 31, 2013

	Note	Group		Company	
		March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
ASSETS					
Current assets					
Cash and bank balances	6	15,890	14,512	833	3,266
Trade receivables	7	24,571	33,198	–	–
Other receivables	8	51,575	28,257	172,925	139,803
Inventories	9	1,024	591	–	–
Total current assets		93,060	76,558	173,758	143,069
Non-current assets					
Other receivables	8	8,511	8,340	6,342	6,114
Property, plant and equipment	10	186,010	166,348	6,708	7,076
Investment in subsidiaries	11	–	–	190,274	182,753
Investment in associates	12	111,218	115,217	–	–
Investment in a joint venture	13	16	–	–	–
Other intangible assets	14	2,022	1,853	–	–
Total non-current assets		307,777	291,758	203,324	195,943
Total assets		400,837	368,316	377,082	339,012

See accompanying notes to financial statements.

	Note	Group March 31, 2013 US$'000	Group December 31, 2011 US$'000	Company March 31, 2013 US$'000	Company December 31 2011 US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	15	7,890	7,668	–	–
Other payables	16	16,215	16,724	91,888	6,638
Finance leases	17	124	138	–	–
Borrowings	18	49,444	41,833	1,107	24,963
Derivative financial liability	19	46	117	–	–
Income tax payable		1,024	1,429	24	–
Total current liabilities		74,743	67,909	93,019	31,601
Non-current liabilities					
Other payables	16	20,115	13,205	–	–
Finance leases	17	297	425	–	–
Borrowings	18	97,601	89,339	3,307	22,964
Total non-current liabilities		118,013	102,969	3,307	22,964
Capital, reserves and non-controlling interests					
Share capital	20	225,844	225,826	225,844	225,826
Warrants reserve	21	12,534	12,535	12,534	12,535
Share-based payments	22	639	639	639	639
Merger reserve	23	(151,692)	(151,692)	–	–
Foreign currency translation reserve		(303)	(462)	–	–
Accumulated profits		111,976	102,184	41,739	45,447
Equity attributable to owners of the Company		198,998	189,030	280,756	284,447
Non-controlling interests		9,083	8,408	–	–
Total equity		208,081	197,438	280,756	284,447
Total liabilities and equity		400,837	368,316	377,082	339,012

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

For the 15 months period ended March 31, 2013

	Note	Group From January 1, 2012 to March 31, 2013 US$'000	Group From January 1, 2011 to December 31, 2011 US$'000
Revenue	24	116,195	79,949
Cost of sales		(83,190)	(62,091)
Gross profit		33,005	17,858
Other operating income	25	2,080	5,469
Administrative expenses		(21,929)	(21,342)
Finance costs	26	(6,437)	(3,898)
Share of net profit of associates	12	4,340	8,997
Share of profit of joint venture	13	16	–
Profit before income tax	27	11,075	7,084
Income tax expense	28	(694)	(1,528)
Profit for the period/year		10,381	5,556
Other comprehensive income:			
Foreign currency translation of foreign entities		245	(236)
Total comprehensive income for the period/year		10,626	5,320
Profit attributable to:			
Owners of the Company		9,792	3,274
Non-controlling interests		589	2,282
Total		10,381	5,556
Total comprehensive income attributable to:			
Owners of the Company		9,951	3,118
Non-controlling interests		675	2,202
Total		10,626	5,320
Earnings per share (US cents)			
– Basic	29	1.20	0.40
– Diluted	29	1.00	0.40

See accompanying notes to financial statements.

Statements of Changes in Equity

For the 15 months period ended March 31, 2013

	Note	Share capital US$'000	Warrants reserve US$'000	Share based payments US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Accumulated profits US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Group										
Balance at January 1, 2011		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	21	2	(*)	–	–	–	–	2	–	2
Recognition of share-based payments	22	–	–	160	–	–	–	160	–	160
Dividends	30	–	–	–	–	–	(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
Total comprehensive income for the period		–	–	–	–	159	9,792	9,951	675	10,626
Exercise of warrants	21	1	(1)	–	–	–	–	–	–	–
Exercise of options		17	–	–	–	–	–	17	–	17
Balance at March 31, 2013		225,844	12,534	639	(151,692)	(303)	111,976	198,998	9,083	208,081

* *Amount less than US$1,000*

See accompanying notes to financial statements.

Statements of Changes in Equity *continued*

For the 15 months period ended March 31, 2013

	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, 2011		225,824	12,535	479	49,967	288,805
Total comprehensive income for the year		–	–	–	(1,200)	(1,200)
Exercise of warrants	21	2	(*)	–	–	2
Recognition of share-based payments	22	–	–	160	–	160
Dividends	30	–	–	–	(3,320)	(3,320)
Balance at December 31, 2011		225,826	12,535	639	45,447	284,447
Total comprehensive income for the period		–	–	–	(3,708)	(3,708)
Exercise of warrants	21	1	(1)	–	–	–
Exercise of options		17	–	–	–	17
Balance at March 31, 2013		225,844	12,534	639	41,739	280,756

* *Amount less than US$1,000*

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

For the 15 months period ended March 31, 2013

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Operating activities		
Profit before income tax	11,075	7,084
Adjustments for:		
Depreciation of property, plant and equipment	15,417	9,325
Allowance for doubtful trade debts	1,167	7,171
Trade debts written off	1	16
Interest expense	6,508	3,716
Share based payments	–	160
Changes in fair value of derivative financial instrument	(71)	(55)
Gain on disposal of property, plant and equipment	(5)	(1,099)
Share of net profit of associates	(4,340)	(8,997)
Share of profit of joint venture	(16)	–
Interest income	(32)	(30)
Exchange difference on translation	(106)	(52)
Operating cash flows before movements in working capital	29,598	17,239
Trade receivables	7,460	(17,819)
Other receivables	(23,489)	(23,949)
Inventories	(433)	673
Trade payables	222	3,671
Other payables (Note A)	3,791	4,566
Cash generated from (used in) operations	17,149	(15,619)
Income tax paid	(1,099)	(468)
Net cash from (used in) operating activities	16,050	(16,087)
Investing activities		
Payments for intangible assets	(169)	(1,853)
Purchase of property, plant and equipment (Note A)	(39,210)	(22,709)
Proceeds from disposal of property, plant and equipment	10	3,118
Interest received	32	30
Dividend received from associates	8,339	7,280
Net cash used in investing activities	(30,998)	(14,134)

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows *continued*

For the 15 months period ended March 31, 2013

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	**From January 1, 2011 to December 31, 2011 US$'000**
Financing activities		
Proceeds of borrowings	109,250	42,470
Repayment of borrowings	(93,377)	(22,980)
Dividends paid	–	(3,320)
Interest paid	(6,508)	(3,903)
Fixed deposits and bank balances pledged	(1,579)	1,096
Repayment of finance leases obligations	(142)	(130)
Proceeds from exercise of warrants	1	2
Proceeds from exercise of options	17	–
Advances from related parties	6,860	17,845
Net cash from financing activities	14,522	31,080
Net (decrease) increase in cash and cash equivalents	(426)	859
Effect of exchange rate changes on the balance of cash held in foreign currencies	225	(65)
Cash and cash equivalents at beginning of year	13,097	12,303
Cash and cash equivalents at end of year (Note 6)	12,896	13,097

Note to statements of cash flows:

A: In 2011, the Group purchased property, plant and equipment with an aggregate cost of US$44,271,000 out of which US$187,000 relates to interest expense capitalised. Of the total purchase US$21,250,000 remained as outstanding payables as at December 31, 2011 and US$125,000 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 and has been fully settled in current year.

* *Amount less than US$1,000*

See accompanying notes to financial statements.

Notes to Financial Statements

March 31, 2013

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 holding. The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 11, 12 and 13 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 15 months period ended March 31, 2013 were authorised for issue by the Board of Directors on July 5, 2013.

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 – On January 1, 2012, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and relevant to its operations. 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 following new/revised FRSs, INT FRSs and amendments to FRSs that were issued but not effective:

- Amendments to FRS 1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 27 (Revised) *Separate Financial Statements*
- FRS 28 (Revised) *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- Annual Improvements to FRS 2012

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption except for the following:

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Amendments to FRS 1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of Other Comprehensive Income ("OCI")*

The amendment on Other Comprehensive Income ("OCI") presentation will require the group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g., those arising from cash flow hedging, foreign currency translation) and those items that would not be recycled (e.g. revaluation gains on property, plant and equipment under the revaluation model). The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after July 1, 2013, with full retrospective application.

FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions. The management is still evaluating the impact of FRS 110 on the Group.

FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

The joint venturer should use the equity method under the revised FRS 28 *Investments in Associates and Joint Ventures* to account for a joint venture. The option to use proportionate consolidation method has been removed. For joint operations, the group directly recognises its rights to the assets, liabilities, revenues and expenses of the investee in accordance with applicable FRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

FRS 111 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

When the group adopts FRS 111, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement.

<u>FRS 112 *Disclosure of Interests in Other Entities*</u>

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014, and the group is currently estimating extent of additional disclosures needed.

<u>FRS 113 *Fair Value Measurement*</u>

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment,* FRS 17 *Leases*, net realisable value in FRS 2 *Inventories and value-in-use in FRS 36 Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 *Financial Instruments: Disclosures* will be extended by FRS 113 to cover all assets and liabilities within its scope.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2013. Comparative information is not required for periods before initial application.

The management anticipates that the application of FRS 113 will not have a material impact but may result in more extensive disclosures in the financial statements.

<u>Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*</u>

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The amendments to FRS 107 require entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to FRS 107 are required for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

The management anticipates that the application of amendments to FRS 107 will result in more extensive disclosures on offsetting financial assets and financial liabilities. However, the management is still evaluating the impact of the amendments to FRS 32 on the financial assets and liabilities that have been set-off on the statement of financial position.

Annual Improvements to FRS 2012

The Annual Improvements include a number of amendments to various FRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. The amendments include:

- Amendments to FRS 16 *Property, Plant and Equipment*; and
- Amendment to FRS 32 *Financial Instruments: Presentation*.

Amendments to FRS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in FRS 16 and as inventory if otherwise. The management does not anticipate that the amendments to FRS 16 will have a significant effect on the financial statements.

Amendments to FRS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with FRS 12 *Income Taxes*. The management anticipates that the amendments will have no effect on the financial statements as the group has already adopted this treatment.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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.

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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.

<u>Effective interest method</u>

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Financial assets

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.

If, in subsequent period, 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.

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.

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

DERIVATIVE FINANCIAL INSTRUMENTS – The Group enters into derivative financial instruments to manage its exposure to interest rate, namely interest rate swaps. Further details of derivative financial instruments are disclosed in Note 19 to the financial statements.

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), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 as an expense over the lease term on the same basis as the lease income.

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 are incurred.

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.

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:

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Buildings	–	20 years
Leasehold office premises	–	Over the remaining lease period
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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 concession

Mining concession 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, consisting of cost incurred in connection with the mining activities, are expensed in the current period, except that such costs may be deferred when permit to conduct exploration and mining activities in the area of interest is still valid and provided that one of the following conditions is met:

- Exploration and evaluation activities in the area of interest have not at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or in relation to the area are continuing; or
- Such costs are expected to be recovered through successful development and exploration of the area of interest or through its sale.

The ultimate recovery of such pre-mining expenses carried forward is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. Each area of interest is reviewed at the end of each accounting period. Pre-mining expenses in respect of an area of interest, which has been abandoned, or for which a decision has been made by the Company against the commercial visibility of the area of interest are written-off in the year the decision is made.

Pre-mining expenses represent the accumulated costs relating to general investigation, administration and licensing, geology and geophysics expenditures and costs incurred to develop a mine before the commencement of the commercial operations. Pre-mining expenses is amortised using the unit-of-production method, which is calculated from the date of commercial production of the respective area of interest.

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The net carrying value is reviewed regularly and, to the extent this value exceeds its recoverable value, that excess is provided for or written-off in the period that the excess is determined.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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.

INVESTMENT IN A JOINT VENTURE – A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

The group reports its interests in joint venture using equity 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*.

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Any goodwill arising on the acquisition of the group's interest in a joint venture entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

Where the group transacts with its joint venture, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

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.

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.

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

<u>Rendering of services</u>

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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.

Notes to Financial Statements *continued*

March 31, 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 and associates, and interest in a joint venture, 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.

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 the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to Financial Statements *continued*

March 31, 2013

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.

(a) 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 apart from the key sources of estimation described below.

(b) 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.

(i) 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.

(ii) 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *continued*

(iii) 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.

(iv) Impairment in investment in subsidiaries, associates and joint venture

Determining whether investments in subsidiaries, associates and joint venture are impaired requires an estimation of the value in use of those investments for investments with indication of impairment. 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, associates and joint venture are disclosed in Notes 11, 12 and 13 to the financial statements respectively.

(v) Carrying value of the investment in associates

As disclosed in Note 12 to the financial statements, one of the Group's associates, CH Offshore Ltd ("CHO"), has a total receivables due by one of its clients amounting to approximately US$43.95 million which has remained outstanding. CHO is taking appropriate actions and will continue to channel all efforts to recover the outstanding receivables. Any adjustment found to be necessary would reduce the Group's net carrying value of the investment in associates and the Group's share of results of the associates by the Group's effective share of 29.07% of the net effect of such adjustment by CHO. The Group's investment in CHO is carried at US$106.22 million in the statement of financial position of the Group as at March 31, 2013, and the Group's share of CHO's net income of US$5.46 million is included in the consolidated statement of comprehensive income for the 15 months' period then ended.

(vi) Impairment of mining concession and pre-mining expenses

The Group's accounting policy for pre-mining expenses in certain items of expenditure is being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not yet reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically visible extraction operation can be established. Any such estimates and assumptions may change as new information becomes available, if, after having capitalised, the expenditure is unlikely to be recoverable, the relevant capitalised amount will be written off to the statement of comprehensive income.

The Group's mining operation has been in the development stage since its establishment on March 2, 2011. The key to the realization of major component of the Group's mining operation is dependent, among others, upon the ability to obtain, maintain and renew necessary approval from the Government of the Republic of Indonesia. Further, the success of its future operations might significantly be affected, among others, by the availability of actual coal reserve, geological conditions, fluctuation of coal prices, and compliance with any future new regulation which might affect the coal industry, the outcome of which cannot be presently determined.

The carrying amounts of the Group's mining concession and pre-mining expenses are disclosed in Note 14 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	March 31, 2013 US$'000	**December 31, 2011 US$'000**	**March 31, 2013 US$'000**	**December 31, 2011 US$'000**
Financial assets				
Loans and receivables (including cash and cash equivalents)	51,346	52,013	173,705	143,050
Financial liabilities				
Borrowings and payables at amortised cost	191,686	169,332	96,302	54,565
Derivative financial liability	46	117	–	–

(b) 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"), e.g. Hong Kong Dollars, Thai Baht, Euro, Mexican Peso and Indonesia Rupiah are limited and such exposures to foreign exchange risk are minimal.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *continued*

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:

	March 31, 2013					December 31, 2011				
	S$	**US$**	**RMB**	**UAE**	**Others**	**S$**	**US$**	**RMB**	**UAE**	**Others**
Group (US$'000)										
Cash and bank balances	746	78	1	76	72	5,130	104	1	138	320
Trade receivables	496	451	–	193	226	481	1,937	–	154	–
Other receivables	382	–	6	153	361	299	–	–	118	389
Trade payables	3,860	–	–	3	298	3,401	–	–	117	214
Other payables	850	73	–	178	1,280	1,221	99	–	220	177
Finance leases	367	–	–	–	45	483	–	–	–	80
Borrowings	5,588	–	–	–	–	12,377	–	–	–	–
Company (US$'000)										
Cash and bank balances	326	–	–	–	–	2,354	–	–	–	–
Other receivables	215	–	–	–	–	181	–	–	–	–
Other payables	403	–	–	–	–	439	–	–	–	–
Borrowings	4,414	–	–	–	–	10,052	–	–	–	–

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant currencies against the functional currency of each group entity. 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	
	March 31, 2013	**December 31, 2011**	**March 31, 2013**	**December 31, 2011**	**March 31, 2013**	**December 31, 2011**	**March 31, 2013**	**December 31, 2011**	**March 31, 2013**	**December 31, 2011**
Profit or loss (US$'000)										
Group	(904)	(1,157)	46	194	1	*	24	7	(98)	24
Company	(428)	(796)	–	–	–	–	–	–	–	–

* *Amount less than US$1,000*

Notes to Financial Statements *continued*

March 31, 2013

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *continued*

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.

(iii) *Interest rate risk management*

Summary quantitative data of the Group's interest-bearing financial instrument can be found in section (v) of this note. The Group is exposed to interest rate risks as the Group borrows funds at both fixed and floating interest rates. 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.

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 for the period ended March 31, 2013 would decrease by US$711,000 (December 31, 2011 : US$602,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(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.

Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *continued*

The table below is an analysis of trade receivables, which are not secured by any collateral or credit enhancement, as at the end of the reporting period:

	Group	
	March 31, 2013 US$'000	**December 31, 2011 US$'000**
Not past due and not impaired	11,386	22,029
Past due but not impaired		
91 days to 180 days	4,311	2,581
> 180 days to 1 year	2,538	3,563
> 1 year and < 2 years	1,747	5,025
	19,982	33,198
Impaired receivables – individually assessed	12,927	7,171
Less: Allowance for doubtful debts	(8,338)	(7,171)
Total trade receivables, net	24,571	33,198

(i) Financial assets that are not past due and not impaired

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

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

The Group has not made any allowance for remaining 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.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 34, if the full guaranteed amount is claimed by the counterparty to the guarantee is US$14,038,000 (December 31, 2011: US$18,396,000). 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.

(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.

Notes to Financial Statements *continued*

March 31, 2013

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *continued*

Liquidity and interest risk analyses

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. 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 US$'000	Between 1 to 5 years US$'000	Adjustments US$'000	Total US$'000
Group					
March 31, 2013					
Non-interest bearing	–	50,250	–	–	50,250
Variable interest rate	0.77	1,104	–	(8)	1,096
Total		51,354	–	(8)	51,346
December 31, 2011					
Non-interest bearing	–	46,627	–	–	46,627
Variable interest rate	0.73	5,423	–	(37)	5,386
Total		52,050	–	(37)	52,013
Company					
March 31, 2013					
Non-interest bearing	–	173,392	–	–	173,392
Variable interest rate	0.69	314	–	(1)	313
Total		173,706	–	(1)	173,705
December 31, 2011					
Non-interest bearing	–	142,241	–	–	142,241
Variable interest rate	0.73	815	–	(6)	809
Total		143,056	–	(6)	143,050

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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *continued*

	Weighted average effective interest rate %	On demand or less than 1 year US$'000	Between 1 to 5 years US$'000	After 5 years US$'000	Adjustments US$'000	Total US$'000
Group						
March 31, 2013						
Non–interest bearing	–	24,105	20,115	–	–	44,220
Fixed interest rate	5.64	3,072	1,272	–	(221)	4,123
Variable interest rate	2.85	48,126	98,523	1,007	(4,313)	143,343
Total		75,303	119,910	1,007	(4,534)	191,686
December 31, 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	3.71	41,145	86,139	3,273	(4,704)	125,853
Total		68,054	103,027	3,273	(5,022)	169,332
Company						
March 31, 2013						
Non–interest bearing	–	91,888	–	–	–	91,888
Fixed interest rate	5.00	533	–	–	(25)	508
Variable interest rate	1.93	611	2,363	1,007	(75)	3,906
Total		93,032	2,363	1,007	(100)	96,302
December 31, 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

Derivative financial instruments

The Group's derivative financial instruments comprise of interest rate swaps with contracted net cash outflows amounting to US$32,000 (December 31, 2011 : US$29,000) due within 1 year and US$19,000 (December 31, 2011 : US$53,000) due between 1 to 5 years.

(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.

Notes to Financial Statements *continued*

March 31, 2013

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT *continued*

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 19 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 December 31, 2011 and March 31, 2013.

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.

(c) 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 Group and the Company are in compliance with externally imposed capital requirements which include financial covenants to maintain certain financial ratios required by the financial instituitions for the facilities granted as at March 31, 2013 and December 31, 2011.

The capital structure of the Group consists of debt, which includes the bank borrowings 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.

5 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 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
Haihua Singapore International Pte Ltd
Asiatech Energy Services Ltd

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

Abraham Advocates and Solicitors

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

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.

The amounts outstanding are unsecured and will be settled in cash.

No expenses has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	**From January 1, 2011 to December 31, 2011 US$'000**
With CDS International Forwarding (Tianjin) Co. Ltd		
Sales of services	(809)	(4,532)
Purchase of services	35	483

Notes to Financial Statements *continued*

March 31, 2013

5 RELATED PARTY TRANSACTIONS *continued*

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
With Greenland Petroleum Operation Pte Ltd		
Sales of services	(17)	(30)
With Kewin Management Consultancy		
Sales of services	(26)	(21)
With Otira Corporation (Note 12)		
Bareboat charges	5,654	4,891
With PT LPS Indonesia		
Sales of goods	–	(109)
With Abraham Advocates and Solicitors		
Professional fee expense	–	55
With Mr Cai Wenxing		
Interest expense	–	46
With Mr Cai Wenxing and Ms Cai Wenting		
Rental expense	354	250

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
ii) Related party balances		
Trade receivables (Note 7)		
CDS International Forwarding (Tianjin) Co. Ltd	223	3,518
PT LPS Indonesia	384	322
Total	607	3,840
Other receivables (Note 8)		
Asetanian Offshore Pty Ltd	30	30
Kewin Management Consultancy	4	4
Total	34	34
Other payables (Note 16)		
PT LPS Indonesia	256	252
CDS International Forwarding (Tianjin) Co. Ltd	26	86
Servicios Especializados en Importacion Deqza S.C.	–	16
Total	282	354

5 RELATED PARTY TRANSACTIONS *continued*

Compensation of directors and key management personnel

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

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Short-term benefits	2,599	1,903
Post-employment benefits	74	66
Total	2,673	1,969

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

6 CASH AND BANK BALANCES

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Cash on hand and bank balances	14,794	9,126	520	2,457
Fixed deposits	1,096	5,386	313	809
Total	15,890	14,512	833	3,266
Less: Fixed deposits and bank balances pledged	(2,994)	(1,415)	(313)	(809)
Cash and cash equivalents in statement of cash flows	12,896	13,097	520	2,457

Fixed deposits bear interests at effective interest rates ranging from 0.21% to 1.32% (December 31, 2011 : 0.25% to 1.13%) per annum and for a tenure of 30 days to a year (December 31, 2011 : 30 days to a year).

The Group's pledged fixed deposits amounting to US$870,000 (December 31, 2011 : US$1,028,000) and bank balances amounting to US$2,124,000 (December 31, 2011 : US$387,000), totalling US$2,994,000 (December 31, 2011 : US$1,415,000), are pledged to financial institution in respect of banking facilities provided to the Company and the subsidiaries (Note 18).

Notes to Financial Statements *continued*

March 31, 2013

6 CASH AND BANK BALANCES *continued*

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

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Singapore Dollars	746	5,130	326	2,354
United Arab Emirates Dirham	76	138	–	–
Indonesia Rupiah	54	320	–	–
United States Dollars	78	104	–	–
Hong Kong Dollars	9	–	–	–
Malaysia Ringgit	9	–	–	–
Chinese Renminbi	1	1	–	–

7 TRADE RECEIVABLES

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Outside parties	32,302	36,529
Less: Allowance for doubtful debts	(8,338)	(7,171)
Net	23,964	29,358
Related parties (Note 5)	607	3,840
Total	24,571	33,198
Movement in the above allowance:		
Balance at beginning of the year	7,171	3,445
Increase in allowance recognised in profit or loss	1,167	7,171
Amount written off during the year	–	(3,445)
Balance at end of the year	8,338	7,171

The average credit period on sales of goods is 90 days (December 31, 2011 : 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 allowance is required in excess of the allowance for doubtful debts.

7 TRADE RECEIVABLES *continued*

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

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Singapore Dollars	496	481
United States Dollars	451	1,937
United Arab Emirates Dirham	193	154
Indonesia Rupiah	226	–

8 OTHER RECEIVABLES

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Deposits for property, plant and equipment	7,160	6,950	6,342	6,114
Deposits for purchase of rigs (Note 35)	39,552	23,126	–	–
Prepayments	2,489	2,218	53	19
Sundry deposits	3,607	2,172	97	100
Other receivables	6,515	2,097	127	78
Due from joint venture (Note 13)	729	–	–	–
Due from related parties (Note 5)	34	34	–	–
Due from subsidiaries (Note 11)	–	–	172,648	139,606
Total	60,086	36,597	179,267	145,917
Less: Non-current portion	(8,511)	(8,340)	(6,342)	(6,114)
Current portion	51,575	28,257	172,925	139,803
Non-current portion is made up of:				
Deposits for property, plant and equipment	7,160	6,950	6,342	6,114
Prepayments	1,351	1,390	–	–
Total	8,511	8,340	6,342	6,114

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

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Singapore Dollars	382	299	215	181
United Arab Emirates Dirham	153	118	–	–
Indonesia Rupiah	360	389	–	–
Chinese Renminbi	6	–	–	–
Malaysia Ringgit	1	–	–	–

Notes to Financial Statements *continued*

March 31, 2013

9 INVENTORIES

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Equipment components, at cost	1,024	591

10 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings US$'000	Freehold land US$'000	Leasehold office premises US$'000	Vessels US$'000	Drydocking 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
Cost:											
At January 1, 2011	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
Translation adjustment	105	6	–	–	–	3	4	1	48	–	167
Additions	–	–	–	34,472	140	89	50	15	194	–	34,960
Transfer	–	–	–	2,892	–	–	–	–	–	(2,892)	–
Disposals	–	–	–	–	–	(41)	–	–	(30)	–	(71)
At March 31, 2013	1,653	60	6,579	216,301	10,005	822	400	1,072	1,521	609	239,022
Accumulated depreciation:											
At January 1, 2011	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
Translation adjustment	27	–	–	–	–	1	2	1	12	–	43
Depreciation	93	–	143	12,770	1,731	121	38	290	231	–	15,417
Disposals	–	–	–	–	–	(36)	–	–	(30)	–	(66)
At March 31, 2013	374	–	184	46,628	3,097	607	314	775	1,033	–	53,012
Carrying amount:											
At December 31, 2011	1,294	54	6,538	145,079	8,499	250	72	572	489	3,501	166,348
At March 31, 2013	1,279	60	6,395	169,673	6,908	215	86	297	488	609	186,010

10 PROPERTY, PLANT AND EQUIPMENT *continued*

Company	**Leasehold office premises US$'000**	**Furniture and fittings US$'000**	**Plant and machinery US$'000**	**Renovation US$'000**	**Total US$'000**
Cost:					
At January 1, 2011	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
Additions	–	45	4	1	50
At March 31, 2013	6,579	93	207	530	7,409
Accumulated depreciation:					
At January 1, 2011	111	15	104	115	345
Depreciation	68	6	40	77	191
Disposal	(138)	–	–	(115)	(253)
At December 31, 2011	41	21	144	77	283
Depreciation	143	19	35	221	418
At March 31, 2013	184	40	179	298	701
Carrying amount:					
At December 31, 2011	6,538	27	59	452	7,076
At March 31, 2013	6,395	53	28	232	6,708

As at the end of the reporting period, borrowing costs of US$601,000 (December 31, 2011 : US$601,000) 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$236,000 (December 31, 2011 : US$409,000) secured in respect of assets held under finance leases (Note 17).

The Group and the Company has pledged leasehold office premises amounting to US$6,395,000 (December 31, 2011 : US$6,538,000) and the Group has also pledged vessels amounting to US$152,833,000 (December 31, 2011 : US$111,283,000) with a total carrying amount of US$159,228,000 (December 31, 2011 : US$117,821,000) to secure banking facilities granted to the Group and the Company (Note 18).

Notes to Financial Statements *continued*

March 31, 2013

11 INVESTMENT IN SUBSIDIARIES

	Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Unquoted equity shares, at cost:		
At beginning of year	166,690	166,683
Addition	–	7
At end of year	166,690	166,690
Deemed investment in subsidiaries	23,584	16,063
Total	190,274	182,753

The deemed investment in subsidiaries relates to the amount due from subsidiaries which is unsecured, interest–free and not expected to be repayable within one year. As the amount due from subsidiaries has no definite repayment period, it is not possible for management to calculate the fair value of this balance at the end of the reporting period.

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 March 31, 2013 and December 31, 2011 are as follows:

Name of entity	Cost of investment		Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 %	December 31, 2011 %		
Held by the Company:						
Capital Guardian Limited (8)	*	*	100	100	Hong Kong	Investment holding
Energian Pte Ltd (2)	7	7	100	100	Singapore	Investment holding
Falcon Energy FZC (8)	7	7	100	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 (2)	*	*	100	100	Singapore	Investment holding
FTS Derricks Pte Ltd (2)	*	*	65	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	*	*	100	100	Hong Kong	Investment holding
	166,690	166,690				

* *Amount less than US$1,000*

11 INVESTMENT IN SUBSIDIARIES *continued*

Name of entity	Effective equity interest and voting power held March 31, 2013 %	Effective equity interest and voting power held December 31, 2011 %	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
Axus Marine Pte Ltd (2)	100	100	Singapore	Vessel owner and charterer
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	100	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.	100	100	United States of America	Providing services to oilfield companies
Falcon Resource Management Pte Ltd (2)	100	100	Singapore	Mining management and other related services; and investment holding
FLZ Oil & Gas Limited	65	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

Notes to Financial Statements *continued*

March 31, 2013

11 INVESTMENT IN SUBSIDIARIES *continued*

Name of entity	Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	March 31, 2013 %	December 31, 2011 %		
Held by subsidiaries:				
Kaliman Resources Pte Ltd [8]	–	100	Singapore	Mining and quarrying
Krameria Limited	100	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
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	100	100	United Arab Emirates	Import, export and trading in oil and gas field equipment and marine equipment related accessories
PT Bayu Maritim Makmur [6]	100	100	Indonesia	Vessel owner and charterers
PT Bayu Maritim Berkah [6]	100	100	Indonesia	Vessel owner and charterers
PT Majujasa Sumber [6]	100	100	Indonesia	Coal trading and mining activities
PT Majujasa Tenaga [7]	100	100	Indonesia	Coal trading and mining activities
Quick Link Holdings Limited	100	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

11 INVESTMENT IN SUBSIDIARIES *continued*

Name of entity	Effective equity interest and voting power held March 31, 2013 %	December 31, 2011 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
TS Drilling Pte Ltd [2] (70% equity interest held by FTS Derricks Pte Ltd)	45.5	45.5	Singapore	Trading, owning and operating of rigs
Trio Victory Inc [1]	100	100	British Virgin Islands	Vessel owner and charterer
TS Amber Ltd	45.5	–	British Virgin Islands	Investment holding
TS Pearl Ltd	45.5	–	British Virgin Islands	Investment holding

Notes:
(1) Not required to be audited by law 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.
(6) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
(7) Audited by Richard Risambessy & Rekan, Indonesia.
(8) Dissolved on December 6, 2012.

12 INVESTMENT IN ASSOCIATES

	Group March 31, 2013 US$'000	Group December 31, 2011 US$'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	788	4,787
Total	111,218	115,217

Notes to Financial Statements *continued*

March 31, 2013

12 INVESTMENT IN ASSOCIATES *continued*

Details of the Group's associates at March 31, 2013 and December 31, 2011 are as follows:

Name of entity	Effective equity interest and voting power held March 31, 2013 %	Effective equity interest and voting power held December 31, 2011 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Federal Offshore Services Pte Ltd (1)	40	40	Singapore	Vessel owner and charterer
Otira Corporation (2)	49	49	British Virgin Islands	Bareboat charterer
CH Offshore Ltd (3) (4)	29	29	Singapore	Vessel owner and charterer

Notes:
(1) Audited by Ernst & Young LLP, Singapore
(2) Not required to be audited by law in the country of incorporation.
(3) A public listed company on SGX with June 30 financial 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 18).

One of the Group's associates, CH Offshore Ltd ("CHO"), has first announced on February 1, 2013 and then on May 6, 2013 that it has a total receivables due by one of its clients amounting to approximately US$43.95 million which has remained outstanding. CHO is taking appropriate actions and will continue to channel all efforts to recover the outstanding debts.

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

	Group March 31, 2013 US$'000	Group December 31, 2011 US$'000
Statement of Financial Position		
Total assets	315,747	294,829
Total liabilities	(46,441)	(38,181)
Net assets	269,306	256,648
Group's share of associate's net assets	111,218	115,217
Statement of Comprehensive Income		
Revenue	76,662	58,803
Profit for the year	40,380	38,466
Group's share of associate's profit for the year	4,340	8,997

At the end of reporting period, the market value of the quoted equity shares in an associate held by Group were approximately US$78,402,000 (equivalent to S$97,375,000) [December 31, 2011 : US$55,235,000 (equivalent to S$71,750,000)].

13 INVESTMENT IN A JOINT VENTURE

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Unquoted equity shares, at cost	*	–
Share of net profit of a joint venture	16	–
Total	16	–

* *Amount less than US$1,000*

Name of entity	Effective equity interest and voting power held		Place of incorporation/ operation	Principal activities
	March 31, 2013 %	December 31, 2011 %		
Held by subsidiaries:				
Aset Marine Pte Ltd (1)	50	–	Singapore	Ship manager

Note:
(1) Audited by CG Alliance, Certified Public Accountants, Singapore.

14 OTHER INTANGIBLE ASSETS

	Group			
	Club membership US$'000	Mining concession US$'000	Pre-mining expenses US$'000	Total US$'000
At January 1, 2011	–	–	–	–
Additions	187	633	1,033	1,853
At December 31, 2011	187	633	1,033	1,853
Additions	–	–	169	169
At March 31, 2013	187	633	1,202	2,022

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.

Notes to Financial Statements *continued*

March 31, 2013

14 OTHER INTANGIBLE ASSETS *continued*

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.

Pre-mining expenses will be amortised upon commencement of the mining operations.

As the Group has not started commercial operation of the mining activities, there is no amortisation expense for the current and previous financial period / year.

15 TRADE PAYABLES

	Group	
	March 31, 2013 US$'000	**December 31, 2011 US$'000**
Outside parties	7,890	7,668

The average credit period on purchases of goods is 30 days (December 31, 2011 : 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	
	March 31, 2013 US$'000	**December 31, 2011 US$'000**
Singapore Dollars	3,860	3,401
Indonesian Rupiah	180	39
Thai Baht	56	126
United Arab Emirates Dirham	3	117
Euro	–	35
Malaysian Ringgit	59	14

16 OTHER PAYABLES

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Due to a non-controlling shareholder	11,550	10,890	–	–
Due to directors of the Company	8,516	2,398	–	–
Accrued expenses	3,136	3,752	251	396
Payable for purchase of property, plant and equipment	–	4,250	–	–
Other payables	5,245	2,729	153	200
Due to associates (Note 12)	5,532	5,556	–	–
Due to joint venture (Note 13)	2,069	–	–	–
Due to related parties (Note 5)	282	354	–	–
Due to subsidiaries (Note 11)	–	–	91,484	6,042
Total	36,330	29,929	91,888	6,638
Less: Non-current	(20,115)	(13,205)	–	–
Current	16,215	16,724	91,888	6,638

The amounts due to associates, related parties, joint venture, directors of the Company and subsidiaries are unsecured, interest-free and are repayable on demand. Both a non-controlling shareholders and a director of the Company, with payables amounting to US$11,550,000 (December 31, 2011 : US$10,890,000) and US$8,515,000 (December 31, 2011 : 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	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Indonesia Rupiah	1,280	177	–	–
Singapore Dollars	850	1,221	403	439
United Arab Emirates Dirham	178	220	–	–
United States Dollars	73	99	–	–

Notes to Financial Statements *continued*

March 31, 2013

17 FINANCE LEASES

Group	Minimum lease payments		Present value of minimum lease payments	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Within one year	143	160	124	138
In the second to fifth years inclusive	321	431	297	382
After five years	–	45	–	43
Total	464	636	421	563
Less: Future finance charges	(43)	(73)	NA	NA
Present value of lease obligations	421	563	421	563
Less: Due within 12 months			(124)	(138)
Due after 12 months			297	425

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

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Singapore Dollars	367	483
Indonesia Rupiah	45	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 5 years (December 31, 2011 : 6 years). The effective borrowing rate was 4.24% to 9.85% (December 31, 2011 : 4.24% to 9.08%) 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.

18 BORROWINGS

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Bank loan I	28,750	46,500	–	–
Bank loan II	–	10,500	–	10,500
Bank loan III	–	14,375	–	14,375
Bank loan IV	–	13,000	–	13,000
Bank loan V	2,020	3,620	–	–
Bank loan VI	1,174	2,325	–	–
Bank loan VII	508	1,699	508	1,699
Bank loan VIII	1,774	2,158	1,774	2,158
Bank loan IX	2,132	2,346	2,132	2,346
Bank loan X	–	3,849	–	3,849
Bank loan XI	11,050	13,800	–	–
Bank loan XII	–	17,000	–	–
Bank loan XIII	7,350	–	–	–
Bank loan XIV	8,535	–	–	–
Bank loan XV	22,190	–	–	–
Bank loan XVI	22,480	–	–	–
Bank loan XVII	12,188	–	–	–
Bank loan XVIII	4,688	–	–	–
Bank loan XIX	3,281	–	–	–
Bank loan XX	16,000	–	–	–
Bank loan XXI	2,925	–	–	–
Total	147,045	131,172	4,414	47,927
Less: Current portion	(49,444)	(41,833)	(1,107)	(24,963)
Non-current portion	97,601	89,339	3,307	22,964

The bank loans are repayable as follows:

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Within one year	49,444	41,833	1,107	24,963
Within two to five years	96,611	86,177	2,317	19,802
After five years	990	3,162	990	3,162
Total	147,045	131,172	4,414	47,927

Notes to Financial Statements *continued*

March 31, 2013

18 BORROWINGS *continued*

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

Loan I — An outstanding loan amount of US$28.75 million (December 31, 2011 : US$46.50 million). In 2010, the loan was repayable over 15 quarterly instalments of US$2.50 million each commencing from July 14, 2010 and one final instalment of US$27.50 million. However, on January 3, 2013, the Group entered into an amendment and restatement agreement with the bank to supersede the original loan agreement dated April 27, 2010 where the remaining balance of US$30.00 million at the date of such amendment was subjected to revised repayment terms of US$1.25 million over each of the 15 quarterly instalments commencing from January 31, 2013 and one final instalment of US$11.25 million. The loan is secured over the shares of an associate and certain bank balances of the Group. As at March 31, 2013, the effective interest rate for the loan is 3.64% (December 31, 2011 : 3.59%) per annum.

Loan II — An outstanding loan amount of US$10.50 million in 2011. The loan was repayable in 20 quarterly instalment of US$1.00 million each commencing May 2010. The loan was secured by mortgage over 2 vessels of the Group. As at December 31, 2011, the effective interest rate for the loan was 5.04% per annum. The loan was fully repaid during the financial year.

Loan III — An outstanding loan amount of US$14.38 million in 2011. The loan was repayable in 24 quarterly instalment of US$0.63 million each commencing December 2011. The loan was 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 was 5.04% per annum. The loan was fully repaid during the financial year.

Loan IV — An outstanding revolving credit loan amount of US$13.00 million in 2011. The loan was secured by mortgage over 3 vessels of the Group and carried an interest at 1.75% plus prime rate per annum. As at December 31, 2011, the effective interest rate for the loan was 4.64% per annum. The loan was fully repaid during the financial year.

Loan V — An outstanding loan amount of US$2.02 million (December 31, 2011: US$3.62 million). The loan is repayable in 19 quarterly instalments of US$320,000 each commencing from September 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 (December 31, 2011 : US$371,000). As at March 31, 2013, the effective interest rate for the loan is 5.50% (December 31, 2011 : 5.50%) per annum.

Loan VI — An unsecured outstanding loan amount of US$1.17 million (December 31, 2011 : US$2.33 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. As at March 31, 2013, the effective interest rate for the loan is 5.00% (December 31, 2011 : 5.00%) per annum.

Loan VII — An unsecured outstanding loan amount of US$508,000 (December 31, 2011 : US$1.70 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% (December 31, 2011 : 5.00%) per annum.

18 BORROWINGS *continued*

Loan VIII An outstanding loan amount of US$1.77 million (December 31, 2011: 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$3.06 million (December 31, 2011 : US$3.13 million). As at March 31, 2013, the effective interest rate for the loan is 2.11% (December 31, 2011 : 2.00%) per annum.

Loan IX An outstanding loan amount of US$2.13 million (December 31, 2011: 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$28,700 for the remaining years. The loan is secured on leasehold office premises with a carrying amount of US$ 3.33 million (December 31, 2011 : US$3.40 million). As at March 31, 2013, the effective interest rate for the loan is 1.75% (December 31, 2011 : 1.75%) per annum.

Loan X An unsecured outstanding loan amount of US$3.85 million in 2011. The loan was denominated in Singapore dollars and bore interest at 2.00% per annum above bank's cost of funds. As at December 31, 2011, the effective interest rate was 2.70% per annum and was rolled over on a quarterly basis and was repayable on demand. The loan was fully repaid during the financial year.

Loan XI An outstanding loan amount of US$11.05 million (December 31, 2011: 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 March 31, 2013, the effective interest rate for the loan is 2.35% (December 31, 2011 : 2.27%) per annum.

Loan XII An outstanding loan amount of US$17.00 million which bore interest at 2.90% per annum above the bank's cost of fund in 2011. The loan was 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 was secured by mortgage over a vessel of the Group, and its related insurance and charter hire income. The loan was fully repaid during the financial year.

Loan XIII An outstanding loan amount of US$7.35 million. The loan is repayable in 20 quarterly instalments of US$490,000 each commencing from February 2012. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 2.59% per annum.

Loan XIV An outstanding loan amount of US$8.54 million. The loan is repayable in 59 monthly instalments of US$135,000 each commencing from July 2012 and one final instalment of US$1.79 million. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 2.73% per annum.

Loan XV An outstanding loan amount of US$22.19 million. The loan is repayable in 59 monthly instalments of US$330,000 each commencing from September 2012 and one final instalment of US$5.03 million. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 2.73% per annum.

Notes to Financial Statements *continued*

March 31, 2013

18 BORROWINGS *continued*

Loan XVI An outstanding loan amount of US$22.48 million. The loan is repayable in 59 monthly instalments of US$330,000 each commencing from December 2012 and one final instalment of US$4.33 million. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 2.72% per annum.

Loan XVII An outstanding loan amount of US$12.19 million. The loan is repayable in 48 monthly instalments of US$270,833 each commencing from January 2013. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 3.45% per annum.

Loan XVIII An outstanding loan amount of US$4.69 million. The loan is repayable in 48 monthly instalments of US$104,167 each commencing from January 2013. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 3.45% per annum.

Loan XIX An outstanding loan amount of US$3.28 million. The loan is repayable in 48 monthly instalments of US$72,917 each commencing from January 2013. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 3.45% per annum.

Loan XX An outstanding revolving credit loan amount of US$16.00 million. The loan is secured mortgage over 3 vessels of the Group. The loan is rolled over on a monthly basis and is repayable on demand. As at March 31, 2013, the effective interest rate for the loan is 3.30% per annum.

Loan XXI An outstanding loan amount of US$2.93 million. The loan is repayable in 48 monthly instalments of US$81,250 each commencing from April 2012. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings. As at March 31, 2013, the effective interest rate for the loan is 2.86% per annum.

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$6,501,000 (December 31, 2011: US$12,885,000) 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	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Singapore Dollars	5,588	12,377	4,414	10,052

19 DERIVATIVE FINANCIAL LIABILITY

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Fair value of interest rate swap	46	117

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$2.02 million (December 31, 2011 : US$3.62 million) had floating interest payments at cost of fund plus variable rate of 2.00% per annum. The floating rate has been swapped to fixed rates of 5.50% (December 31, 2011 : 5.50%) per annum.

The fair value of swaps as at March 31, 2013 is estimated to be a loss of approximately US$46,000 (December 31, 2011 : US$117,000). 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$71,000 (December 31, 2011 : gain of US$55,000) is recognised in profit or loss.

20 SHARE CAPITAL

	Group and Company			
	March 31, 2013	December 31, 2011	March 31, 2013	December 31, 2011
	Number of ordinary shares		US$'000	US$'000
Issued and paid up:				
At beginning of year	814,140,170	814,134,970	225,826	225,824
Issue of shares on exercise of warrants	3,000	5,200	1	2
Issue of shares on exercise of options	50,000	–	17	–
At end of year	814,193,170	814,140,170	225,844	225,826

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.

21 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.

Notes to Financial Statements *continued*

March 31, 2013

21 WARRANTS RESERVE *continued*

	Group and Company			
	March 31, 2013	December 31, 2011	March 31, 2013	December 31, 2011
	Number of warrants		US$'000	US$'000
At beginning of year	162,821,794	162,826,994	12,535	12,535
Exercise of warrant	(3,000)	(5,200)	(1)	(*)
At end of year	162,818,794	162,821,794	12,534	12,535

* *Amount less than US$1,000.*

22 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			
	March 31, 2013		December 31, 2011	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
Outstanding at beginning of year	4,600,000	0.40	4,600,000	0.40
Exercised during the year	(50,000)		–	
Outstanding at end of year	4,550,000		4,600,000	
Exercisable at end of year	4,550,000		4,600,000	

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 5.25 years (December 31, 2011 : 6.7 years).

The options were granted on June 5, 2009. The estimated fair values of the options granted on that date was US$639,000.

In 2011, the Group and the Company recognised an expense of US$160,000 related to fair value of the options granted and a corresponding credit to the share option reserve.

23 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.

24 REVENUE

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Charter hire income	67,933	33,476
Services rendered	15,027	22,910
Sales of goods	33,235	23,563
Total	116,195	79,949

25 OTHER OPERATING INCOME

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Other vessel operation income	1,873	3,795
Gain on disposal of property, plant and equipment	5	1,099
Net foreign exchange gains	–	481
Interest income	32	30
Government grant – Jobs credit scheme	25	4
Sundry income	145	60
Total	2,080	5,469

Notes to Financial Statements *continued*

March 31, 2013

26 FINANCE COSTS

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Interest expenses to non-related companies:		
– Bank borrowings	5,932	3,873
– Finance leases	33	30
Fair value charges on derivative financial liability charged to profit or loss (Note 19)	(71)	(55)
Commitment fees	543	237
Total	6,437	4,085
Less: Interest amount capitalised in property, plant and equipment (Note 10)	–	(187)
Net	6,437	3,898

27 PROFIT BEFORE INCOME TAX

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

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Allowance for doubtful trade receivables	1,167	7,171
Trade debts written off	1	16
Audit fees:		
– auditors of the Company	188	301
– auditors of the subsidiaries	70	53
Non-audit fees:		
– auditors of the Company	41	40
– auditors of the subsidiaries	62	10
Cost of defined contribution plans included in employee benefits expense	489	348
Cost of inventories recognised as an expense	33,933	18,705
Directors' remuneration:		
– of the Company	558	411
– of the subsidiaries	2,622	1,744
Directors' fee	150	106
Depreciation of property, plant and equipment	15,417	9,325
Employee benefits expense (including directors' remuneration)	11,236	7,884
Gain on disposal of property, plant and equipment	(5)	(1,099)
Net foreign exchange losses (gains)	890	(481)
Share based payments	–	160

28 INCOME TAX EXPENSE

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	**From January 1, 2011 to December 31, 2011 US$'000**
Current tax	640	1,480
Underprovision of current tax in prior years	54	48
Net	694	1,528

Domestic income tax is calculated at 17% (December 31, 2011 : 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	
	From January 1, 2012 to March 31, 2013 US$'000	**From January 1, 2011 to December 31, 2011 US$'000**
Profit before income tax	11,075	7,084
Income tax expenses at Singapore's statutory tax rate of 17%	1,883	1,204
Tax effect of non-taxable income	(3,428)	(1,900)
Tax effect of non-deductible expenses	2,813	2,106
Underprovision of current tax in prior years	54	48
Effect of different tax rates of subsidiaries operating in other tax jurisdiction	(628)	70
Income tax expense	694	1,528

29 EARNINGS PER SHARE

	Group	
	From January 1, 2012 to March 31, 2013	**From January 1, 2011 to December 31, 2011**
Earnings:		
Profit attributable to owners of the Company (US$'000)	9,792	3,274
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	814,146	814,140
Effect of dilutive potential ordinary shares – share options*	4,554	– #
Effect of dilutive potential ordinary shares – warrants*	162,821	– #
Weighted average number of ordinary shares for the purpose of diluted earnings per share	981,521	814,140
Earnings per share (US cents):		
Basic	1.20	0.40
Diluted	1.00	0.40

Notes to Financial Statements *continued*

March 31, 2013

29 EARNINGS PER SHARE *continued*

* *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 as at December 31, 2011.

30 DIVIDENDS

In 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.

Dividends proposed before the financial statements was authorised and not included as liabilities in the financial statements are as follows: The directors proposed a final tax-exempt (1-tier) dividend of S$0.005 per share amounting to approximately S$4,071,000 (equivalent to US$3,278,000) for the financial period ended March 31, 2013. The proposed dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company.

31 OPERATING LEASES

	Group	
	From January 1, 2012 to March 31, 2013 US$'000	**From January 1, 2011 to December 31, 2011 US$'000**
<u>The Group as lessee</u>		
Minimum lease payments paid under operating leases recognised as expense in the year	6,567	5,652

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

	Group	
	March 31, 2013 US$'000	**December 31, 2011 US$'000**
Within one year	5,123	5,177
In the second to fifth year inclusive	16,062	17,896
After five years	–	4,295
Total	21,185	27,368

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 5 years (December 31, 2011: 1 to 8 years) and rentals are fixed.

31 OPERATING LEASES *continued*

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	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Charter hire income	67,886	33,476

	Group	
	March 31, 2013 US$'000	December 31, 2011 US$'000
Within one year	43,771	18,753
Within two to five years	37,020	32,120
After five years	–	9,086
Total	80,791	59,959

All vessels held have committed customers for 1 to 5 years (December 31, 2011 : 1 to 7 years).

32 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 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*

March 31, 2013

32 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
From January 1, 2012 to March 31, 2013								
Revenue								
External sales	53,334	46,110	16,751	–	–	–	–	116,195
Inter-segment sales	–	4,148	–	–	–	–	(4,148)	–
Total revenue	53,334	50,258	16,751	–	–	–	(4,148)	116,195
Result								
Segment result	9,799	4,032	5,998	(1,603)	(804)	(4,298)	–	13,124
Share of net profit of associates								4,340
Share of profit of joint venture								16
Interest income	4	21	–	–	–	7	–	32
Finance costs	(4,431)	(141)	–	(1)	–	(1,864)	–	(6,437)
Profit before income tax								11,075
Income tax expense								(694)
Profit for the year								10,381
From January 1, 2011 to December 31, 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

32 SEGMENT INFORMATION *continued*

Segment assets represent cash and bank balances, trade receivables, other receivables, inventories, property, plant and equipment and intangible assets 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							
March 31, 2013							
Segment assets	298,841	28,271	15,257	4,537	39,707	14,224	400,837
Segment liabilities	149,335	8,945	8,385	219	21,057	4,815	192,756
December 31, 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
From January 1, 2013 to March 31, 2013							
Allowance for doubtful trade receivables	143	377	647	–	–	–	1,167
Capital additions	29,866	4,816	2	225	2	49	34,960
Depreciation	13,854	1,104	4	37	1	417	15,417
From January 1, 2011 to December 31, 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

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.

Notes to Financial Statements *continued*

March 31, 2013

32 SEGMENT INFORMATION *continued*

	Revenue US$'000	Non-current assets * US$'000
March 31, 2013		
Asia (1)	45,197	63,842
Indonesia	21,294	96,771
Mexico	7,108	982
Middle East (2)	16,087	1
Singapore	26,509	34,719
Total	116,195	196,315
December 31, 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

* *exclude investment in associates and joint venture.*
(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	
	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Marine	10,990	5,030
Oilfield services	16,642	16,332
Oilfields projects	10,032	8,030

33 FUTURE CAPITAL EXPENDITURE AND COMMITMENTS

At the end of the reporting period, the Group and the Company had the following commitments not provided for in the financial statements:

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Contracted but not provided for:				
– acquisition of property, plant and equipment	37,237	40,946	34,646	34,646
– purchase of rigs	323,448	339,874	–	–

34 CONTINGENT LIABILITIES

	Group		Company	
	March 31, 2013 US$'000	December 31, 2011 US$'000	March 31, 2013 US$'000	December 31, 2011 US$'000
Guarantees given to bank in respect of bank facilities granted to an associate	14,006	18,125	14,006	18,125
Banker guarantees	32	111	32	111
Performance guarantee for related party	–	160	–	–
Total	14,038	18,396	14,038	18,236

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.

In the current financial period, the Group has received certain new claims from a contractor for non-payment on various invoices. The Group 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 and the directors are of the opinion that it is not expected to have any material impact on the Group and the Company.

35 RECLASSIFICATIONS AND COMPARATIVE FIGURES

During the current financial period, the Company and the Group changed its financial year end from December 31 to March 31. The financial period ended March 31, 2013 covers 15 months period from January 1, 2012 to March 31, 2013 and the financial year ended December 31, 2011 covers 12 months period from January 1, 2011 to December 31, 2011.

Notes to Financial Statements *continued*

March 31, 2013

35 RECLASSIFICATIONS AND COMPARATIVE FIGURES *continued*

In addition, the following line items for prior year have been reclassified in the statement of financial position, statement of cash flows and respective notes to the financial statements to conform to the current year's presentation as follows:

	Previously reported December 31, 2011 US$'000	Adjustment US$'000	After reclassification December 31, 2011 US$'000
Statement of financial position			
Other receivables – current	4,787	23,470 #1	28,257
Inventories	24,061	(23,470) #1	591
Statement of cash flows			
Operating activities – Other receivables	(479)	(23,470) #1	(23,949)
Operating activities – Inventories	(22,797)	23,470 #1	673

#1 – relates to reclassification of deposit for purchase of rigs from inventories to other receivables.

36 EVENTS AFTER THE REPORTING PERIOD

On April 3, 2013, the Group entered into a contract with a third party for the construction of a mobile offshore self-elevating drilling unit, through its partially-owned subsidiary, FTS Derricks Pte Ltd, for a total consideration of US$226 million.

On April 5, 2013, the Group entered into four separate options to purchase to acquire the commercial properties for office use throught its partially-owned subsidiary, Longzhu Oilfield Services (S) Pte Ltd. The total consideration of S$16,600,000 (equivalent to US$13,366,000) will be financed by internal funds and bank borrowings.

On May 28, 2013, the Group had entered into a memorandum of understanding for the sale and novation of the agreement for the construction of the rigs (Note 33) to a third party through its partially-owned subsidiary, TS Drilling Pte Ltd, for a total consideration of US$450 million.

Substantial Shareholders

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 24 June 2013:-

	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	–	–	70,933,592	8.71

Notes :

(1) Ruben Capital Ventures Ltd's direct interest in the 48,338,997 ordinary shares are 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% equity 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% equity interest in Real Trek Pacific Limited which holds 50% equity 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 24 June 2013 and to the best knowledge of the Directors and the substantial shareholders of the Company, approximately 30.80% 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.

Statistics of Shareholdings

as at 24 June 2013

Number of shares	–	814,193,170
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	244	8.89	14,749	0.00
1,000 – 10,000	959	34.92	6,831,959	0.84
10,001 – 1,000,000	1,503	54.73	111,162,874	13.65
1,000,001 and above	40	1.46	696,183,588	85.51
Total :	**2,746**	**100.00**	**814,193,170**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tan Pong Tyea	154,760,700	19.01
2.	Amfraser Securities Pte. Ltd.	98,105,000	12.05
3.	Hong Leong Finance Nominees Pte Ltd	80,201,000	9.85
4.	Bank of East Asia Nominees Private Limited	66,000,000	8.11
5.	Citibank Nominees Singapore Pte Ltd	64,291,997	7.90
6.	UOB Kay Hian Private Limited	31,521,160	3.87
7.	Cai Wenting	23,716,216	2.91
8.	Longzhu Oilfield Services Limited	22,594,595	2.78
9.	Maybank Kim Eng Securities Pte. Ltd.	19,852,417	2.44
10.	Camelot Capital Consultants Ltd	17,459,459	2.14
11.	Cheah See Han	10,354,500	1.27
12.	Neo Chin Lee	10,000,000	1.23
13.	Tan Sooh Whye	10,000,000	1.23
14.	DBS Vickers Securities (Singapore) Pte Ltd	9,178,050	1.13
15.	OCBC Securities Private Limited	7,656,650	0.94
16.	Phillip Securities Pte Ltd	6,718,004	0.83
17.	HSBC (Singapore) Nominees Pte Ltd	6,101,000	0.75
18.	Glenealy Gold Investments Limited	5,487,000	0.67
19.	Lim & Tan Securities Pte Ltd	5,093,000	0.63
20.	Raffles Nominees (Pte) Limited	4,616,000	0.57
	Total :	**653,706,748**	**80.31**

Statistics of Warrantholdings

as at 24 June 2013

Distribution of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 999	13	1.41	4,409	0.00
1,000 – 10,000	605	65.40	2,925,704	1.80
10,001 – 1,000,000	293	31.68	24,839,320	15.26
1,000,001 and above	14	1.51	135,049,361	82.94
Total :	**925**	**100.00**	**162,818,794**	**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	11,744,999	7.21
3.	Phillip Securities Pte Ltd	5,764,570	3.54
4.	Cai Wenting	4,743,243	2.91
5.	Longzhu Oilfield Services Limited	4,518,919	2.78
6.	Maybank Kim Eng Securities Pte. Ltd.	3,706,400	2.28
7.	Maybank Nominees (Singapore) Private Limited	3,502,000	2.15
8.	Camelot Capital Consultants Ltd	3,491,891	2.14
9.	Lim & Tan Securities Pte Ltd	3,209,200	1.97
10.	OCBC Securities Private Limited	2,928,000	1.80
11.	UOB Kay Hian Private Limited	2,720,000	1.67
12.	Neo Chin Lee	2,000,000	1.23
13.	Tan Sooh Whye	2,000,000	1.23
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.	Tok Boon Seong	666,000	0.41
18.	Tan Siak Meng	640,000	0.39
19.	Leow Eng Chye (Liao Yingcai)	620,000	0.38
20.	United Overseas Bank Nominees (Private) Limited	592,200	0.36
	Total :	**139,264,761**	**85.53**

Notice of the Ninth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at 10 Anson Road #33-15 International Plaza Singapore 079903 on Tuesday, 30 July 2013 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 period ended 31 March 2013, together with the Auditors' Report thereon. (Resolution 1)

2. To declare a final tax exempt one-tier dividend of S$0.005 per ordinary share in respect of the financial period ended 31 March 2013. (Resolution 2)

3. To approve the payment of Directors' fees of S$30,000/- for the financial period ended 31 March 2013. (Resolution 3)

4. To approve the payment of Directors' fees of S$155,000/- for the financial year ending 31 March 2014, to be paid half yearly in arrears. (Resolution 4)

5. To re-elect Mr. Chan Guan Ngang Christopher, being a Director who retires by rotation pursuant to Article 119 of the Articles of Association of the Company. (Resolution 5)

6. To re-elect Mr. Cai Wenxing, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. (Resolution 6)

7. To re-elect Mr. Mohan Raj s/o Charles Abraham, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. (Resolution 7)

8. To re-appoint Messrs. Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 8)

9. 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:

10. "**Share Issue Mandate** (Resolution 9)

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."

11. "**Renewal of Shares Buyback Mandate** (Resolution 10)

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 Ninth 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."

12. "**Falcon Energy Group Employee Share Option Scheme** (Resolution 11)

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."

Notice of Books Closure Date

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 30 August 2013 for the purpose of determining the Members' entitlements to the dividends to be proposed at the Annual General Meeting of the Company to be held on 30 July 2013.

Duly completed registrable transfers in respect of shares of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. of 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 29 August 2013 will be registered to determine the Members' entitlements to such dividends. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares of the Company as at 5.00 p.m. on 29 August 2013 will be entitled to such proposed dividends.

The proposed dividends, if approved by Members at the Annual General Meeting, will be paid on 18 September 2013 .

By Order of the Board

Peh Lei Eng
Company Secretary

Singapore
12 July 2013

Explanatory Notes

Resolution 3 – The Ordinary Resolution 3 proposed in item 3 is to approve the Directors' fees for the period from 1 January 2013 to 31 March 2013 following the change of financial year end from 31 December to 31 March.

Resolution 5 – Mr. Chan Guan Ngang Christopher, upon re-election as a Director of the Company, remain as member of Audit Committee and Chairman of Nominating and Remuneration Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Resolution 7 – Mr. Mohan Raj s/o Charles Abraham will, upon re-election as a Director of the Company, remain as member of Audit Committee and Remuneration Committee.

Resolution 9 – The Ordinary Resolution 9 proposed in item 10, 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 10 – The Ordinary Resolution 10 under item 11 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 period ended 31 March 2013 are set out in greater detail in the Shareholders' Circular enclosed together with the Annual Report.

Resolution 11 – The Ordinary Resolution 11 proposed in item 12, 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.

Notice of Books Closure Date *continued*

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

NINTH 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 Ninth Annual General Meeting of the Company to be held at 10 Anson Road #33-15 International Plaza Singapore 079903 on Tuesday, 30 July 2013 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 period ended 31 March 2013, together with the Auditors' Report thereon.		
2.	To declare a final tax exempt one-tier dividend of S$0.005 per ordinary share in respect of the financial period ended 31 March 2013.		
3.	To approve the payment of Directors' fees of S$30,000/- for the financial period ended 31 March 2013.		
4.	To approve the payment of Directors' fees of S$155,000/- for the financial year ending 31 March 2014, to be paid half yearly in arrears.		
5.	To re-elect Mr. Chan Guan Ngang Christopher as Director (under Article 119).		
6.	To re-elect Mr. Cai Wenxing as Director (under Article 115).		
7.	To re-elect Mr. Mohan Raj s/o Charles Abraham as Director (under Article 115).		
8.	To re-appoint Messrs Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
9.	To approve the Share Issue Mandate.		
10.	To renew the Share Buyback Mandate.		
11.	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 ____________________ 2013

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.