Falcon Energy Group Limited

MOVING TO THE NEXT LEVEL OF GROWTH

ANNUAL REPORT 2013/2014

OUR OBJECTIVE

To be a renowned international provider of offshore oil & gas and energy-related products and services and to enhance shareholders' value in all our business activities in the energy industry.

OUR COMPANY

Falcon Energy Group Limited (FEG) is an established player in the oil and gas industry, providing a spectrum of services to global oil companies and contractors, from the initial exploration stage to production and post-production stage.

The Marine Division 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 Projects Division executes various projects for oil companies.

We are growing our future with the establishment of two new businesses- Drilling Services and Resources. The Group's offshore oil-drilling business is set to expand with the Group's acquisition of several technically advanced jackup drilling rigs in collaboration with strategic 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.

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A SYNERGY OF EXPERTISE

CHAIRMAN'S MESSAGE

Dear Shareholders

I am pleased to share with you that Falcon Energy Group Limited ("FEG" or "the Group") has performed well and produced a good set of financial results for the year ended 31 March 2014 (FY2014).

In FY2014, the Group's previous year business strategy of "consolidating our strengths" has begun to bear fruit, with the core Marine and Oilfield Services showing strong growth in revenue. This has laid a strong foundation for growing the new Drilling Services and Resources, as well as the new Drilling Services and Resources business segments in order for the Group to have long-term sustainable growth based on providing a wide portfolio of energy-related services to customers.

At the same time, the Drilling Services Division recorded its maiden revenue and made a significant contribution to our bottom line when our subsidiaries were presented with an opportunity to dispose of the two GustoMSC CJ46 jackup rigs which we placed an order for in 2011, at a good profit.

In view of the stable oil price and rising E&P spending by oil and gas industry that will continue to create strong demand for jackup drilling rigs over the coming years, the Group together with its strategic partners are working on establishing a full services drilling company. Over the years, the Resources Division has acquired the commercial rights to three coal concessionaires in East Kalimantan, Indonesia and built up the Group's reserves of coal. Production of coal is expected to commence this year. Despite the current low price for thermal coal, I am confident that the demand for energy by growing Asian economies will make this a sustainable and profitable business.

The outlook for offshore oil and gas support services is expected to be bright as stable oil prices and the strategies of national oil companies create a conducive environment for oil and gas exploration and production activities. The demand for oil is robust, underpinned by the economic recovery in the U.S.A. and Europe and the continued growth of the Asian economies. New technologies that enable the extraction of more oil from depleted wells and marginal fields create a demand for the Group's production support activities as national oil companies re-work their marginal field and depleted wells.

"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."

As an established company in the industry, we continue to enhance our position in the market for our services by emphasising on quality and value-add, and having a good track record for efficient operations and safety. Several new vessels have been added to our fleet to broaden the spectrum of offerings to our customers. We maintain strong working relationships with customers, suppliers and strategic business partners. Building on our strong foundation and with new pillars of business, the Group is poised to move up towards the next level of growth in providing high value-add energy-related services.

In view of the strong financial performance of the Group, and in appreciation of the support from our shareholders, the Board has proposed a final (one- tier tax-exempt) dividend of 1.0 Singapore cent per ordinary share. Including the 0.5 Singapore cent paid out earlier, this brings the total dividend paid out for FY2014 to 1.5 Singapore cents per ordinary share.

Financial Performance

The Group announced the change of its financial year-end on 19 October 2012. With the change of financial year from 31 December to 31 March, the current financial period covers 12 months from 1 April 2013 to 31 March 2014 (FY2014) as compared to the previous financial period of 15 months from 1 January 2012 to 31 March 2013 (FP2013).

In FY2014, revenue increased by 202.0 per cent to US$350.8 million, with a net profit attributable to shareholders of US$60.8 million. Good performance from the core Marine and Oilfield Services divisions continued to drive earnings and the new Drilling division boosted the set of results with gains from the disposal of two jackup rigs.

Revenue for Marine division increased by 32.3 per cent or approximately US$17.2 million to US$70.5 million in FY2014, from US$53.3 million in FP2013. The increase was due to more vessels being deployed in FY2014.

CHAIRMAN'S MESSAGE

Revenue for Oilfield Services division rose 210.2 per cent or approximately US$96.9 million from US$46.1 million in FP2013 to US$143.0 in FY2014. The increase was mainly driven by several big procurement contracts secured during the year and the increase in provision for sundry services rendered.

Revenue of US$128.4 million for Drilling division in FY2014 was derived from the disposal of two jackup rigs from the Group's subsidiary for the construction of offshore rigs, which were ordered in 2011 Gross profit for FY2014 has increased substantially in tandem with the increase in revenue, from US$33.0 million in FP2013, to US$117.0 million in FY2014. The significant increase was attributed to higher contribution from Oilfield Services division and the boost from Drilling division. Overall, the Group's average gross profit margin was uplifted from 28.4 per cent in FP2013 to 33.4 per cent in FY2014.

Share of net profit of associates increased by US$15.6 million from a loss of US$8.4 million in FP2013 to a profit of US$7.2 million in FY2014 and was due mainly to the allowance for doubtful debts of US$12.8 million taken up in FP2013.

Strong Foundation

The Group continues to strengthen its balance sheet in the financial year. Cash and bank balances increased from US$15.9 million as at 31 March 2013 to US$46.9 million as at 31 March 2014. Current assets increased by 133.7 per cent to US$217.0 million as at 31 March 2014 as compared to US$92.9 million as at 31 March 2013, attributed to higher cash and bank balances, and trade receivables. Current liabilities rose from US$74.7 million as at 31 March 2013 to US$179.4 million as at 31 March 2014, mainly due to higher trade payables and other payables. Non-current liabilities increased from US$118.0 million as at 31 March 2013 to US$136.6 million as at 31 March 2014 on the back of higher borrowings to facilitate the business operations.

Shareholders' equity increased from US$186.2 million as at 31 March 2013 to US$241.8 million as at 31 March 2014. Net Asset Value per share was 29.3 per cent higher at 29.57 US cents as at 31 March 2014, as compared to 22.87 US cents as at 31 March 2013.

Moving to the next level of growth

In the next level of FEG's growth, our business strategy is to focus on the range of services that we are able to offer to oil majors, national oil companies and oil and gas contractors and, in the process, increase the synergy of the Group's business divisions.

As the business environment of the oil and gas sector changes, we are committed to meet the new demands of our customers. Therefore, our

"Our Marine Division has embarked on a programme of fleet expansion to include different vessel types with different technical specifications and workload capabilities to fulfil our customers' requirements. We have added 6 vessels in the previous year and are continuing on the expansion trail."

Marine Division has embarked on a programme of fleet expansion to include different vessel types with different technical specifications and workload capabilities to fulfil our customers' requirements. We have added 6 vessels in the previous year and are continuing on the expansion trail. It is our aim to ensure not only that we are providing the best value-add services to our customers, but also to be operationally efficient and striving to improve our productivity continuously.

Acknowledgements

On behalf of the board, I would like to express my appreciation to our shareholders, suppliers and business partners for their invaluable support to FEG as well as to the management team and staff for their dedication and hard work in contributing to the Group's success.

I would also like to thank the Board of Directors for their invaluable guidance as we move upward to the next level of growth. It is my pleasure to welcome Mr Mak Yen-Chen Andrew who joined our Board as an Independent Director on 24 March 2014 and I thank Mr Mohan Raj Abraham, who had retired from the Board on 31 December 2013 for his past contributions.

Tan Pong Tyea
Chairman and
Chief Executive Officer

A NEW FOUNDATION FOR GROWTH

BUSINESS REVIEW

During the year, Falcon Energy Group has been investing to position itself for the next level of growth. Our team comprises industry veterans who have more than 30 years of experience servicing major oil companies internationally. Thus, the team has acquired an extensive network of business associates and good track record as one of the reputable players in the oil and gas industry. The group strives to continue to provide a spectrum of top quality and reliable services to its customers globally.

For the year ended 31 March 2014, FEG's good performance was achieved by the following business Divisions. The Marine Division charters out vessels to support exploration and production activities; the Oilfield Services Division supplies equipment, engineering services and logistical support to oil companies and contractors; the Oilfield Projects Division does turnkey projects for oil and gas facilities both offshore and onshore; the Drilling Services Division will operate a fleet of rigs to provide support for clients' exploration and drilling requirements and lastly the Resources Division taps into Energy-related businesses that complement the Group's range of services to customers.

During the year under review, the Group's core Marine and Oilfield Services Divisions, recorded strong growth due to robust demand for production support work vessels as well as for engineering, materials and equipment supply, and logistics services. At the same time, the Group continued to develop its new Drilling Services and Resources Divisions. The Drilling Services Division is being developed into a full services drilling company. The Resources Division has accumulated reserves of coal via commercial rights to three coal concessions in East Kalimantan, Indonesia. The coal from these reserves will cater to the demand for thermal coal from coal-fired power generation plants in Asia.

The Group's new energy-related businesses will reinforce the Group's position as a leading regional player in the provision of a broad spectrum of oil and gas industry services to oil majors, national oil companies and oil and gas contractors. As a result of our commitment to quality services and efficient operations with the highest standards of safety, our clientele base includes some of the world's largest oil majors such as Shell, ExxonMobil Chevron, BP, Petronas and CNOOC. Geographically, our area of operations currently spans across Indonesia, Brunei, Malaysia, China, Mexico and the Middle East.

Marine Division

The Marine Division performed strongly in FY2014, growing its revenue by 32.3 per cent to US$70.5 million. Its scheduled mandatory maintenance and upgrading programme which started two years ago has resulted in a fleet that is better able to cater to current market demand.

To date, the group owns and manages a fleet of vessels, which include accommodation work barges, multi-purpose supply vessels and anchor handling tug vessels. FEG is one of the largest providers of accommodation crane/derrick work barges in the region. These vessels are used in a wide variety of platform support tasks including hook-up and commissioning, hydraulic work-over, well stimulation, conductor piling and suitable for shallow water, deep water and subsea operations. The Marine Division's fleet is currently deployed in various

BUSINESS REVIEW

locations of Indonesia, Malaysia, Singapore, China, the Middle East, Mexico and Brunei.

As we focus on investing for the next level of growth, the Group will continue to acquire more vessels in the coming years, to broaden the number of vessel types and to cater to a broader group of customers.

Oilfield Services and Oilfield Projects Divisions

The Oilfield Services Division has performed well in FY2014. Revenue was US$143.0 million, an increase of 210.2 percent over the previous corresponding period. Oilfield Services Divisions is expected to continue on its growth path for the current year.

South East Asia continues to be an important market for the Oilfield Services and Oilfield Projects Divisions. In Malaysia and Indonesia, the national oil companies' use of new technologies to extract oil from marginal fields and old wells so as to offset declining output will continue to generate a demand for offshore support vessels that support production activities. At the same time new oil and gas fields are being hooked up for commissioning. New areas for potential oil and gas activities include Thailand, Vietnam and Myanmar.

In other regions of the world, the Group will reinforce its presence in China, Mexico, and the Middle East. These regions are also intensifying their oil and gas exploration and production activities.

Drilling Services Division

The Drilling Services Division, together with our strategic partners, has a number of jackup rigs under construction.

The demand for newer jackup rigs with high specifications and enhanced drilling capabilities continues to be strong. A major demand driver for these rigs is the replacement cycle of aging jackups across the world. The oil companies prefer newer rigs as they are operationally more efficient with lesser downtime and higher cost savings. The replacement cycle is likely to create a tight situation in supply and demand for rigs in the coming quarters.

The jackups that we have ordered are high spec jackup rigs that can operate in water up to 400 feet depth. We specifically chose such rig design as many potential oil and gas fields in the South-East Asia are still in shallow waters of less than 400 feet depth. At these depths, jackup rigs are the most cost- effective way to drill.

Revenue of US$128.4 million for Drilling division in FY2014 was derived from the disposal of two jackup rigs

from the Group's subsidiaries for the construction of offshore rigs. These two jackup rigs were ordered in 2011. With more rigs being completed, the Drilling Services Division is expected to make a significant contribution to the Group's revenue in the coming years.

Resources Division

As the emerging economies develop, the consumption of energy in the form of electric power will require the construction of more power plants. Due to its abundance of supply, and relatively low cost as compared to other forms of energy, coal is expected to continue to be the main input for power generation in the emerging economies. The aim of the Resources Division is to create another energy-related stream of revenue for the Group. Currently, the Resource Division has acquired the commercial rights to three coal-mining concessions in Kalimantan, Indonesia at good valuations. Production is expected to commence during this year.

The Group's team of geologists will continue to conduct surveys and feasibility studies at various locations in Indonesia with a view to further acquisitions.

Business Outlook

The business outlook for the current financial year is expected to be reasonably optimistic. Underpinned by a global economic recovery in the U.S.A. and Europe and buoyed by continued growth in the Asian emerging economies, in particular China and India, the demand for the Group's wide spectrum of energy-related businesses is expected to be robust. The strategic steps taken by the Group to build a strong foundation from its traditional core Marine and Oilfield Services businesses and extend to the development of other Energy-related businesses will enhance the Group's prospects for long-term sustainable growth and the creation of greater shareholder value.

FINANCIAL HIGHLIGHTS

INCOME STATEMENT

US$'000	FY2014[(1)]	FP2013[(2)]	FY2011[(1)]	FY2010[(1)]	FY2009[(1)]
Revenue	350,788	116,195	79,949	64,610	89,205
Gross Profit	117,015	33,005	17,858	24,615	38,884
Profit/(Loss) Before Tax	108,241	(1,701)	7,084	12,151	30,300
Profit/(Loss) After Tax	102,121	(2,395)	5,556	11,684	29,440
Profit/(Loss) After Tax (after minority interest)	60,768	(2,984)	3,274	11,303	28,093
Gross Profit Margin	33.4%	28.4%	22.3%	38.1%	43.6%
Profit/(Loss) Before Tax Margin	30.9%	(1.5)%	8.9%	18.8%	34.0%
Profit/(Loss) After Tax Margin	29.1%	(2.1)%	6.9%	18.1%	33.0%
Profit/(Loss) After Tax Margin (after minority interest)	17.3%	(2.6)%	4.1%	17.5%	31.5%
EPS/(LPS) Basic (US cents)	7.45	(0.37)	0.40	1.39	3.76
EPS/(LPS) Diluted (US cents)	7.45	(0.30)	0.40	1.34	3.75
Weighted Average Number of Shares ('000)	815,581	814,193	814,140	814,135	746,230

Notes:

(1) FY2014, FY2011, FY2011, FY2010 & FY2009: 12 months audited
(2) FP2013: 15 months audited (restated)

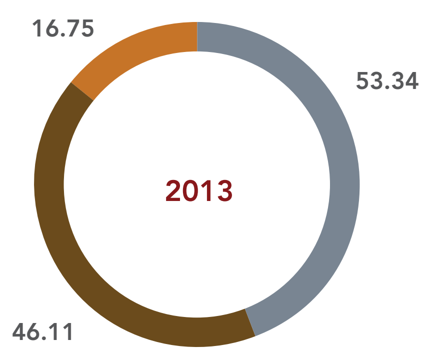
STATEMENT OF FINANCIAL POSITION

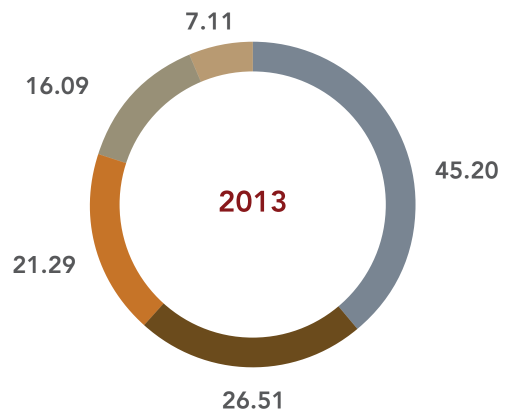
US$'000 (As at)	31-Mar-14	31-Mar-13	31-Dec-11	31-Dec-10	31-Dec-09
Current Assets	216,968	92,853	76,558	49,872	87,654
Non-Current Assets	358,232	295,252	291,758	248,460	132,446
Total Assets	575,200	388,105	368,316	298,332	220,100
Current Liabilities	177,432	74,743	67,909	33,337	28,214
Non-Current Liabilities	138,541	118,057	102,969	69,719	12,229
Total Liabilities	315,973	192,800	170,878	103,056	40,443
Net Current Assets	39,536	18,110	8,649	16,535	59,440
Net Assets	259,227	195,305	197,438	195,276	179,657
Shareholders' Equity	241,765	186,222	189,030	189,070	173,875
NAV Per Share (US cents)	29.57	22.87	23.22	23.22	21.36
Total Debt	177,581	147,045	131,172	94,682	26,182
Total Cash and Bank Balances	46,928	15,890	14,512	14,814	48,333
Total Number of Shares ('000)	817,596	814,193	814,140	814,135	814,135

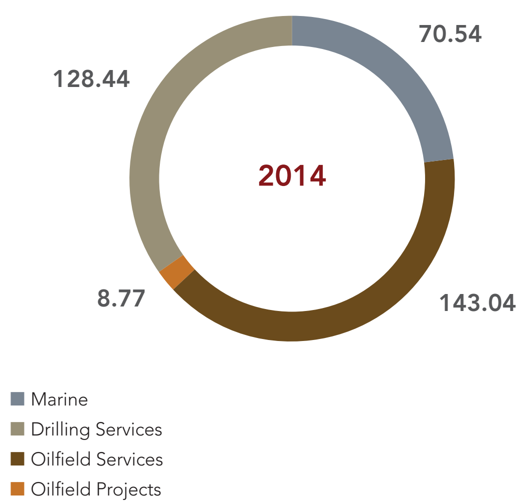
SEGMENTAL REVENUE

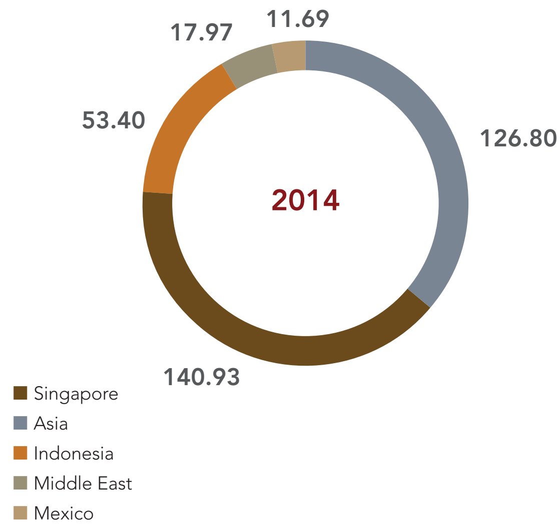
By Business	FY2014[1]	FP2013[2]
Marine	70.54	53.34
Drilling Services	128.44	–
Oilfield Services	143.04	46.11
Oilfield Projects	8.77	16.75
Total	**350.79**	**116.20**

By Region	FY2014[1]	FP2013[2]
Singapore	140.93	26.51
Asia	126.80	45.20
Indonesia	53.40	21.29
Middle East	17.97	16.09
Mexico	11.69	7.11
Total	**350.79**	**116.20**









BOARD OF DIRECTORS

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. 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 Singapore Chartered Accountants and Certified Public Accountants Australia.

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 Nominating Committee, and a member of the Audit Committee and the Remuneration 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 served as a member of the Mount Alvernia Hospital's Audit & Risk Management Committee from May 2011 to May 2014. He holds a Bachelor of Social Sciences, majoring in Economics from the University of Singapore (now known as National University of Singapore).

MAK YEN-CHEN ANDREW

Non-Executive and Independent Director

Mr Mak Yen-Chen Andrew was appointed a Non-Executive and Independent Director of Falcon Energy Group Limited in March 2014.

He is a practising lawyer with more than 18 years' experience in legal practice. He is currently a partner with Loo & Partners LLP. Mr Mak is an independent director of Leader Environmental Technologies Limited (a company listed on the Main Board of the SGX-ST) and Far East Group Limited (a company listed on the Catalist Board of the SGX-ST). In addition, he also volunteers his time in community service. Amongst other appointments, Andrew Mak is a member of the Telok Blangah Citizens' Consultative Committee.

He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list. Andrew Mak graduated from the National University of Singapore in 1994 with a Bachelor of Laws (Second Class Honours Upper Division).

BOARD OF DIRECTORS

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

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

Chew Khong Yuen
Financial Controller

MARINE DIVISION

Kenny Lim Tze Kern
Regional General Manager
Asetanian Marine Pte Ltd

OILFIELD PROJECT 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

CORPORATE STRUCTURE

Falcon Energy

- 100% **Falcon Energy Projects Pte Ltd**
  - 100% Falcon Oilfield Projects Inc.
  - 100% Passiflora Capital Ltd
  - 100% Falcon Energy FZC
  - 40% Federal Offshore Services Pte Ltd
  - 49% Otira Corporation
- 100% **FEG Offshore Pte Ltd**
  - 100% Sears Marine S.A.
  - 100% Axus Marine Pte Ltd
  - 100% PDE International Ltd
  - 100% PT. Bayu Maritim Berkah
  - 100% PT. Bayu Maritim Makmur
  - 90% PT. Bayu Maritim Group
- 100% **Oilfield Services Company Limited**
  - 100% Excel Marine S.A.
  - 100% Imel Assets Corp.
  - 100% Century Marine S.A.
  - 100% Morrison Marine Services S.A.
  - 100% Asetanian Marine Pte Ltd
    - 50% Aset Marine Pte Ltd
  - 100% Motley Trio Offshore Pte Ltd
  - 100% Imperial Marine S.A.
  - 100% Atlantic Marine S.A.
  - 100% Trio Victory Inc.
  - 100% Innovest Resources Limited
    - 50% Dictamismo S De R.L. De. C.V.
- 100% **Falcon Oilfield Services Pte Ltd**
  - 100% Falcon Oilfield Services (USA) Inc.
  - 65% Astanient S.A. de C.V.
  - 86.67% CDS Oilfield Services (S) Pte Ltd
    - 75% CDS Oilfield Services (TianJin) Co., Ltd
  - 65% Terasa-Star International Shipping Pte Ltd
    - 20.38%
  - 51.75% Longzhu Oilfield Services (S) Pte Ltd
    - 100% Longzhu Resources Pte Ltd
    - 100% Petrolink FZC
- 100% **Capital Guardian Limited**
  - 100% CGL Resources Ltd
  - 100% FLZ Oil and Gas Ltd

Group Limited

- 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 Makmur 99.60%
  - 0.40% PT. Falindo Sukses Abadi 99.60%
- 50% **FTSG Co Ltd**
  - 50% TS Drilling Holdings Limited
    - 100% TS Coral Limited
    - 100% TS Emeraldd Limited
    - 100% TS Jade Limited
    - 100% TS Opal Limited
    - 100% TS Topaz Limited
- 65% **FTS Derricks Pte. Ltd.**
  - 70% TS Drilling Pte Ltd
    - 100% TS Amber Limited
    - 100% TS Pearl Limited
- 100% **Energian Pte Ltd**
  - 29.07 % CH Offshore Ltd
- 5% **PV Drilling Overseas Company Private Limited**

OUR SERVICES

EXPLORATION

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

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

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

POST-PRODUCTION

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

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

Mak Yen-Chen, Andrew
Non-Executive and Independent Director (Appointed on 24 March 2014)

Chan Guan Ngang, Christopher
Non-Executive and Independent Director

Tan Sooh Whye
Alternate to Tan Pong Tyea

Cai Wenting
Alternate to Cai Wenxing

AUDIT COMMITTEE

Lien Kait Long
Chairman

Mak Yen-Chen, Andrew

Chan Guan Ngang, Christopher

NOMINATING COMMITTEE

Chan Guan Ngang, Christopher
Chairman

Tan Pong Tyea

Lien Kait Long

REMUNERATION COMMITTEE

Mak Yen-Chen, Andrew
Chairman

Lien Kait Long

Chan Guang Ngang, Christopher

COMPANY SECRETARIES

Lim Mee Fun
Peh Lei Eng

REGISTERED OFFICE

10 Anson Road
#33-15 International Plaza
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 OUE Downtown Two
Singapore 068809
Partner-in-charge: Chua How Kiat
(Appointed with effect from financial year ended March 31, 2014)

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
Marina Bay Financial Centre (Tower 1)
8 Marina Boulevard, Level 27
Singapore 018981

CIMB Bank
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

BUILDING FUNDAMENTAL VALUES

REPORT ON CORPORATE GOVERNANCE

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

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

The Board of Directors ("Board") is pleased to outline the main corporate governance framework and practices of the Company in this report, with specific reference made to each of the principles set out in the Code. This report describes the Company's corporate governance practices that were in place throughout the financial year ended 31 March 2014. 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 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.

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CORPORATE GOVERNANCE

The number of Board and Board Committee meetings held during the financial year ended 31 March 2014 and the attendance of each director where relevant are as follows:

Types of Meetings	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Names of Directors	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**
Tan Pong Tyea (Alternate – Tan Sooh Whye)	4	4	–	–	1	1	–	–
Neo Chin Lee	4	2	–	–	–	–	–	–
Cai Wenxing (Alternate – Cai Wenting)	4	4	–	–	–	–	–	–
Lien Kait Long	4	4	4	4	1	1	1	1
Mohan Raj s/o Charles Abraham^	4	3	4	3	–	–	1	1
Chan Guan Ngang Christopher	4	4	4	4	1	1	1	1
Mak Yen-Chen Andrew^	4	–	4	–	–	–	1	–

^ Mr Mohan Raj s/o Charles resigned as non-independent director of the Company on 31 December 2013. Subsequent to his resignation, he also ceased to be a member of the AC and RC. On 24 March 2014, Mr Mak Yen-Chen Andrew was appointed an independent director of the Company. Following the resignation of Mr Mohan Raj s/o Charles, Mr Mak Yen-Chen Andrew was appointed a member of the AC and RC on 24 March 2014. He was subsequently appointed as Chairman of the RC on 28 May 2014.

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 Mak Yen-Chen Andrew, who was appointed an independent director on 24 March 2014, had been given such briefings and orientation. The current directors have been made aware of and are familiar

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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, three (3) of whom are independent, and two (2) alternate directors. The directors of the Company as at the date of this report are as follows:

Executive Directors:	
Tan Pong Tyea	(Chairman and Chief Executive Officer)
Neo Chin Lee	(Executive Director)
Cai Wenxing	(Executive Director)
Non-Executive Directors:	
Lien Kait Long	(Lead Independent Director)
Chan Guan Ngang Christopher	(Independent Director)
Mak Yen-Chen Andrew	(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 2014:

(a) On 31 December 2013, Mr Mohan Raj s/o Charles Abraham resigned as non-independent director of the Company. Subsequent to his resignation, he also ceased to be a member of the AC and RC.

(b) On 24 March 2014, Mr Mak Yen-Chen Andrew was appointed an independent director of the Company.

(c) Following the resignation of Mr Mohan Raj s/o Charles Abraham, Mr Mak Yen-Chen Andrew was appointed a member of the AC and RC on 24 March 2014. He was subsequently appointed as Chairman of the RC on 28 May 2014.

With independent directors making up half 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.

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

Independent Members of the Board of Directors

A director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment 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, and as and when circumstances require, based on the Code's definition of what constitutes an independent director.

Mr Lien Kait Long has served as an independent director of the Company for more than nine years since his initial appointment in 2004. The Board has subjected his independence to a particular rigorous review.

Taking into the account of the view of the NC, the Board concurs that Mr Lien Kait Long has continued to demonstrate his strong independence in character and judgment in the discharge of his responsibilities as a director of the Company. He has continued to express his individual viewpoints and sought clarification as he deemed required, including through direct access to the employees.

Based on declaration of independence received from Mr Lien Kait Long that he has no association with the management that could compromise his independence and after taking into account these factors, the Board has concluded that Mr Lien Kait Long continues to be considered as an independent director notwithstanding that he has served for more than nine years from his first appointment.

The NC is of the view that the three (3) independent directors (who represent half of the Board) are independent and no individual or small group of individuals dominates the Board's decision-making process.

Principle 3: Chairman and Chief Executive Officer

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

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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

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.

The NC also determines annually whether a director with multiple board representations and other principal commitments is able to and has adequately discharge his duties as a director of the Company.

The NC is of the view that it would not be appropriate to set a maximum number of directorships that a director may hold as the contribution of each director would depend on his individual circumstances, including whether he has other principal commitments, full time position and other additional responsibilities. The Board shares this view.

Under the Company's existing Articles of Association, at each annual general meeting ("AGM") 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 fulfil 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.

REPORT ON CORPORATE GOVERNANCE

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 Neo Chin Lee, Mr Lien Kait Long and Mr Mak Yen-Chen Andrew 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 and 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 year under review, a formal assessment of the effectiveness of the Board as a whole was undertaken by the NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

Principle 6: Access to Information

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management. All directors have unrestricted access to the Company's records and information to enable them to constantly keep track of the Group's financial position. Detailed board papers are prepared for each meeting of the Board and are normally circulated before 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 31 December 2013, the RC was constituted by Mr Chan Guan Ngang Christopher as the chairman of the RC with Mr Lien Kait Long and Mr Mohan Raj s/o Charles Abraham as members. Mr Mohan Raj s/o Charles Abraham resigned as non-independent director of the Company on 31 December 2013 and subsequent to his resignation, he also ceased to be a member of the AC and RC. Mr Mak Yen-Chen Andrew was appointed an independent director of the Company on 24 March 2014 and was subsequently appointed the chairman of the RC on 28 May 2014.

The RC is currently chaired by Mr Mak Yen-Chen Andrew with Mr Chan Guan Ngang Christopher and Mr Lien Kait Long as members.

The primary functions of the RC are to review and recommend the remuneration packages for the directors, CEO and key management personnel, 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.

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 management personnel 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 management personnel on an annual basis to ensure that it commensurate 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. Please refer to pages [••] to [••] of this Annual Report for details of the Scheme.

REPORT ON
CORPORATE GOVERNANCE

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each individual director's remuneration paid for the financial year ended 31 March 2014 is as follows:

	Fees	Salary[(i)]	Bonus	Profit Sharing	Other Benefits[(ii)]	Share Options	Total
	%	%	%	%	%	%	%
S$500,000 and above							
Tan Pong Tyea	–	76	15	–	9	–	100
Cai Wenxing	–	63	37	–	–	–	100
S$250,000 to S$500,000							
Neo Chin Lee	–	74	15	–	11	–	100
Cai Wenting	–	52	48	–	–	–	100
Below S$250,000							
Tan Sooh Whye[(1)]	–	71	14	–	15	–	100
Lien Kait Long	100	–	–	–	–	–	100
Mohan Raj s/o Charles Abraham[(3)]	100	–	–	–	–	–	100
Chan Guan Ngang Christopher	100	–	–	–	–	–	100
Mak Yen-Chen Andrew[(4)]	100	–	–	–	–	–	100

(1) Alternate to Tan Pong Tyea

(2) Alternate to Cai Wenxing

(3) Resigned on 31 December 2013

(4) Appointed on 24 March 2014

– (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.

The remuneration of each individual Executive Director and key management personnel (who are not Director and CEO) is not disclosed in dollar terms as the remuneration of the Executive Directors and key management personnel is a commercially sensitive matter, given that the Company operates in a highly competitive environment where potential poaching of employees by competitors is fairly common.

The remuneration of independent directors comprises only directors' fees.

REPORT ON CORPORATE GOVERNANCE

Remuneration of Key Management Personnel

The remuneration of the key management personnel of the Group for the financial year ended 31 March 2014 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	–	73	15	–	12	–	100
Gan Wah Kwang	–	77	15	–	8	–	100
Tang Nee Chiang	–	45	55	–	–	–	100

– (i) salary is inclusive of CPF contribution;

– (ii) other benefits refer to allowances, club membership, etc. made available to key management personnel as appropriate.

Remuneration of employee who are immediate family members of a Director or the CEO

Details of employees whose remuneration exceeds S$50,000 and are immediate family members of a director or the CEO are set out below:

	Relationship with director or the CEO
Below S$250,000	
Wong Cheung Chai	Spouse of Ms Tan Sooh Whye, the Alternate Director to Mr Tan Pong Tyea
	Brother-in-law of Mr Tan Pong Tyea, Chairman and CEO of the Company
Wong Tshun Wah, Kingsley	Spouse of Ms Cai Wenting, the Alternate Director to Mr Cai Wenxing
	Brother-in-law of Mr Cai Wenxing, the Executive Director of the Company
Lim Tze Kern	Nephew of Mr Neo Chin Lee, the Executive Director of the Company

The remuneration paid to these employees is determined on the same basis as the remuneration of other unrelated employees.

REPORT ON CORPORATE GOVERNANCE

(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: Risk Management and Internal Controls

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.

The Board recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board notes that no system of internal control and risk management could provide absolute assurance that the Group will not adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledges that no system of internal control and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment 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.

Assurance from CEO and CFO

The Board has received written assurance from the CEO and CFO that:

(1) the Group's financial records have been properly maintained and the financial statements in respect of financial year ended 31 March 2014 give a true and fair view of the Group's operations and finances;

(2) the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective to address all the risks which may occur from time to time.

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Based on the findings by the internal auditors and various management controls put in place as well as the assurance from CEO and CFO, the Board with the concurrence of the AC is of the view that the Group's internal controls are adequate to address financial, operational and compliance risks 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 12: Audit Committee

Until 31 December 2013, 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 Chan Guan Ngang Christopher as members. Mr Mohan Raj s/o Charles Abraham resigned as an Non-independent director of the Company on 31 December 2013 and subsequent to his resignation, he also ceased to be a member of the AC. Mr Mak Yen-Chen Andrew was appointed an independent director of the Company and member of the AC on 24 March 2014.

The AC is currently chaired by Mr Lien Kait Long with Mr Chan Guan Ngang Christopher and Mr Mak Yen-Chen Andrew as members.

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

The primary functions of the AC are:

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

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

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

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

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

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

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

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

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

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(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.

Summary of the AC's activities

The AC met four times during the year under review. The CEO, CFO, Company Secretaries, external and internal auditors are invited to the meetings. The AC meets annually with the external and internal auditors separately, without the presence of the management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The AC reviews the quarterly and full year results announcements before submission to the Board for approval. The AC also reviews the audit plan and audit findings presented by the external auditors. The external auditors provide regular updates and briefing to the AC on the changes or amendments to the accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

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

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

Whistle-blowing Policy

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

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

Principle 13: Internal Audit

The Group has outsourced its internal audit function to BDO LLP ("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 year ended 31 March 2014. Internal audits are conducted based on a rotational internal audit plan that is approved by the AC prior to the commencement of the outsourced internal audits. The AC will be following up with management on the implementation of the internal audit recommendations by the internal auditors.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders rights

The Company is committed to treat all shareholders fairly and equitably to facilitate the exercise of their ownership rights by providing them with adequate, timely and sufficient information pertaining to the changes of Group's business which could have a material impact on the Company's share price.

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.

Principle 15: Communication with Shareholders

The Company ensures that shareholders have the opportunity to participate effectively and vote at general meeting. The Company also ensures that all shareholders besides exercising their voting rights at the general meetings convened by the Company, they are encouraged to participate actively and also voice their concerns on any matters relating to the Group. Shareholders are advised to attend the AGM to ensure a high level of accountability and to stay informed of the Group's development.

Disclosure of information

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;

REPORT ON CORPORATE GOVERNANCE

- 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.

Principle 16: Conduct of shareholder meetings

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. The Chairmen of the AC, the RC and the NC are 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.

While acknowledging that voting by poll may enhance corporate governance and leads to greater transparency of the level of support of each resolution, the Company feels that manual polling procedures are logistically and administratively burdensome and not cost effective and efficient. Electronic polling though efficient in terms of speed is expensive. Nevertheless, the Board is working towards adhering to the requirements of the Listing Rules where all resolutions are to be voted on by poll for general meetings to be held on or after 1 August 2015.

(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 year ended 31 March 2014, 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 year ended 31 March 2014.

REPORT ON CORPORATE GOVERNANCE

(G) INTERESTED PERSON TRANSACTIONS

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Listing Rule 920)	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	298	–
CDS International Forwarding (TianJin) Co. Ltd(2)		
– Sale of services	113	–

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.

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, 2014.

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	
Mak Yen-Chen Andrew	(Appointed on March 24, 2014)
Chan Guan Ngang Christopher	
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 paragraphs 3, 5 and 6 of the Report of the Directors.

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:

	Direct interest			Indirect interest		
Name of director and companies in which interests are held	**At April 1, 2013**	**At March 31, 2014**	**At April 21, 2014**	**At April 1, 2013**	**At March 31, 2014**	**At April 21, 2014**
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	12,000,000	12,000,000	–	–	–
Cai Wenxing	–	–	–	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	4,209,500	4,209,500
Cai Wenting	23,716,216	23,716,216	23,716,216	–	–	–
The Company						
(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	–	–	–
Cai Wenting	150,000	150,000	150,000	–	–	–
Tan Soon Whye	–	–	–	150,000	150,000	150,000
(Warrants)						
Tan Pong Tyea	83,592,139	41,796,070	41,796,070	17,768,609	8,839,303	8,839,303
Neo Chin Lee	2,000,000	1,200,000	1,200,000	–	–	–
Cai Wenxing	–	–	–	14,186,718	7,093,358	7,093,358
Lien Kait Long	15,000	7,500	7,500	–	–	–
Tan Sooh Whye	2,000,000	1,000,000	1,000,000	729,200	420,950	420,950
Cai Wenting	4,743,243	2,371,621	2,371,621	–	–	–

* *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.

REPORT OF THE DIRECTORS

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)
Lien Kait Long	
Mak Yen-Chen Andrew	(Appointed on March 24, 2014)

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).

REPORT OF THE DIRECTORS

5 SHARE OPTIONS *(continued)*

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

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

(b) Unissued shares under option and options exercised

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

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at 1.4.2013	Exercised	Cancelled/ Lapsed	Balance at 31.03.2014	Exercise price per share	Exercisable period
5.6.2009	4,550,000	–	–	4,550,000	S$0.40	5.6.2011 to 5.6.2019

In respect of options granted in 2009, 800,000 options were granted to Executive Directors, 600,000 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).

REPORT OF THE DIRECTORS

5 SHARE OPTIONS *(continued)*

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

	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
Name of director					
Neo Chin Lee	–	400,000	–	–	400,000
Cai Wenxing	–	250,000	–	–	250,000
Lien Kait Long	–	200,000	–	–	200,000
Cai Wenting	–	150,000	–	–	150,000
Name of key executive officers					
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, of which 9,222,339 warrants were exercised during the financial year (2013: 8,200 warrants exercised) and 153,596,455 warrants were expired and lapsed on November 3, 2013.

On December 19, 2013, the Company issued 81,998,638 bonus warrants which remain outstanding as at March 31, 2014. Each bonus warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.43 per share.

REPORT OF THE DIRECTORS

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
Mak Yen-Chen Andrew	–	Independent non-executive (Appointed on March 24, 2014)

The Audit Committee has met 4 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 statement of financial position and statement of changes in equity of the Company, and the consolidated financial statements of the Group before their submission to the directors of the Company 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

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 1, 2014

STATEMENT OF **DIRECTORS**

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 46 to 123 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, 2014 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 1, 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF **FALCON ENERGY GROUP LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Falcon Energy Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at March 31, 2014, the consolidated statement of profit or loss and other 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 123.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at March 31, 2014 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FALCON ENERGY GROUP LIMITED

Emphasis of Matter

We draw your attention to Note 40 (b) to the financial statements which describes a restatement of comparative figures with regards to the share of an associate's results. In the prior year, we had expressed a qualified opinion on those comparative figures in our report on the financial statements for the financial year then ended March 31, 2013 as we were unable to conclude whether any allowance was required in respect of a US$43.95 million receivable from a client of one of the associates of the Group, CH Offshore Ltd ("CHO"), as the component auditors were unable to complete their assessment of the recoverability of this amount and were unable to satisfy themselves by other means. Subsequently on June 30, 2013, CHO had made an allowance in full for those receivables. Accordingly, the Group, in the current year, had restated its prior year results to reflect the adjustment made to prior year's balances to the share of profit of associates.

In respect of this matter, our opinion is not modified.

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

July 1, 2014

STATEMENTS OF
FINANCIAL POSITION

MARCH 31, 2014

	Note	Group			Company	
		March 31, 2014 US$'000	March 31, 2013 US$'000	January 1, 2012 US$'000	March 31, 2014 US$'000	March 31, 2013 US$'000
			(Restated)	(Restated)		
ASSETS						
Current assets						
Cash and bank balances	6	46,928	15,890	14,512	3,226	833
Trade receivables	7	112,463	24,571	33,198	–	–
Other receivables	8	56,161	51,368	28,176	189,989	172,925
Inventories	9	1,416	1,024	591	–	–
Total current assets		216,968	92,853	76,477	193,215	173,758
Non-current assets						
Other receivables	8	2,125	8,511	8,340	–	6,342
Property, plant and equipment	10	227,953	186,010	166,348	6,583	6,708
Subsidiaries	11	–	–	–	176,552	190,274
Associates	12	102,332	98,442	115,217	–	–
Joint ventures	13	22,191	16	–	22,183	–
Available-for-sale investments	14	1,049	–	–	1,049	–
Other intangible assets	15	2,257	2,022	1,853	–	–
Deferred tax assets	16	325	251	96	–	–
Total non-current assets		358,232	295,252	291,854	206,367	203,324
Total assets		575,200	388,105	368,331	399,582	377,082
LIABILITIES AND EQUITY						
Current liabilities						
Trade payables	17	91,177	7,890	7,668	–	–
Other payables	18	32,589	16,215	16,724	94,469	91,888
Current portion of finance leases	19	172	124	138	19	–
Current portion of borrowings	20	54,085	49,444	41,833	656	1,107
Derivative financial liability	21	8	46	117	–	–
Income tax payable		1,381	1,024	1,429	43	24
Total current liabilities		179,412	74,743	67,909	95,187	93,019

STATEMENTS OF **FINANCIAL POSITION** (continued)

MARCH 31, 2014

		Group			Company	
	Note	March 31, 2014 US$'000	March 31, 2013 US$'000	January 1, 2012 US$'000	March 31, 2014 US$'000	March 31, 2013 US$'000
			(Restated)	(Restated)		
Non-current liabilities						
Other payables	18	7,520	20,115	13,205	–	–
Finance leases	19	417	297	425	72	–
Deferred tax liabilities	16	5,128	44	15	–	–
Borrowings	20	123,496	97,601	89,339	2,546	3,307
Total non-current liabilities		136,561	118,057	102,984	2,618	3,307
Capital, reserves and non-controlling interests						
Share capital	22	229,519	225,844	225,826	229,519	225,844
Treasury shares	23	(1,727)	–	–	(1,727)	–
Warrants reserve	24	–	12,534	12,535	–	12,534
Capital reserve	25	11,824	–	–	11,824	–
Share-based payments	26	639	639	639	639	639
Merger reserve	27	(151,692)	(151,692)	(151,692)	–	–
Foreign currency translation reserve		(327)	(303)	(462)	–	–
Accumulated profits		153,529	99,200	102,184	61,522	41,739
Equity attributable to owners of the Company		241,765	186,222	189,030	301,777	280,756
Non-controlling interests		17,462	9,083	8,408	–	–
Total equity		259,227	195,305	197,438	301,777	280,756
Total liabilities and equity		575,200	388,105	368,331	399,582	377,082

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

YEAR ENDED MARCH 31, 2014

	Note	Group From April 1, 2013 to March 31, 2014 US$'000	Group From January 1, 2012 to March 31, 2013 US$'000
			(Restated)
Revenue	28	350,788	116,195
Cost of sales		(233,773)	(83,190)
Gross profit		117,015	33,005
Other operating income	29	10,561	2,080
Administrative expenses		(21,291)	(21,929)
Finance costs	30	(5,213)	(6,437)
Share of net profit (loss) of associates	12	7,182	(8,436)
Share of net (loss) profit of joint ventures	13	(13)	16
Profit (Loss) before income tax		108,241	(1,701)
Income tax expense	31	(6,120)	(694)
Profit (Loss) for the year/period	32	102,121	(2,395)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of foreign entities		(37)	245
Total comprehensive income (loss) for the year/period		102,084	(2,150)
Profit (Loss) attributable to:			
Owners of the Company		60,768	(2,984)
Non-controlling interests		41,353	589
Total		102,121	(2,395)
Total comprehensive income attributable to:			
Owners of the Company		60,744	(2,825)
Non-controlling interests		41,340	675
Total		102,084	(2,150)
Earnings (Loss) per share (US cents)			
– Basic	33	7.45	(0.37)
– Diluted	33	7.45	(0.30)

See accompanying notes to financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

YEAR ENDED MARCH 31, 2014

	Note	Share capital US$'000	Treasury reserve US$'000	Warrants reserve US$'000	Capital reserve US$'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, 2012		225,826	–	12,535	–	639	(151,692)	(462)	102,184	189,030	8,408	197,438
Total comprehensive income for the period												
Profit for the period												
As previously stated		–	–	–	–	–	–	–	9,792	9,792	589	10,381
Prior year adjustment	40	–	–	–	–	–	–	–	(12,776)	(12,776)	–	(12,776)
As restated		–	–	–	–	–	–	–	(2,984)	(2,984)	589	(2,395)
Other comprehensive income for the period		–	–	–	–	–	–	159	–	159	86	245
Total		–	–	–	–	–	–	159	(2,984)	(2,825)	675	(2,150)
Transactions with owners, recognised directly in equity												
Exercise of warrants	22, 24	1	–	(1)	–	–	–	–	–	–	–	–
Exercise of options		17	–	–	–	–	–	–	–	17	–	17
Total		18	–	(1)	–	–	–	–	–	17	–	17
Balance at March 31, 2013		225,844	–	12,534	–	639	(151,692)	(303)	99,200	186,222	9,083	195,305
Total comprehensive income for the year												
Profit for the year		–	–	–	–	–	–	–	60,768	60,768	41,353	102,121
Other comprehensive income for the year		–	–	–	–	–	–	(24)	–	(24)	(13)	(37)
Total		–	–	–	–	–	–	(24)	60,768	60,744	41,340	102,084
Transactions with owners, recognised directly in equity												
Repurchase of shares	23	–	(1,727)	–	–	–	–	–	–	(1,727)	–	(1,727)
Exercise of warrants	22, 24	3,675	–	(710)	–	–	–	–	–	2,965	–	2,965
Transfer to capital reserve pursuant to expiry of warrants	24	–	–	(11,824)	11,824	–	–	–	–	–	–	–
Dividends paid	34	–	–	–	–	–	–	–	(6,439)	(6,439)	(32,961)	(39,400)
Total		3,675	(1,727)	(12,534)	11,824	–	–	–	(6,439)	(5,201)	(32,961)	(38,162)
Balance at March 31, 2014		229,519	(1,727)	–	11,824	639	(151,692)	(327)	153,529	241,765	17,462	259,227

STATEMENTS OF CHANGES IN EQUITY (continued)

YEAR ENDED MARCH 31, 2014

	Note	Share capital US$'000	Treasury shares US$'000	Warrants reserve US$'000	Capital reserve US$'000	Share based payments US$'000	Accumulated profits US$'000	Total US$'000
Company								
Balance at January 1, 2012		225,826	–	12,535	–	639	45,447	284,447
Profit for the period, representing total comprehensive income for the period		–	–	–	–	–	(3,708)	(3,708)
Transactions with owners, recognised directly in equity								
Exercise of warrants	22, 24	1	–	(1)	–	–	–	–
Exercise of options		17	–	–	–	–	–	17
Total		18	–	(1)	–	–	–	17
Balance at March 31, 2013		225,844	–	12,534	–	639	41,739	280,756
Profit for the year, representing total comprehensive income for the year		–	–	–	–	–	26,222	26,222
Transactions with owners, recognised directly in equity								
Repurchase of shares	23	–	(1,727)	–	–	–	–	(1,727)
Exercise of warrants	22, 24	3,675	–	(710)	–	–	–	2,965
Transfer to capital reserve pursuant to the expiry of warrants	24	–	–	(11,824)	11,824	–	–	–
Dividends paid	34	–	–	–	–	–	(6,439)	(6,439)
Total		3,675	(1,727)	(12,534)	11,824	–	(6,439)	(5,201)
Balance at March 31, 2014		229,519	(1,727)	–	11,824	639	61,522	301,777

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED MARCH 31, 2014

	Group	
	From April 1, 2013 to March 31 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
		(Restated)
Operating activities		
Profit (Loss) before income tax	108,241	(1,701)
Adjustments for:		
Depreciation of property, plant and equipment	13,885	15,417
Allowance for doubtful trade debts	3,564	1,167
Trade debts written off	–	1
Interest expense	5,251	6,508
Changes in fair value of derivative financial instrument	(38)	(71)
Gain on disposal of property, plant and equipment	(7,263)	(5)
Share of net (profit) loss of associates	(7,182)	8,436
Share of net loss (profit) of joint ventures	13	(16)
Interest income	(34)	(32)
Gain on bargain purchase	(7)	–
Exchange difference	14	(106)
Operating cash flows before movements in working capital	116,444	29,598
Trade receivables	(91,456)	7,460
Other receivables	33,177	(23,363)
Inventories	(392)	(433)
Trade payables	80,507	222
Other payables (Note A)	11,928	3,791
Cash generated from operations	150,208	17,275
Income tax paid	(753)	(1,225)
Net cash from operating activities	149,455	16,050
Investing activities		
Purchase of intangible assets	(235)	(169)
Purchase of property, plant and equipment (Note A)	(71,906)	(39,210)
Proceeds from disposal of property, plant and equipment (Note B)	3,008	10
Interest received	34	32
Purchase of available-for-sale investment	(1,049)	–
Investment in joint ventures	(22,188)	–
Net cash inflow from acquisition of a subsidiary (Note 39)	66	–
Dividend received from associates	3,292	8,339
Net cash used in investing activities	(88,978)	(30,998)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

YEAR ENDED MARCH 31, 2014

	Group	
	From April 1, 2013 to March 31 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
		(Restated)
Financing activities		
Proceeds of borrowings	71,397	109,250
Repayment of borrowings	(40,861)	(93,377)
Dividends paid	(6,439)	–
Dividends paid to non-controlling shareholders of subsidiaries	(32,961)	–
Interest paid	(5,251)	(6,508)
Fixed deposits and bank balances pledged	(3,334)	(1,579)
Repayment of finance leases obligations	(168)	(142)
Proceeds from exercise of warrants	2,965	1
Proceeds from exercise of options	–	17
Share buy-back	(1,727)	–
(Repayment to) Advances from joint ventures	(1,340)	1,340
(Repayment to) Advances from related parties	(15,045)	5,520
Net cash (used in) from financing activities	(32,764)	14,522
Net increase (decrease) in cash and cash equivalents	27,713	(426)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(9)	225
Cash and cash equivalents at beginning of year	12,896	13,097
Cash and cash equivalents at end of year (Note 6)	40,600	12,896

Notes to statement of cash flows:

A: During the year, the Group purchased property, plant and equipment with an aggregate cost of US$78,598,000 out of which US$6,356,000 was made up of deposits for property, plant and equipment paid in the prior year. Of the total purchase, US$336,000 was acquired under finance lease arrangement.

B: During the year, property, plant and equipment with carrying amount of US$22,771,000 were disposed of where a certain portion of the gain on disposal amounting to US$7,836,000 was deferred (Note 18). Cash proceeds of US$3,008,000 were received in respect of the disposal of property, plant and equipment and the remaining of US$34,862,000 was by means of receivables due from joint ventures.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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 ventures 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 year ended March 31, 2014 were authorised for issue by the Board of Directors on July 1, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are 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").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ADOPTION OF NEW AND REVISED STANDARDS – On April 1, 2013, the Group adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs, INT FRSs and amendments to FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to FRS 1 Presentation of Items of Other Comprehensive Income retrospectively for the first time in the current year, and renamed the 'consolidated statement of comprehensive income' as the 'consolidated statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

FRS 113 Fair Value Measurement

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the Group has made new disclosures required by FRS 113 for the comparative period in Note 4 to the financial statements.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

At the date of authorisation of the financial statements, the following FRS, INT FRS and amendments to FRS that are relevant to the Group have been issued but are not yet effective:

• FRS 27 (Revised)	Separate Financial Statements
• FRS 28 (Revised)	Investments in Associates and Joint Ventures
• FRS 110	Consolidated Financial Statements
• FRS 111	Investments in Joint Arrangements
• FRS 112	Disclosures of Interests in Other Entities
• Amendments to FRS 110	Consolidated Financial Statements – Investment entities
• FRS 110, FRS 111, FRS 112	Transition Guidance
• Amendments to FRS 32	Financial Instruments: Presentation
• Amendments to FRS 36	Impairment of Assets

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

Management anticipates that the adoption of the above FRSs, INT FRS and amendments to FRSs in future periods is not expected to have a material impact on the financial statements of the Group and of the Company in the period of their adoption except for the following:

(a) 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 Group is currently evaluating the impact of the changes on the financial statements.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) FRS 112 Disclosure of Interests in Other Entities

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. The Group is currently evaluating the impact of the changes on the financial statements.

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 profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Effective interest method

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

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". Loans and 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.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available for sale and are stated at cost less impairment in recoverable value as the cost approximates the fair value. Impairment losses are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's right to receive payment is established.

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 available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

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 21 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

CONSTRUCTION CONTRACTS – Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts due to construction contracts customers. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

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.

<u>The Group as lessor</u>

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.

NOTES TO
FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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:

Buildings	–	20 years
Leasehold office premises	–	Over the remaining lease period
Vessels	–	15 to 20 years
Dry-docking	–	3 to 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.

NOTES TO
FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 unit-of-production method 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 indefinite 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

The results and assets and liabilities of joint ventures 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 joint ventures 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 joint ventures, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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.

Rendering of services

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

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

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts.

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.

Novation income

Novation income is recognised when the Group has transferred the rights and obligations of the contracts to the buyer.

Dividend income

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

Interest income

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

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

MARCH 31, 2014

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) 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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

(iii) 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.

(iv) Income tax provision

The Group is subject to income taxes arising mainly in Singapore, Indonesia and Mexico. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and deductibility of certain expense ("uncertain tax positions") at each jurisdiction. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amounts of the Group's and the Company's current tax and deferred tax provision (Note 16) are disclosed in the statement of financial position with notes where relevant.

(v) Useful life and residual value of vessels

As described in Note 2, the Group reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The depreciation expense and carrying value of property, plant and equipment are disclosed in Note 10 to the financial statements.

(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 profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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

The Group's mining operation has been in the development stage since its establishment on March 2, 2012. The key to the realisation 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 15 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	
	2014	**2013**	**2014**	**2013**
	US$'000	**US$'000**	**US$'000**	**US$'000**
		(Restated)		
Financial assets				
Loans and receivables (including cash and cash equivalents)	213,975	51,139	193,170	173,705
Available-for-sale financial assets	1,049	–	1,049	–
Financial liabilities				
Borrowings and payables at amortised cost	309,456	191,686	97,762	96,302
Derivative financial liability	8	46	–	–

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and Company does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements.

(c) Financial risk management policies and objectives

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

(i) *Market risk*

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

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

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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

(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, Indonesia Rupiah are limited and such exposures to foreign exchange risk are minimal.

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

	March 31, 2014					March 31, 2013				
	S$	US$	IDR	UAE	Others	S$	US$	IDR	UAE	Others
Group (US$'000)										
Cash and bank balances	3,111	426	113	36	3,940	746	78	–	76	73
Trade receivables	735	273	–	2,416	–	496	451	–	193	226
Other receivables	486	103	3,102	86	2	382	–	–	153	367
Trade payables	7,881	–	1,012	255	2,368	3,860	–	–	3	298
Other payables	2,094	–	4,157	1	–	850	73	–	178	1,280
Finance leases	565	–	19	–	–	367	–	–	–	45
Borrowings	13,417	–	–	–	–	5,588	–	–	–	–
Company (US$'000)										
Cash and bank balances	209	–	–	–	–	326	–	–	–	–
Other receivables	64	–	–	–	–	215	–	–	–	–
Other payables	440	–	–	–	–	403	–	–	–	–
Borrowings	3,203	–	–	–	–	4,414	–	–	–	–

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit will (decrease) increase [2013: loss will (increase) decrease] by:

	S$ Impact		US$ Impact		IDR Impact		UAE Impact		Others Impact	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Profit or loss (US$'000)										
Group	(1,963)	(904)	80	46	(197)	–	228	24	157	(96)
Company	(337)	(428)	–	–	–	–	–	–	–	–

* *Amount less than US$1,000*

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

(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, 2014 would decrease/increase by US$879,000 (March 31, 2013: loss for the year would have increased/decreased by US$711,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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

(iv) *Credit risk management*

Credit risk refers to the risk that debtors/counterparties will default on their obligations to repay the amount owing to the Group, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

A substantial portion of the Group's revenue is on credit terms. These credit terms are normally contractual. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered.

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

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, 2014 US$'000	**March 31, 2013 US$'000**
Not past due and not impaired	38,485	11,386
Past due but not impaired		
91 days to 180 days	63,416	4,311
> 180 days to 1 year	7,221	2,538
> 1 year and < 2 years	2,452	1,747
> 2 years and < 3 years	889	–
	112,463	19,982
Impaired receivables – individually assessed	4,665	12,927
Less: Allowance for doubtful debts	(4,665)	(8,338)
Total trade receivables, net	112,463	24,571

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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

(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 37, if the full guaranteed amount is claimed by the counterparty to the guarantee is US$10,710,000 (March 31, 2013: US$14,038,000). 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.

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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	Adjustments US$'000	Total US$'000
Group					
March 31, 2014					
Non-interest bearing	–	213,040	–	–	213,040
Variable interest rate	0.47	939	–	(4)	935
Total		213,979	–	(4)	213,975
March 31, 2013					
Non-interest bearing	–	50,043	–	–	50,043
Variable interest rate	0.77	1,104	–	(8)	1,096
Total		51,147	–	(8)	51,139
Company					
March 31, 2014					
Non-interest bearing	–	192,855	–	–	192,855
Variable interest rate	0.69	316	–	(1)	315
Total		193,171	–	(1)	193,170
March 31, 2013					
Non-interest bearing	–	173,392	–	–	173,392
Variable interest rate	0.69	314	–	(1)	313
Total		173,706	–	(1)	173,705

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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, 2014						
Non-interest bearing	–	123,766	7,520	–	–	131,286
Fixed interest rate	5.64	1,138	446	–	(90)	1,494
Variable interest rate	2.68	55,217	126,230	10,858	(15,629)	176,676
Total		180,121	134,196	10,858	(15,719)	309,456
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
Company						
March 31, 2014						
Non-interest bearing	–	94,469	–	–	–	94,469
Fixed interest rate	5.09	20	76	–	(5)	91
Variable interest rate	2.01	669	2,132	620	(219)	3,202
Total		95,158	2,208	620	(224)	97,762
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

Derivative financial instruments

The Group's derivative financial instruments comprise of interest rate swaps with contracted net cash outflows amounting to US$16,000 (March 31, 2013: US$32,000) due within 1 year and US$Nil (March 31, 2013: US$19,000) due between 1 to 5 years.

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

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

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option models as appropriate.

The fair values of the current financial assets and financial liabilities carried at amortised cost as reported on the statement of financial position approximate their carrying amounts due to their relative short-term maturity.

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

The derivative financial liability as disclosed in Note 21 to the financial statements is classified under Level 2. Management estimates the fair value using discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no significant transfers between the levels of the fair value hierarchy in March 31, 2013 and March 31, 2014.

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.

(d) 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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

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.

<u>Entities which Mr Cai Wenxing and Ms Cai Wenting have interest</u>

Asetanian Offshore Pty Ltd
CDS International Forwarding (Tianjin) Co. Ltd
Greenland Petroleum Operation Pte Ltd
Kewin Management Consultancy
PT LPS Indonesia

<u>Entities which Mr Tan Pong Tyea and Mr Cai Wenxing have interest</u>

TS Coral Limited
TS Opal Limited
TS Emerald Limited
TS Jade Limited
TS Topaz Limited

NOTES TO
FINANCIAL STATEMENTS
MARCH 31, 2014

5 RELATED PARTY TRANSACTIONS *(continued)*

(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 April 1, 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
With CDS International Forwarding (Tianjin) Co. Ltd		
Sales of services	(113)	(809)
Purchase of services	5	35
With Greenland Petroleum Operation Pte Ltd		
Sales of services	–	(17)
With Kewin Management Consultancy		
Sales of services	(21)	(26)
With Otira Corporation (Note 12)		
Bareboat charges	4,526	5,654
With Mr Cai Wenxing and Ms Cai Wenting		
Rental expense	298	354

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

5 RELATED PARTY TRANSACTIONS *(continued)*

	Group 2014 US$'000	Group 2013 US$'000
(ii) Related party balances		
Trade receivables (Note 7)		
CDS International Forwarding (Tianjin) Co. Ltd	34	223
PT LPS Indonesia	383	384
Total	417	607
Other receivables (Note 8)		
Asetanian Offshore Pty Ltd	30	30
Kewin Management Consultancy	7	4
Total	37	34
Joint ventures (Note 13)		
TS Topaz Limited	11,281	–
TS Opal Limited	2,725	–
TS Emerald Limited	2,725	–
TS Jade Limited	2,725	–
TS Coral Limited	2,725	–
Total	22,181	–
Other payables (Note 18)		
PT LPS Indonesia	255	256
CDS International Forwarding (Tianjin) Co. Ltd	51	26
Total	306	282

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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 April 1, 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
Short-term benefits	2,847	2,599
Post-employment benefits	104	74
Total	2,951	2,673

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	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Cash on hand and bank balances	45,993	14,794	2,911	520
Fixed deposits	935	1,096	315	313
Total	46,928	15,890	3,226	833
Less: Fixed deposits and bank balances pledged	(6,328)	(2,994)	(315)	(313)
Cash and cash equivalents in statement of cash flows	40,600	12,896	2,911	520

Fixed deposits bear interests at effective interest rates ranging from 0.25% to 0.69% (2013: 0.21% to 1.32%) per annum and for a tenure of 30 days to a year (2013: 30 days to a year).

The Group's pledged fixed deposits amounting to US$871,000 (2013: US$870,000) and bank balances amounting to US$5,457,000 (2013: US$2,124,000), totalling US$6,328,000 (2013: US$2,994,000), are pledged to financial institution in respect of banking facilities provided to the Company and the subsidiaries (Note 20).

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

7 TRADE RECEIVABLES

	Group	
	2014	2013
	US$'000	US$'000
Outside parties	116,711	32,302
Less: Allowance for doubtful debts	(4,665)	(8,338)
Net	112,046	23,964
Related parties (Note 5)	417	607
Total	112,463	24,571

Movement in the above allowance:

Balance at beginning of the year	8,338	7,171
Increase in allowance recognised in profit or loss	3,564	1,167
Amount written off during the year	(7,237)	–
Balance at end of the year	4,665	8,338

The average credit period on sales of goods is 90 days (2013: 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. Management is of opinion that no further credit allowance is required in excess of the allowance for doubtful debts.

Included in trade receivables due from outside parties above are contracts in progress at the end of the reporting period as follows:

	Group	
	2014	2013
	US$'000	US$'000
Costs incurred to date plus recognised profits	69,925	–
Accumulated billings	(26,290)	–
Net	43,635	–
Amount due from contract customers included in outside parties	43,635	–

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

8 OTHER RECEIVABLES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Deposits for property, plant and equipment	804	7,160	–	6,342
Deposits for purchase of rigs	–	39,552	–	–
Prepayments	2,898	2,489	45	53
Sundry deposits	3,363	3,607	91	97
Other receivables	16,322	6,308	99	127
Due from joint ventures (Note 13)	34,862	729	–	–
Due from related parties (Note 5)	37	34	–	–
Due from subsidiaries (Note 11)	–	–	189,754	172,648
Total	58,286	59,879	189,989	179,267
Less: Non-current portion	(2,125)	(8,511)	–	(6,342)
Current portion	56,161	51,368	189,989	172,925
Non-current portion is made up of:				
Deposits for property, plant and equipment	804	7,160	–	6,342
Prepayments	1,321	1,351	–	–
Total	2,125	8,511	–	6,342

The amount due from joint ventures, related parties and subsidiaries are unsecured, interest-free and repayable on demand.

9 INVENTORIES

	Group	
	2014 US$'000	2013 US$'000
Equipment components, at cost	1,416	1,024

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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, 2012	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
Translation adjustment	(44)	(2)	–	–	–	–	(2)	4	(13)	–	(57)
Additions	–	–	13,536	55,153	2,705	44	34	–	464	306	72,242
Transfer from deposits for property, plant and equipment (Note 8)	–	–	–	6,342	–	–	–	–	–	14	6,356
Acquired on acquisition of subsidiary (Note 39)	–	–	–	–	–	43	–	–	–	–	43
Disposals	–	–	–	(23,697)	(377)	(3)	–	–	(21)	–	(24,098)
At March 31, 2014	1,609	58	20,115	254,099	12,333	906	432	1,076	1,951	929	293,508
Accumulated depreciation:											
At January 1, 2012	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
Translation adjustment	(13)	–	–	–	–	1	(2)	4	(5)	–	(15)
Depreciation	74	–	355	11,939	963	85	33	221	215	–	13,885
Disposals	–	–	–	(1,185)	(119)	(3)	–	–	(20)	–	(1,327)
At March 31, 2014	435	–	539	57,382	3,941	690	345	1,000	1,223	–	65,555
Carrying amount:											
At March 31, 2013	1,279	60	6,395	169,673	6,908	215	86	297	488	609	186,010
At March 31, 2014	1,174	58	19,576	196,717	8,392	216	87	76	728	929	227,953

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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	Motor vehicles US$'000	Total US$'000
Cost:						
At January 1, 2012	6,579	48	203	529	–	7,359
Additions	–	45	4	1	–	50
At March 31, 2013	6,579	93	207	530	–	7,409
Additions	–	–	14	–	184	198
At March 31, 2014	6,579	93	221	530	184	7,607
Accumulated depreciation:						
At January 1, 2012	41	21	144	77	–	283
Depreciation	143	19	35	221	–	418
At March 31, 2013	184	40	179	298	–	701
Depreciation	114	13	17	176	3	323
At March 31, 2014	298	53	196	474	3	1,024
Carrying amount:						
At March 31, 2013	6,395	53	28	232	–	6,708
At March 31, 2014	6,281	40	25	56	181	6,583

As at the end of the reporting period, borrowing costs of US$Nil (2013: US$601,000) has been included in the cost of the qualifying asset of the Group in accordance with FRS 23 *Borrowing Costs*.

The carrying amounts of the Group's certain plant and equipment includes an amount of US$373,000 (2013: US$236,000) secured in respect of assets held under finance leases (Note 19).

The Group and Company has pledged leasehold office premises amounting to US$19,576,000 (2013: US$6,395,000) and US$6,281,000 (2013: US$6,395,000) respectively and the Group has also pledged vessels amounting to US$195,597,000 (2013: US$152,833,000) with a total carrying amount of US$215,173,000 (2013: US$159,228,000) to secure banking facilities granted to the Group and the Company (Note 20).

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

11 SUBSIDIARIES

	Company 2014 US$'000	Company 2013 US$'000
Unquoted equity shares, at cost:		
At beginning of year	166,690	166,690
Disposal during the year	(7)	–
At end of year	166,683	166,690
Deemed investment in subsidiaries	9,869	23,584
Total	176,552	190,274

The deemed investment in subsidiaries relates to the amount due from subsidiaries which is unsecured, interest-free and not expected to be repaid in the foreseeable future.

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, 2014 and March 31, 2013 are as follows:

Name of entity	Effective equity interest and voting power held 2014 %	2013 %	Place of incorporation/ operation	Principal activities
Held by the Company:				
Capital Guardian Limited (8)	100	100	Hong Kong	Investment holding
Energian Pte Ltd (2)	100	100	Singapore	Investment holding
Falcon Energy FZC (5)	–	100	United Arab Emirates	Marketing and business development
Falcon Energy Projects Pte Ltd (2)	100	100	Singapore	Investment holding
Falcon Oilfield Services Pte Ltd (2)	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) (8)	100	100	Hong Kong	Investment holding
Radford Holdings Limited (8)	100	100	Hong Kong	Investment holding

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

11 SUBSIDIARIES *(continued)*

Name of entity	Effective equity interest and voting power held 2014 %	2013 %	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. (10)	65	65	Republic of Mexico	Providing services to oil field companies
Atlantic Marine S.A. (1) (9)	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 (3) (8)	65	65	People's Republic of China	International trade logistics and oilfield services of engineering technical and consultation
CGL Resources Limited (8)	100	100	Labuan	Coal trading and related activities
Century Marine S.A. (1) (9)	100	100	Republic of Panama	Vessel owner and charterer
Excel Marine S.A. (1) (9)	100	100	Republic of Panama	Vessel owner and charterer
Falcon Oilfield Projects Inc (1) (9)	100	100	British Virgin Islands	Project management
Falcon Oilfield Services (USA) Inc. (3) (8)	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
Falcon Energy FZC (5)	100	–	United Arab Emirates	Marketing and business development

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

11 SUBSIDIARIES *(continued)*

Name of entity	Effective equity interest and voting power held 2014 %	2013 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
FLZ Oil & Gas Limited (8)	65	65	Labuan	Crude oil trading and related activities
Imel Assets Corporation (1) (9)	100	100	Republic of Panama	Vessel owner and charterer
Imperial Marine S.A. (1) (8)	100	100	Republic of Panama	Vessel owner and charterer
Innovest Resources Ltd (1) (9)	100	100	British Virgin Islands	Vessel owner and charterer
Krameria Limited (8)	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) (9)	100	100	Republic of Panama	Vessel owner and charterer
Motley Trio Offshore Pte Ltd (1) (9)	100	100	British Virgin Islands	Vessel owner and charterer
Passiflora Capital Limited (1) (8)	100	100	British Virgin Islands	Bareboat charterer
Petrolink FZC (8)	100	100	United Arab Emirates	Import, export and trading in oil and gas field equipment and marine equipment related accessories
PDE International Ltd (3) (7)	100	–	Labuan	Vessel owner and charterer

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

11 SUBSIDIARIES *(continued)*

Name of entity	Effective equity interest and voting power held 2014 %	2013 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Aset Marine Pte Ltd (8)	100	–	Singapore	Ship manager
PT Bayu Maritim Makmur (4)	100	100	Indonesia	Vessel owner and charterers
PT Bayu Maritim Berkah (4)	100	100	Indonesia	Vessel owner and charterers
PT Majujasa Sumber (4)	100	100	Indonesia	Coal trading and mining activities
PT Majujasa Tenaga (5) (8)	100	100	Indonesia	Coal trading and mining activities
Quick Link Holdings Limited (8)	100	100	Hong Kong	Investment holding
Sears Marine S.A. (1) (8)	100	100	Republic of Panama	Vessel owner and charterer
Terasa-Star International Shipping Pte Ltd (2)	65	65	Singapore	Provision of shipping and transportation services and sales of demulsifies
TS Drilling Pte Ltd (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) (9)	100	100	British Virgin Islands	Vessel owner and charterer
TS Amber Ltd (1) (9)	45.5	45.5	British Virgin Islands	Trading, owning and operating of rigs
TS Pearl Ltd (1) (9)	45.5	45.5	British Virgin Islands	Trading, owning and operating of rigs

Notes:
(1) Not required to be audited by law in the country of incorporation.
(2) Audited by Deloitte & Touche LLP, Singapore.
(3) Audited by other firms of auditors.
(4) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
(5) Subsidiary was transferred from the Company to Falcon Energy Projects Pte Ltd during the year.
(6) During the current financial year, the Group acquired an additional 50% of the equity interest in Aset Marine Pte Ltd, previously a 50% joint venture of the Group. As a result of the additional equity interest, the investment in Aset Marine Pte Ltd has been reclassified from joint ventures to subsidiaries (Note 13).
(7) Subsidiary was acquired during the year and not considered to be a material subsidiary of the Group.
(8) Not considered to be a material subsidiary of the Group.
(9) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.
(10) Audited by DKF Lopez Novelo, S.C.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

12 ASSOCIATES

	Group		
	March 31, 2014 US$'000	March 31, 2013 US$'000	January 1, 2012 US$'000
		(Restated)	
Quoted equity shares, at cost	104,774	104,774	104,774
Unquoted equity shares, at cost	5,656	5,656	5,656
Share of post-acquisition profit, net of dividend received	(8,098)	(11,988)	4,787
Total	102,332	98,442	115,217

Details of the Group's associates at March 31, 2014 and March 31, 2013 are as follows:

Name of entity	Effective equity interest and voting power held 2014 %	2013 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Federal Offshore Services Pte Ltd [(1) (5)]	40	40	Singapore	Vessel owner and charterer
Otira Corporation [(2) (5)]	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 20).

(5) Not considered to be a material associate of the Group.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

12 ASSOCIATES *(continued)*

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

	Group March 31, 2014 US$'000	March 31, 2013 US$'000 (Restated)	January 1, 2012 US$'000
Statement of Financial Position			
Total assets	282,237	271,797	294,829
Total liabilities	(34,677)	(46,441)	(38,181)
Net assets	247,560	225,356	256,648
Group's share of associates' net assets	73,344	66,839	76,470

Statement of Profit or Loss and Other Comprehensive Income

	From April 1, 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000	From January 1, 2011 to December 31, 2011 US$'000
Revenue	42,694	76,662	58,803
Profit (Loss) for the year/period	33,294	(3,570)	38,466
Group's share of associates' profit (loss) for the year/period	7,182	(8,436)	8,997

Prior year adjustments have been made to the share of profit of associates, amounting to US$12,776,000 as one of the associates, CH Offshore Ltd, had made an allowance for doubtful trade debts of US$43.95 million in June 30, 2013 arising from uncertainty of collection from one of its customers. As this relates to outstanding trade receivables for the financial year ended March 31, 2013, the Group has restated the share of loss of the associate accordingly.

At the end of reporting period, the market value of the quoted equity shares in an associate held by Group were approximately US$66,653,000 (equivalent to S$84,050,000) [2013: US$78,402,000 (equivalent to S$97,375,000)].

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

13 JOINT VENTURES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Unquoted equity shares, at cost	7	*	2	–
Share of post-acquisition profit, net of dividend received	3	16	–	–
Deemed investment in joint ventures	22,181	–	22,181	–
Total	22,191	16	22,183	–

* *Amount less than US$1,000*

The deemed investment in joint ventures relates to the amount due from joint ventures which is unsecured, interest-free and not expected to be repaid in the foreseeable future.

Name of equity	Effective equity interest and voting power held 2014 %	2013 %	Place of incorporation/ operation	Principal activities
Held by the Company:				
FTSG Co. Limited (1) (3)	50	–	British Virgin Islands	Investment holding
Held by subsidiaries:				
TS Holdings Limited (1) (3)	25	–	British Virgin Islands	Investment holding
TS Coral Limited (1) (3) (4)	25	–	British Virgin Islands	Rig owner and operator
TS Opal Limited (1) (3) (4)	25	–	British Virgin Islands	Rig owner and operator
TS Emerald Limited (1) (3) (4)	25	–	British Virgin Islands	Rig owner and operator
TS Jade Limited (1) (3) (4)	25	–	British Virgin Islands	Rig owner and operator
TS Topaz Limited (1) (3) (4)	25	–	British Virgin Islands	Rig owner and operator
Dictamismo S De R.L. De C.B. (3)	50	–	Mexico	Vessel owner and charter
Aset Marine Pte Ltd (2)	–	50	Singapore	Ship manager

Note:

(1) Not required to be audited by law in the country of incorporation.

(2) During the current financial year, the Group acquired an additional 50% of the equity interest in Aset Marine Pte Ltd, previously a 50% joint venture of the Group. As a result of the additional equity interest, the investment in Aset Marine Pte Ltd has been reclassified from joint ventures to subsidiaries (Note 11).

(3) Incorporated during the year and not considered material to the Group.

(4) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

13 JOINT VENTURES *(continued)*

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

	Group	
	2014	**2013**
	US$'000	**US$'000**
Statement of Financial Position		
Total assets	128,738	2,384
Total liabilities	(40,002)	(2,352)
Net assets	88,736	32
Group's share of joint ventures' net assets	22,191	16

Statement of Profit or Loss and Other Comprehensive Income

	2014	**2013**
	US$'000	**US$'000**
Revenue	960	–
(Loss) Profit for the year	(25)	32
Group's share of joint ventures' (loss) profit for the year	(13)	16

14 AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2014	**2013**
	US$'000	**US$'000**
Unquoted equity shares, at cost	1,049	–

The investment in unquoted shares represents an investment in a company that invests, owns and charters oil rigs and provides drilling and associated services. Management is of the view that there are no reliable measures of the fair values of the investment and that the share of net assets approximate the recoverable amount. Accordingly, the investment in unquoted shares is stated at cost less impairment in recoverable value.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

15 OTHER INTANGIBLE ASSETS

	Group			
	Club membership US$'000	Mining concession US$'000	Pre-mining expenses US$'000	Total US$'000
At January 1, 2012	187	633	1,033	1,853
Additions	–	–	169	169
At March 31, 2013	187	633	1,202	2,022
Additions	–	–	235	235
At March 31, 2014	187	633	1,437	2,257

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

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

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

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 year/period.

16 DEFERRED TAXATION

	Group		
	March 31, 2014 US$'000	March 31, 2013 US$'000	January 1, 2012 US$'000
		(Restated)	
Deferred tax assets	325	251	96
Deferred tax liabilities	(5,128)	(44)	(15)
Total	(4,803)	207	81

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

16 DEFERRED TAXATION *(continued)*

The following are the major deferred tax assets and liabilities recognised by the Group and the movement during the year:

Deferred tax assets/(liabilities)

Group	Unabsorbed tax losses US$'000	Other temporary differences US$'000	Total US$'000
Balance at January 1, 2012	96	(15)	81
Charge to profit or loss (Note 31)	155	(29)	126
Balance at March 31, 2013	251	(44)	207
Charge to profit or loss (Note 31)	74	(5,084)	(5,010)
Balance at March 31, 2014	325	(5,128)	(4,803)

An allowance is made to the extent that it is probable that taxable profit will be available against which the unused tax losses carryforwards can be utilised by certain subsidiaries. The realisation of the future income tax benefits from tax losses carryforwards and temporary differences are available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. Where provision for deferred tax arising from temporary differences has been offset against the above tax losses carryforwards, such provision for deferred tax will be required to be set up when the tax losses are utilised in the future.

At the end of the reporting period, deferred tax liabilities amounting to US$28,300,000 (2013: US$21,100,000) have not been recognised on the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries which amount to US$168,520,000 (2013: US$125,709,000). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

Subject to agreement with the Comptroller of Income Tax and tax authorities in the relevant foreign tax jurisdictions in which the group operates and conditions imposed by law, the group has tax loss carryforwards available for offsetting against future taxable income amounting to US$867,000 (2013: US$572,000).

Future tax benefits from the foreign tax loss carryforwards from a subsidiary in Indonesia are not recognised due to the unpredictability of future profits and have limited life up to 2019 to offset against future profits after which any unutilised amount will be foregone.

NOTES TO FINANCIAL STATEMENTS

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17 TRADE PAYABLES

	Group	
	2014	2013
	US$'000	US$'000
Outside parties	91,177	7,890

The average credit period on purchases of goods is 30 days (2013: 30 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

18 OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Deferred gain	7,836	–	–	–
Due to a non-controlling shareholder	–	11,550	–	–
Due to directors of the Company	5,000	8,516	–	–
Accrued expenses	5,784	3,136	333	251
Other payables	14,889	5,245	107	153
Due to associates (Note 12)	6,294	5,532	–	–
Due to joint venture (Note 13)	–	2,069	–	–
Due to related parties (Note 5)	306	282	–	–
Due to subsidiaries (Note 11)	–	–	94,029	91,484
Total	40,109	36,330	94,469	91,888
Less: Non-current	(7,520)	(20,115)	–	–
Current	32,589	16,215	94,469	91,888

The amounts due to associates, related parties, joint ventures, directors of the Company and subsidiaries are unsecured, interest-free and are repayable on demand.

In 2013, both a non-controlling shareholder and a director of the Company, with payables amounting to US$11,550,000 and US$8,516,000 respectively, have confirmed that they will not demand for payment within the next twelve months from the end of reporting period. These amounts have been fully repaid during the current financial year.

Deferred gain relates to the Group's share of the gain from the sale of vessel to a joint venture company. The deferred gain will be amortised over the remaining useful life of the vessel against the share of results of the joint venture in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

19 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
Group	US$'000	US$'000	US$'000	US$'000
Within one year	196	143	172	124
In the second to fifth years inclusive	449	321	417	297
After five years	–	–	–	–
Total	645	464	589	421
Less: Future finance charges	(56)	(43)	NA	NA
Present value of lease obligations	589	421	589	421
Less: Due within 12 months			(172)	(124)
Due after 12 months			417	297

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
Company	US$'000	US$'000	US$'000	US$'000
Within one year	20	–	19	–
In the second to fifth years inclusive	76	–	72	–
After five years	–	–	–	–
Total	96	–	91	–
Less: Future finance charges	(5)	–	NA	NA
Present value of lease obligations	91	–	91	–
Less: Due within 12 months			(19)	–
Due after 12 months			72	–

It is the Group's and Company'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 (2013: 5 years). The effective borrowing rate was 4.24% to 9.85% (2013: 4.24% to 9.85%) 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

20 BORROWINGS

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Bank loan I	23,750	28,750	–	–
Bank loan II	740	2,020	–	–
Bank loan III	165	1,174	–	–
Bank loan IV	–	508	–	508
Bank loan V	1,357	1,774	1,357	1,774
Bank loan VI	1,845	2,132	1,845	2,132
Bank loan VII	8,850	11,050	–	–
Bank loan VIII	5,390	7,350	–	–
Bank loan IX	6,915	8,535	–	–
Bank loan X	18,230	22,190	–	–
Bank loan XI	18,520	22,480	–	–
Bank loan XII	8,938	12,188	–	–
Bank loan XIII	3,437	4,688	–	–
Bank loan XIV	2,406	3,281	–	–
Bank loan XV	16,000	16,000	–	–
Bank loan XVI	1,950	2,925	–	–
Bank loan XVII	10,049	–	–	–
Bank loan XVIII	17,667	–	–	–
Bank loan XIX	9,372	–	–	–
Bank loan XX	2,000	–	–	–
Bank loan XXI	20,000	–	–	–
Total	177,581	147,045	3,202	4,414
Less: Current portion	(54,085)	(49,444)	(656)	(1,107)
Non-current portion	123,496	97,601	2,546	3,307

The bank loans are repayable as follows:

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Within one year	54,085	49,444	656	1,107
Within two to five years	115,748	96,611	2,003	2,317
After five years	7,748	990	543	990
Total	177,581	147,045	3,202	4,414

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

20 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$23.75 million (2013: US$28.75 million). In 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 would be repayable at US$1.25 million over 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, 2014, the effective interest rate for the loan is 3.51% (2013: 3.64%) per annum.

Loan II — An outstanding loan amount of US$740,000 (2013: US$2.02 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 over a vessel of the Group and its related charter hire income and bank balances equivalent to a quarter instalment of US$371,000 (2013: US$371,000). As at March 31, 2014, the effective interest rate for the loan is 5.50% (2013: 5.50%) per annum.

Loan III — An unsecured outstanding loan amount of US$165,000 (2013: US$1.17 million). The loan is repayable monthly at S$104,166, commencing from June 2010 for a period of 47 months and a final instalment of S$104,198. As at March 31, 2014, the effective interest rate for the loan is 5.00% (2013: 5.00%) per annum.

Loan IV — An unsecured outstanding loan amount of US$508,000 in 2013. The loan was repayable monthly over a period of 48 months. As at March 31, 2013, the effective interest rate of the loan was 5.0% per annum. The loan was fully repaid during the financial year.

Loan V — An outstanding loan amount of US$1.36 million (2013: US$1.77 million). The loan is repayable in 72 monthly instalments of approximately S$41,600 each commencing from August 20, 2011. The loan is secured over leasehold office premises with a carrying amount of US$3.01 million (2013: US$3.06 million). As at March 31, 2014, the effective interest rate for the loan is 2.02% (2013: 2.11%) per annum.

Loan VI — An outstanding loan amount of US$1.85 million (2013: US$2.13 million). The loan 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 over leasehold office premises with a carrying amount of US$3.27 million (March 31, 2013: US$3.33 million). As at March 31, 2014, the effective interest rate for the loan is 2.00% (2013: 1.75%) per annum.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

20 BORROWINGS *(continued)*

Loan VII An outstanding loan amount of US$8.85 million (2013: US$11.05 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, 2014, the effective interest rate for the loan is 2.24% (2013: 2.35%) per annum.

Loan VIII An outstanding loan amount of US$5.39 million (2013: 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, 2014, the effective interest rate for the loan is 2.49% (2013: 2.59%) per annum.

Loan IX An outstanding loan amount of US$6.92 million (2013: 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, 2014, the effective interest rate for the loan is 2.74% (2013: 2.73%) per annum.

Loan X An outstanding loan amount of US$18.23 million (2013: 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, 2014, the effective interest rate for the loan is 2.74% (2013: 2.73%) per annum.

Loan XI An outstanding loan amount of US$18.52 million (2013: 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, 2014, the effective interest rate for the loan is 2.74% (2013: 2.72%) per annum.

Loan XII An outstanding loan amount of US$8.94 million (2013: 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, 2014, the effective interest rate for the loan is 3.56% (2013: 3.45%) per annum.

Loan XIII An outstanding loan amount of US$3.44 million (2013: 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, 2014, the effective interest rate for the loan is 3.56% (2013: 3.45%) per annum.

Loan XIV An outstanding loan amount of US$2.41 million (2013: 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, 2014, the effective interest rate for the loan is 3.56% (2013: 3.45%) per annum

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

20 BORROWINGS *(continued)*

Loan XV	An outstanding revolving credit loan amount of US$16.00 million. The loan is secured by 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, 2014, the effective interest rate for the loan is 3.41% (2013: 3.30%) per annum.
Loan XVI	An outstanding loan amount of US$1.95 million (2013: 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, 2014, the effective interest rate for the loan is 2.87% (2013: 2.86%) per annum.
Loan XVII	An outstanding loan amount of US$10.05 million. The loan is denominated in Singapore dollars and is repayable monthly at US$81,109, commencing from July 2013 over 15 years. The loan is secured over leasehold office premises with a carrying amount of US$13.29 million. As at March 31, 2014, the effective interest rate for the loan is 1.28% per annum.
Loan XVIII	An outstanding loan amount of US$17.67 million. The loan is repayable in 54 monthly instalments of US$333,333 each commencing from February 2014. The loan is secured by mortgage over a vessel of a joint venture and its related insurance and charter earnings. As at March 31, 2014, the effective interest rate for the loan is 3.26%.
Loan XIX	An outstanding loan amount of US$9.37 million. The loan is repayable in 60 monthly instalments of US$157,119 each commencing from November 2013. The loan is secured by mortgage over a vessel of a joint venture and its related insurance and charter earnings. As at March 31, 2014, the effective interest rate for the loan is 3.26%.
Loan XX	An outstanding revolving credit loan amount of US$2.00 million. The loan is secured by mortgage over a vessel of a joint venture. The loan is rolled over on a monthly basis and repayable on demand. As at March 31, 2014, the effective interest rate for the loan is 2.36% per annum.
Loan XXI	An outstanding loan amount of US$20.00 million. The loan is repayable in 60 monthly instalments of US$333,333 each commencing from June 2014. The loan is secured by mortgage over a vessel of the Group and its related insurance and charter earnings.

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$16,811,000 (2013: US$6,501,000) of undrawn facilities in respect of which all conditions precedent had been met.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

21 DERIVATIVE FINANCIAL LIABILITY

	Group	
	2014	2013
Fair value of interest rate swap	8	46

The Group uses interest rate swap, which is due in 1 year (2013: 2 years), to manage its exposure to interest rate movements on one of its bank borrowing, which have been fully drawn down in 2010, by swapping the borrowing from floating rates to fixed rates. Borrowing with carrying value of US$0.74 million (2013: US$2.02 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% (2013: 5.50%) per annum.

The fair value of swaps as at March 31, 2014 is estimated to be a loss of approximately US$8,000 (2013: US$46,000). 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 an adjustment gain of US$38,000 (2013: US$71,000) is recognised in profit or loss.

22 SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		US$'000	US$'000
Issued and paid up:				
At beginning of year	814,193,170	814,140,170	225,844	225,826
Issue of shares on exercise of warrants	9,222,339	3,000	3,675	1
Issue of shares on exercise of options	–	50,000	–	17
At end of year	823,415,509	814,193,170	229,519	225,844

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.

NOTES TO FINANCIAL STATEMENTS

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23 TREASURY SHARES

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		US$'000	US$'000
Repurchased during the year and balance at end of year	5,820,000	–	1,727	–

During the year, the Company repurchased 5,820,000 shares in connection with a share buy-back exercise. The total amount paid to acquire the shares was US$1.73 million and has been deducted from shareholders' equity. The shares are held as 'treasury shares'.

24 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. In 2013, there were 153,596,455 warrants expired and lapsed November 3, 2013.

	Group and Company			
	2014	2013	2014	2013
	Number of warrants		US$'000	US$'000
At beginning of year	162,818,794	162,821,794	12,534	12,535
Exercise of warrant	(9,222,339)	(3,000)	(710)	(1)
Transfer to capital reserve	(153,596,455)	–	(11,824)	–
At end of year	–	162,818,794	–	12,534

On December 19, 2013, the Company issued 81,998,638 bonus warrants, on the basis of one warrant for every ten shares held in the share capital of the Company. Each bonus warrant entitles the holder to subscribe for one new ordinary share in the Company at a subscription price of S$0.43 per share. The bonus warrants can be exercised at any time commencing from June 24, 2014 and will expire on December 18, 2016. As at March 31, 2014, no warrants have been exercised.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

25 CAPITAL RESERVE

This represents the transfer of reserves of unexercised warrants which have expired during the year.

26 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			
	2014		2013	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
Outstanding at beginning of year	4,550,000	0.40	4,600,000	0.40
Exercised during the year	–		(50,000)	
Outstanding at end of year	4,550,000		4,550,000	
Exercisable at end of year	4,550,000		4,550,000	

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 4.25 years (March 31, 2013: 5.25 years).

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

NOTES TO FINANCIAL STATEMENTS

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27 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.

28 REVENUE

		Group	
		From April 1, 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
Charter hire income		90,878	67,933
Services rendered		18,323	15,027
Revenue from construction contracts		69,925	–
Novation income	(a)	127,800	–
Sales of goods		43,862	33,235
Total		350,788	116,195

(a) Novation income pertains to the income derived from the disposal of the two jack-up rigs.

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29 OTHER OPERATING INCOME

	Group	
	From April 1, 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
Other vessel operation income	2,796	1,873
Gain on disposal of property, plant and equipment	7,263	5
Net foreign exchange gains	11	–
Interest income	34	32
Government grant – Jobs credit scheme	41	25
Sundry income	416	145
Total	10,561	2,080

30 FINANCE COSTS

	Group	
	From April 1, 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
Interest expenses to non-related companies:		
– Bank borrowings	4,956	5,932
– Finance leases	25	33
Fair value changes on derivative financial liability charged to profit or loss (Note 21)	(38)	(71)
Commitment fees	270	543
Total	5,213	6,437

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

31 INCOME TAX EXPENSE

	Group	
	From April 1 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
Current tax	1,187	766
Underprovision of current tax in prior years	(77)	54
Deferred tax (Note 16)	5,010	(126)
Net	6,120	694

Domestic income tax is calculated at 17% (2013: 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 (loss) as follows:

	Group	
	From April 1 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
		(Restated)
Profit (Loss) before income tax	108,241	(1,701)
Income tax expenses (benefit) at Singapore's statutory tax rate of 17%	18,401	(289)
Tax effect of non-taxable income	(13,817)	(1,256)
Tax effect of non-deductible expenses	2,311	2,813
Underprovision of current tax in prior years	(77)	54
Effect of different tax rates of subsidiaries operating in other tax jurisdiction	(698)	(628)
Income tax expense	6,120	694

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

32 PROFIT (LOSS) FOR THE YEAR/PERIOD

Profit (Loss) for the year has been arrived at after charging (crediting):

	Group	
	From April 1, 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
Allowance for doubtful trade receivables	3,564	1,167
Trade debts written off	–	1
Audit fees:		
– auditors of the Company	231	188
– auditors of the subsidiaries	142	70
Non-audit fees:		
– auditors of the Company	12	41
– auditors of the subsidiaries	69	62
Cost of defined contribution plans included in employee benefits expense	423	489
Cost of inventories recognised as an expense	58,596	33,933
Directors' remuneration:		
– of the Company	522	558
– of the subsidiaries	2,440	2,622
Directors' fee	169	150
Depreciation of property, plant and equipment	13,885	15,417
Amortisation of intangible assets	30	38
Employee benefits expense (including directors' remuneration)	10,432	11,236
Gain on disposal of property, plant and equipment	(7,263)	(5)
Net foreign exchange (gain) loss	(11)	890

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

33 EARNINGS PER SHARE

	Group	
	From April 1 2013 to March 31, 2014	From January 1, 2012 to March 31, 2013
		(Restated)
Earnings:		
Profit (Loss) attributable to owners of the Company (US$'000)	60,768	(2,984)
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	815,581	814,146
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	815,581	981,521

* *the options and warrants are out-of-the-money*

Earnings (Loss) per share (US cents):		
Basic	7.45	(0.37)
Diluted	7.45	(0.30)

34 DIVIDENDS

During the financial year, the Company:

(a) paid a final dividend of S$0.005 per ordinary share totalling S$4,071,000 (equivalent to US$3,198,000) for the financial year ended March 31, 2013; and

(b) declared and paid an interim dividend of S$0.005 per ordinary share totalling S$4,010,000 (equivalent to US$3,241,000) for the financial year ended March 31, 2014.

Subject to the approval of the shareholders at the next Annual General Meeting, the directors have proposed a final tax-exempt (one-tier) dividend of S$0.01 per share amounting to approximately S$8,176,000 (equivalent to US$6,484,000) in respect of the financial year ended March 31, 2014. The proposed dividend has not been included as a liability in the financial statements.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

35 OPERATING LEASES

	Group	
	From April 1 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
The Group as lessee		
Minimum lease payments paid under operating leases recognised as expense in the year	5,005	6,567

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, 2014 US$'000	March 31, 2013 US$'000
Within one year	4,911	5,123
In the second to fifth year inclusive	13,116	16,062
Total	18,027	21,185

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 4 years (2013: 1 to 5 years) and rentals are fixed.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

35 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 April 1 2013 to March 31, 2014 US$'000	From January 1, 2012 to March 31, 2013 US$'000
Charter hire income	90,878	67,886

	Group	
	March 31, 2014 US$'000	March 31, 2013 US$'000
Within one year	44,767	43,771
Within two to five years	67,742	37,020
Total	112,509	80,791

All vessels held have committed customers for 1 to 4 years (March 31, 2013: 1 to 5 years).

36 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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

36 SEGMENT INFORMATION *(continued)*

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 described 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.

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 April 1, 2013 to March 31, 2014								
Revenue								
External sales	70,542	143,035	8,774	–	128,437	–	–	350,788
Inter-segment sales	15,698	5,124	–	–	–	–	(20,822)	–
Total revenue	86,240	148,159	8,774	–	128,437	–	(20,822)	350,788
Result								
Segment result	28,276	15,652	(436)	(1,205)	66,607	(2,643)	–	106,251
Share of net profit of associates								7,182
Share of profit of joint venture								(13)
Interest income	5	8	–	–	11	10	–	34
Finance costs	(4,777)	(243)	–	–	(98)	(95)	–	(5,213)
Profit before income tax								108,241
Income tax expense								(6,120)
Profit for the year								102,121

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

36 SEGMENT INFORMATION *(continued)*

	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								
(Restated)								
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 loss of associates								(8,436)
Share of profit of joint venture								16
Interest income	4	21	–	–	–	7	–	32
Finance costs	(4,431)	(141)	–	(1)	–	(1,864)	–	(6,437)
Loss before income tax								(1,701)
Income tax expense								(694)
Loss for the year								(2,395)

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.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

36 SEGMENT INFORMATION *(continued)*

	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, 2014							
Segment assets	378,978	128,299	13,603	5,848	37,375	11,097	575,200
Segment liabilities	195,523	90,125	11,091	214	10,143	8,877	315,973
March 31, 2013 (Restated)							
Segment assets	286,066	28,286	15,257	4,537	39,707	14,252	388,105
Segment liabilities	149,335	8,960	8,386	219	21,057	4,843	192,800
From April 1, 2013 to March 31, 2014							
Allowance for doubtful trade receivables	996	597	1,971	–	–	–	3,564
Capital additions	64,215	13,854	1	321	9	198	78,598
Depreciation	12,422	1,105	1	31	2	324	13,885
From January 1, 2012 to March 31, 2013							
Allowance for doubtful trade receivables	143	376	648	–	–	–	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

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

MARCH 31, 2014

36 SEGMENT INFORMATION *(continued)*

	Revenue US$'000	Non-current assets * US$'000
March 31, 2014		
Thailand	3,788	–
Malaysia	6,956	–
China	38,875	26
Hong Kong	69,925	–
Myanmar	7,255	–
British Virgin Islands	–	53,827
Panama	–	39,981
Indonesia	53,397	98,235
Mexico	11,690	835
United Arab Emirates	17,969	3
Singapore	140,933	39,428
Total	350,788	232,335
March 31, 2013		
Thailand	11,121	–
Malaysia	16,732	–
China	17,299	39
Australia	45	–
British Virgin Islands	–	33,108
Panama	–	30,695
Indonesia	21,294	96,771
Mexico	7,108	982
United Arab Emirates	16,087	1
Singapore	26,509	34,947
Total	116,195	196,543

* *exclude associates, joint ventures and deferred tax assets.*

Information about major customers

The Group's revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

	Marine		Oilfield services		Oilfield projects		Drilling services	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Customer 1	–	–	69,925	16,642	–	–	128,437	–

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

37 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 2014 US$'000	March 31, 2013 US$'000	March 31, 2014 US$'000	March 31, 2013 US$'000
Contracted but not provided for:				
– acquisition of property, plant and equipment	–	37,237	–	34,646
– purchase of rigs	252,230	323,448	–	–

38 CONTINGENT LIABILITIES

	Group		Company	
	March 31 2014 US$'000	March 31, 2013 US$'000	March 31, 2014 US$'000	March 31, 2013 US$'000
Guarantees given to bank in respect of bank facilities granted to an associate	10,710	14,006	10,710	14,006
Banker guarantees	32	32	32	32
Total	10,742	14,038	10,742	14,038

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 year, 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 but the directors are of the opinion that it is not expected to have any material impact on the Group and the Company.

NOTES TO
FINANCIAL STATEMENTS

MARCH 31, 2014

39 ACQUISITION OF SUBSIDIARY

In the current financial year, the Company's subsidiary acquired an additional 50% of the issued share capital of its joint venture, Aset Marine Pte Ltd, for cash consideration of US$1. Upon the acquisition, Aset Marine Pte Ltd became a wholly-owned subsidiary of the group Management considered the effective date of acquisition to be September 30, 2013. This transaction had been accounted for by the purchase method of accounting.

The fair value of the net assets acquired in the transaction are as follows:

	Fair value US$'000
Net assets acquired:	
Property, plant and equipment	43
Other receivables	3,804
Cash and bank balances	66
Trade payables	(2,780)
Other payables	(1,126)
	7
Gain on bargain purchase	(7)
Total consideration, satisfied by cash	*
Net cash outflow arising on acquisition:	
Cash consideration paid	*
Cash and bank balances acquired	66

* *Amount less than US$1,000*

The contribution arising from the acquisition of the subsidiary is immaterial to the Group.

40 RECLASSIFICATIONS AND COMPARATIVE FIGURES

(a) Comparative figures

In the previous financial period, the Company and the Group changed its financial year 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 from January 1, 2011 to December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

40 RECLASSIFICATIONS AND COMPARATIVE FIGURES *(continued)*

(b) Restatement due to prior year adjustment to associate's results

Adjustments have been made to prior year's balances to the share of profit of associates, amounting to US$12,776,000 as the associate, CH Offshore Ltd, had made an allowance for doubtful trade debts of US$43.95 million on June 30, 2013 arising from uncertainty of collection from one of its customer. As this relates to outstanding trade receivables for the financial year ended March 31, 2013, the change resulted in a restatement of balances to the share of profit of associates in prior year.

As a result, certain line items have been amended on the face of the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows and the related notes to the financial statements for 2013.

	Previously reported 2013 US$'000	Adjustments 2013 US$'000	As restated 2013 US$'000
Statement of financial position			
Associates	111,218	(12,776)	98,442
Accumulated profits	111,976	(12,776)	99,200
Statement of profit or loss and other comprehensive income			
Share of net profits (loss) of associates	4,340	(12,776)	(8,436)
Profit (Loss) for the period	10,381	(12,776)	(2,395)
Profit (Loss) attributable to owners of the Company	9,792	(12,776)	(2,984)
Earnings (Loss) per share (US cents)			
– Basic	1.20	NA	(0.37)
– Diluted	1.00	NA	(0.30)
Statement of cash flows			
Profit (Loss) before income tax	11,075	(12,776)	(1,701)
Share of net (profit) loss of associates	(4,340)	12,776	8,436
Notes to financial statements			
ASSOCIATES (Note 12)			
Share of post-acquisition profit, net of dividend received	788	(12,776)	(11,988)
Total assets	315,747	(43,950)	271,797
Net assets	269,306	(43,950)	225,356
Group's share of associate's net assets	111,218	(12,776)	98,442
Profit (Loss) for the year	40,380	(43,950)	(3,570)
Group's share of associate's profit (loss) for the period	4,340	(12,776)	(8,436)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

40 RECLASSIFICATIONS AND COMPARATIVE FIGURES *(continued)*

(c) Other reclassifications

In addition, certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. These reclassifications are as follows:

As at March 31, 2013

	Previously reported 2013 US$'000	Adjustments 2013 US$'000	As restated 2013 US$'000
Statement of financial position			
Other receivables – current	51,575	(207)	51,368
Deferred tax assets	–	251	251
Deferred tax liabilities	–	(44)	(44)
Statement of cash flows			
Other receivables	(23,489)	126	(23,363)
Cash generated from operations	17,149	126	17,275
Income tax paid	(1,099)	(126)	(1,225)

As at January 1, 2012

	Previously reported 2012 US$'000	Adjustments 2012 US$'000	As restated 2012 US$'000
Statement of financial position			
Other receivables – current	28,257	(81)	28,176
Deferred tax assets	–	96	96
Deferred tax liabilities	–	(15)	(15)

SUBSTANTIAL **SHAREHOLDERS**

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 23 June 2014:–

	Direct Interest	%	Deemed Interest	%
Ruben Capital Ventures Ltd[1]	48,338,997	5.91	–	–
Tan Pong Tyea[2]	417,960,700	51.12	88,393,051	10.81
Cai Wenxing[3]	–	–	70,933,592	8.68

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 23 June 2014 and to the best knowledge of the Directors and the substantial shareholders of the Company, approximately 30.52% 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 23 JUNE 2014

Number of issued shares	–	823,415,509
Number of issued shares (excluding treasury shares)	–	817,595,509
Class of shares	–	ordinary shares
Voting rights (excluding treasury shares)	–	one vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	241	8.72	13,454	0.00
1,000 – 10,000	961	34.75	6,911,159	0.84
10,001 – 1,000,000	1,521	55.01	110,671,838	13.54
1,000,001 and above	42	1.52	699,999,058	85.62
Total:	**2,765**	**100.00**	**817,595,509**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	TAN PONG TYEA	109,760,700	13.42
2.	AMFRASER SECURITIES PTE. LTD.	98,170,000	12.01
3.	HONG LEONG FINANCE NOMINEES PTE LTD	79,962,000	9.78
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	76,195,197	9.32
5.	RAFFLES NOMINEES (PTE) LIMITED	70,554,000	8.63
6.	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	66,000,000	8.07
7.	CAI WENTING	23,716,216	2.90
8.	LONGZHU OILFIELD SERVICES LIMITED	22,594,595	2.76
9.	CAMELOT CAPITAL CONSULTANTS LTD	17,459,459	2.14
10.	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,274,980	1.75
11.	CHEAH SEE HAN	10,354,500	1.27
12.	TAN SOOH WHYE	10,000,000	1.22
13.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,961,000	1.22
14.	OCBC SECURITIES PRIVATE LIMITED	7,425,650	0.91
15.	UOB KAY HIAN PRIVATE LIMITED	7,122,020	0.87
16.	PHILLIP SECURITIES PTE LTD	7,048,851	0.86
17.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,291,050	0.77
18.	DBS NOMINEES (PRIVATE) LIMITED	5,767,335	0.71
19.	HSBC (SINGAPORE) NOMINEES PTE LTD	5,418,000	0.66
20.	DMG & PARTNERS SECURITIES PTE LTD	5,135,000	0.63
	Total:	**653,210,553**	**79.90**

STATISTICS OF WARRANTHOLDINGS

AS AT 23 JUNE 2014

Distribution of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 999	614	24.71	199,626	0.24
1,000 – 10,000	1,626	65.43	4,581,815	5.59
10,001 – 1,000,000	235	9.46	18,191,595	22.19
1,000,001 and above	10	0.40	59,025,602	71.98
Total:	**2,485**	**100.00**	**81,998,638**	**100.00**

Twenty Largest Warrantholders

No.	Name	No. of Warrants	%
1.	TAN PONG TYEA	25,396,070	30.97
2.	AMFRASER SECURITIES PTE. LTD.	9,815,000	11.97
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	6,606,319	8.06
4.	THE BANK OF EAST ASIA NOMINEES PRIVATE LIMITED	6,600,000	8.05
5.	CAI WENTING	2,371,621	2.89
6.	LONGZHU OILFIELD SERVICES LIMITED	2,259,459	2.76
7.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,995,738	2.43
8.	CAMELOT CAPITAL CONSULTANTS LTD	1,745,945	2.13
9.	NEO CHIN LEE	1,200,000	1.46
10.	CHEAH SEE HAN	1,035,450	1.26
11.	TAN SOOH WHYE	1,000,000	1.22
12.	OCBC SECURITIES PRIVATE LIMITED	909,865	1.11
13.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	838,705	1.02
14.	GO MEI LIN	718,000	0.88
15.	HSBC (SINGAPORE) NOMINEES PTE LTD	640,700	0.78
16.	UOB KAY HIAN PRIVATE LIMITED	635,000	0.77
17.	GLENEALY GOLD INVESTMENTS LIMITED	548,700	0.67
18.	PHILLIP SECURITIES PTE LTD	542,624	0.66
19.	DMG & PARTNERS SECURITIES PTE LTD	514,500	0.63
20.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	504,200	0.61
	Total:	**65,877,896**	**80.33**

NOTICE OF THE
TENTH ANNUAL GENERAL MEETING

FALCON ENERGY GROUP LIMITED

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

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at 7 Shenton Way, Singapore Conference Hall, Singapore 068810 on Friday, 25 July 2014 at 2.30 p.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 March 2014, together with the Auditors' Report thereon. (Resolution 1)

2. To declare a final tax exempt one-tier dividend of S$0.01 per ordinary share in respect of the financial year ended 31 March 2014. (Resolution 2)

3. To approve the payment of Directors' fees of S$155,000/- for the financial year ending 31 March 2015, to be paid half yearly in arrears. (Resolution 3)

4. To re-elect Mr. Mak Yen-Chen Andrew, being a Director who retires by rotation pursuant to Article 119 of the Articles of Association of the Company. (Resolution 4)

5. To re-elect Mr. Lien Kait Long, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. (Resolution 5)

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

7. To re-appoint Messrs. Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 7)

8. 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:

9. "**Share Issue Mandate** (Resolution 8)

   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;

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(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."

10. "**Renewal of Shares Buyback Mandate** (Resolution 9)

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 of the Companies Act and the provisions of the Listing Manual of the SGX-ST for the time being in force ("**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**");

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(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 (excluding any Shares which are held as treasury shares) in issue 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, commission, goods and services tax and other related expenses) not exceeding:

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

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

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;

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"**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; and

"**Market Day**" means a day on which the SGX-ST is open for securities trading; and

(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."

11. "**Falcon Energy Group Employee Share Option Scheme** (Resolution 10)

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 28 August 2014 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 25 July 2014.

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 27 August 2014 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 27 August 2014 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 2014.

By Order of the Board

Peh Lei Eng
Company Secretary

Singapore
9 July 2014

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Explanatory Notes

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

Resolution 5 – Mr. Lien Kait Long, upon re-election as a Director of the Company, remain as Chairman of Audit Committee and member of Remuneration and Nominating 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 8 – The Ordinary Resolution 8 proposed in item 9, 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 9 – The Ordinary Resolution 9 under item 10 above, if passed, will renew the Share Buyback Mandate and will authorize the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 March 2014 are set out in greater detail in the Shareholders' Circular enclosed together with the Annual Report.

Resolution 10 – The Ordinary Resolution 10 proposed in item 11, is to authorise the Directors to offer and grant options in accordance with the provisions of the Falcon Energy Group Employee Share Option Scheme ("**Scheme**") and pursuant to Section 161 of the Companies Act, Chapter 50 to allot and issue shares under the Scheme up to an amount not exceeding fifteen per cent (15%) of the total number of shares of the Company from time to time.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend in his/her 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.

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PROXY FORM

TENTH 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 Falcon Energy Group Limited (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

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 Tenth Annual General Meeting of the Company to be held at 7 Shenton Way Singapore Conference Hall, Singapore 068810 on Friday, 25 July 2014 at 2.30 p.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
	ROUTINE BUSINESS		
1.	To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 March 2014, together with the Auditors' Report thereon.		
2.	To declare a final tax exempt one-tier dividend of S$0.01 per ordinary share in respect of the financial year ended 31 March 2014.		
3.	To approve the payment of Directors' fees of S$155,000/- for the financial year ending 31 March 2015, to be paid half yearly in arrears.		
4.	To re-elect Mr. Mak Yen-Chen Andrew as Director (under Article 119).		
5.	To re-elect Mr. Lien Kait Long as Director (under Article 115).		
6.	To re-elect Mr. Neo Chin Lee as Director (under Article 115).		
7.	To re-appoint Messrs Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
8.	To approve the Share Issue Mandate.		
9.	To renew the Share Buyback Mandate.		
10.	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 ____________ 2014

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.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

Falcon Energy Group Limited

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COMPANY REGISTRATION NUMBER: 200403817G