Falcon Energy Group Limited
www.falconenergy.com.sg

On Track for Growth

annual report 2009

Contents

Our Aim:

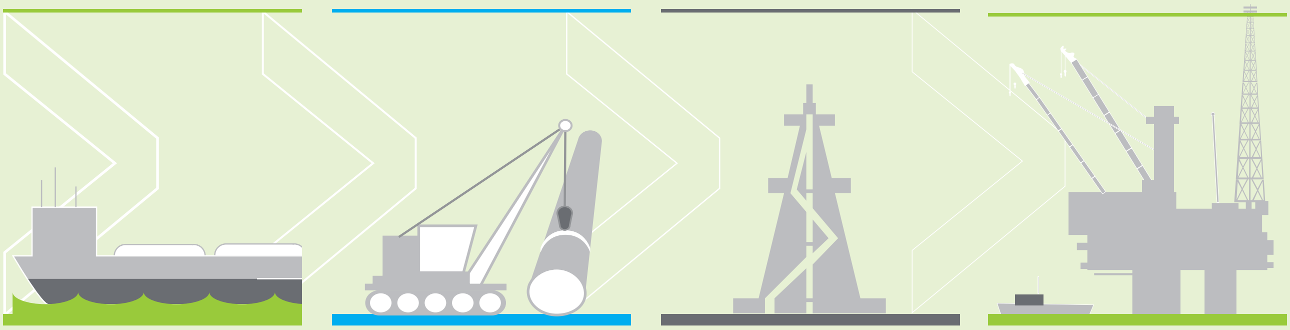
To consistently deliver quality service to our clients by using the best of our expertise and experience, and to enhance stakeholders' value in all our business activities in the oil and gas industry.

Our Company:

Falcon Energy Group Limited (FEG) is an established player in the oil and gas industry, providing a spectrum of services to global oil companies and contractors, from the initial exploration stage to production and post-production stage. The Marine Division has a fleet of offshore support vessels to provide direct support to its customers, mainly in the production phase of oil and gas projects. The Oilfield Services Division provides services such as agencies, logistics and procurement and other general support activities, while the Oilfield Projects Division executes various projects for oil companies.

Our Services

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



Phase 1 EXPLORATION

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

Phase 2 DEVELOPMENT

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

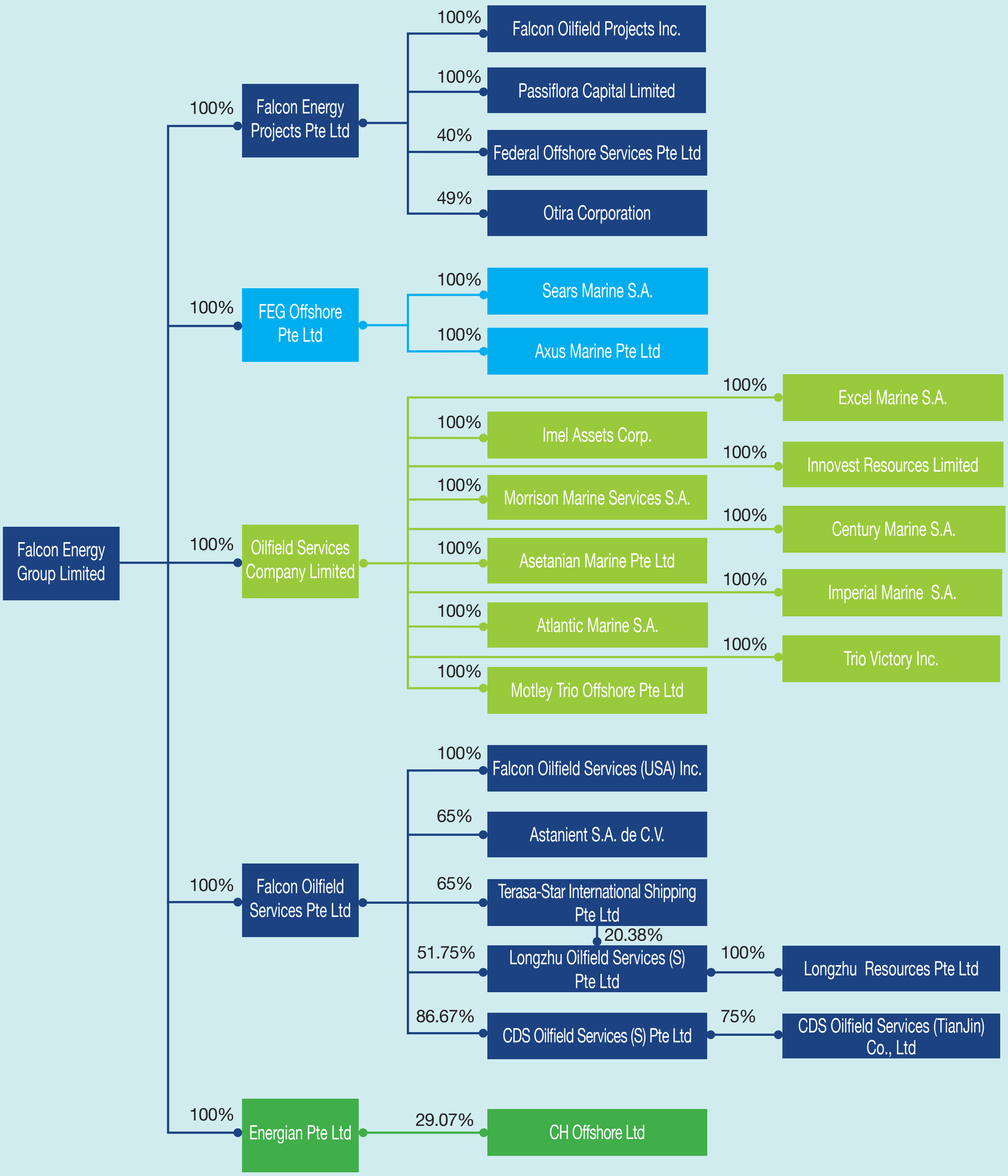
Phase 3 PRODUCTION

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

Phase 4 POST-PRODUCTION

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

Corporate Structure



Chairman's Message

“With our proven experience and strong expertise in the Group and in line with the rising confidence in the global economy, we have renewed our efforts to achieve additional growth.”

Dear Shareholders,

With the uncertainties faced by the global economy in 2009, the past year has been a challenging one for the Falcon Energy Group (FEG) but we weathered it well. Indeed, FEG is on track for growth as we focused on consistently delivering quality service to our clients, and enhancing stakeholders’ value in all our business activities in the oil and gas industry.

With our proven experience and strong expertise in the Group and in line with the rising confidence in the global economy, we have renewed our efforts to achieve additional growth.

As an established player in the oil and gas industry providing a spectrum of services to global oil companies and contractors, we will continue to build up and sustain this growth track for our company in the year ahead. We believe that the strength of our asset base, our diversified portfolio of services, loyal customer base and a regional business have enabled the Group to better withstand the economic crisis. Our operational performance has indeed been satisfactory over the past year.

Performance Review

In view of the global financial crisis, the company has delivered a good set of results for the year ended 31 December 2009, that is in line with its own expectations.

Group turnover jumped by 51 per cent higher at US$89.2 million compared to US$59.1 million achieved during fiscal year 2008. (The financial numbers in the profit and loss statement for the 15 months ended 31 December 2008 have been restated to 12 months for comparative purposes). The Group’s three divisions - Marine Division, Oilfield Services Division and Oilfield Projects Division - achieved US$43.0 million, US$39.7 million and US$6.5 million respectively. The strong growth in turnover can be attributed to the contribution from the Longzhu Group of Companies to the Oilfield Services Division. The lion share in the Group turnover came mainly from its Marine and Oilfield Services Divisions, which made up more than 90 per cent of total turnover.

Business activities in Asia continued to be on track, leading revenue growth and accounting for 75 per cent or US$66.7 million of Group turnover. America made up US$10.1 million or 11 per cent of Group turnover while other markets (including the Middle East) made up US$12.4 million, accounting for the remaining 14 per cent of Group turnover.

As a reflection of the higher proportion of turnover from the Oilfield Services Division, which has a lower gross margin, the Group’s average gross profit margin stood at 44 per cent compared to 56 per cent achieved previously. Gross profit margin for the Marine Division remained very strong at 61 per cent compared to 62 per cent in fiscal year 2008. The gross profit margin for Oilfield Services Division was 22 per cent compared to 35 per cent in the previous financial year. The difference in margin was due chiefly to the consolidation on the acquisition of Longzhu Group of Companies. For the Oilfield Projects Division, gross profit margin stood at approximately 59 per cent.

We believe our strong business fundamentals have enabled us to stay on track for growth in the past year. Indeed, the Group’s financial position remained in good shape overall. Market capitalisation stood at S$557.7 million (approximately US$395.8 million) on total assets of US$220.1 million and net tangible assets of US$179.6 million. Shareholders’ equity was US$173.9 million, up 63 per cent, and net asset value per share stood at 21.36 US cents or 42 per cent higher than at 31 December 2008. Our positive net working capital of US$59.4 million was

Chairman's Message

a significant improvement over the US$0.8 million in the previous corresponding period.

The Board of Directors has proposed a one-tier tax-exempt final dividend of S$0.01 per ordinary share. An interim dividend of S$0.005 per ordinary share was paid in September 2009, making total dividend for financial year 2009 to be S$0.015 per ordinary share. This works out to a dividend yield of 2.2 per cent based on 26 February 2010 closing share price of S$0.685 and dividend payout ratio of 30 per cent.

Creating Greater Efficiency

To keep on track for further growth, the Group has acquired 29.07 per cent of CH Offshore Ltd. (CH Offshore) for a cash consideration of S$143.5 million from Scomi Marine Services Pte. Ltd., representing 205,000,000 ordinary shares in the share capital of CH Offshore. The acquisition deal has recently been approved by our shareholders at the extraordinary general meeting held on 29 March 2010.

The listed CH Offshore Group provides marine services to oil companies and owns and operates a fleet of anchor handling tug supply vessels. The company is of the view that by making CH Offshore an associate, there will be substantial synergistic advantages to both companies in terms of markets and operations.

Industry Outlook

According to GlobalData's report "Global Oil and Gas Capital Expenditure Outlook - 2010 National Oil Companies to Drive Investment", a drop of over US$100 per barrel in oil prices in late 2009 to around US$32 per barrel prompted many national oil companies, which depend on oil for most of their revenue, to cut spending, delay and cancel oil and gas projects.

However, most national oil companies have the necessary financial strength to fund their capital-intensive projects and continued to spend in the present economic downturn. The capital expenditure of oil and gas companies witnessed a significant decrease in 2009, after the surge in 2007-2008.

However, in 2010, capital expenditure activity is expected to rise. GlobalData forecasts a 12 per cent growth in the oil and gas sector capital expenditure in 2010 and expects the total capital expenditure of the leading listed oil and gas companies to exceed US$798 billion, driven mainly by the investments of national oil companies. The total capital expenditure by the listed national oil companies is expected to register a 16 per cent growth to around US$375 billion in 2010.

Looking Ahead Strategically

We believe that future prospects for the offshore marine and oil and gas sectors will continue to remain positive in the near-term. With a recovering global economy, rising energy demand and increasing investments, the Group is cautiously optimistic in its outlook for 2010. We will continue to stay competitive by strengthening and enhancing our capabilities and staying focused on our core business activities. We will continue to drive the company towards a new level of growth and pursue both organic growth and expansion by acquisition, whenever we see a strategic fit.

Looking ahead, the Group will first, continue to focus on growing long-term shareholder value and achieve cost and operational efficiencies. Our strategic priorities will be to bring a higher level of the Group's presence and value to the marketplace. We will also enhance our capabilities through upgrading, fleet modification and acquisition to improve operational efficiency and productivity.

FEG will also pursue new geographical markets as it expands its operating network across South-east Asia, Middle East, India and Australia to fast-growing regions such as China and Africa.

Acknowledgements

On behalf of the Board, I would like to take this opportunity to express my deep appreciation for the invaluable and unwavering support of our business partners, customers and shareholders. We are grateful for their continued partnership and loyalty through the years. Our heartfelt thanks also goes to the management team and staff for their dedication, commitment and hard work, which have helped our company to be on track for growth in the coming year.

TAN PONG TYEA

Executive Chairman and
Chief Executive Officer

"We will continue to drive the company towards a new level of growth and pursue both organic growth and expansion by acquisition, whenever we see a strategic fit."

Business Review



During the year, Falcon Energy Group Limited (FEG) has been on track for growth as it seeks to consistently deliver quality service to its clients and add value to its stakeholders in all its business activities in the oil and gas industry.

As an established player which provides a spectrum of services to global oil companies and contractors, we have positioned the company well in order to stand out in the competitive industry regionally and globally. The past year has been particularly challenging as the oil and gas industry faced some uncertainties from the economic downturn in early 2009 although signs of a recovery are appearing in the horizon. Our results for financial year 2009 were satisfactory, considering the scale of the global financial crisis.

To stay ahead, we are focusing on our key strengths such as our experienced management team; strong track record; established relationships with customers and suppliers; and commitment to top-quality operations, professional practices and safety standards.

To achieve its business goals and operational efficiencies, the Group is structured into three divisions - the Marine Division, Oilfield Services Division, and Oilfield Projects Division. FEG's area of operations currently spans across South-east Asia, India and Middle East.

Looking ahead, the Group's strategy is to expand its fleet and services, pursue new geographical markets, and diversify into untapped market segments. We will acquire more vessels capable of deepwater operations and enhance capabilities through upgrading and fleet modification to improve operational efficiency and productivity. Another approach is to expand our operating network across South-east Asia, India and Middle East to fast-growing regions such as China and Africa. In addition, we will build new competencies to provide a broader range of oilfield services to companies in peripheral oil production activities, and increase new revenue and earnings streams through oilfield services and oilfield projects.

The company has achieved sound results the past year in line with its own expectations. With the global and regional economies shining slightly brighter in 2010, we will continue to be vigilant and seek opportunities to grow our businesses in the three divisions. We believe the Group is well positioned to face the challenges ahead and is on track to further growth in the year ahead.

Marine Division

The Marine Division provides offshore support vessels to the offshore marine industry. Through its ship management subsidiary, Asetanian Marine Pte Ltd, the Group currently owns and manages a fleet of 15 vessels including 10 multi purpose support vessels.

Our fleet of offshore support vessels provides direct support to our customers, mainly in the production phase of the oilfield. We support activities such as offshore hook-up and commissioning, conductor piling, hydraulic work-over/coiled tubing/well stimulation, subsea services, pipe trenching, submarine cables and controlled source electro-magnetic surveys.

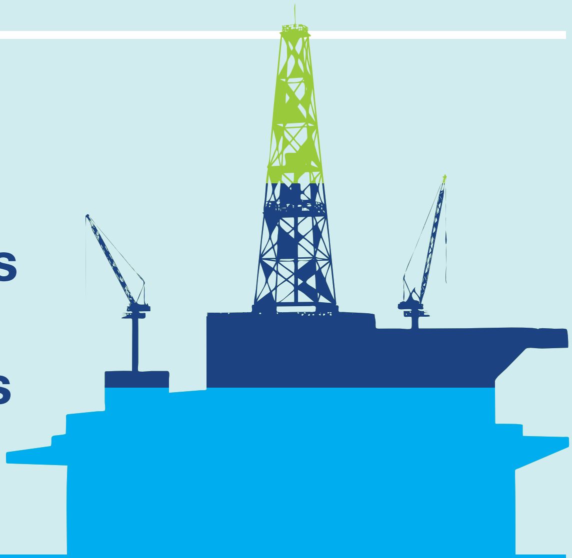
Gearing up for future growth, we will expand our fleet in the coming year. We also believe that the Marine Division will grow substantially in the foreseeable future.

“ To stay ahead, we are focusing on our key strengths such as our experienced management team; strong track record; established relationships with customers and suppliers; and commitment to top-quality operations, professional practices and safety standards.”

48.2% _Marine

44.5% _Oilfield Services

7.3% _Oilfield Projects



Oilfield Services Division

The Oilfield Services Division has the capabilities to meet all its clients’ needs in the region as well as globally. Providing oilfield services to oil and gas companies regionally and globally, our services include agencies, logistics, warehousing and procurement services and other general supporting activities.

We work closely with our customers from the beginning to the end of the project to ensure that we fulfill all their requirements well. We have earned a reputation in the oilfield services industry for delivering timely, cost-effective and efficient solutions to major and independent oil production companies.

The Group’s acquisitions of Terasa-Star Shipping, CDS Oilfield Services and Longzhu Oilfield Services Group of Companies have all contributed positively to FEG’s growth, thereby strengthening its foothold in the oilfield services industry.

Oilfield Projects Division

The Oilfield Projects Division which is involved in projects and investments that are related to the oil and gas industry, commenced business in the third quarter of 2008. This division executes various projects for oil companies of a varying nature, leveraging on the working relationships built up by the Marine and Oilfield Services Divisions.

The Oilfield Projects Division is a relatively new division and the growth prospects are very good as we further develop this part of the business. We expect that it will start to make significant contribution in 2010.

We believe that the Group’s acquisition of CH Offshore Ltd. will better position FEG to compete in the international and regional offshore marine and oil and gas industries, and achieve substantial synergistic benefits. We envisage that this will be one of our growth areas in the future.

Financial Highlights

Profit and Loss

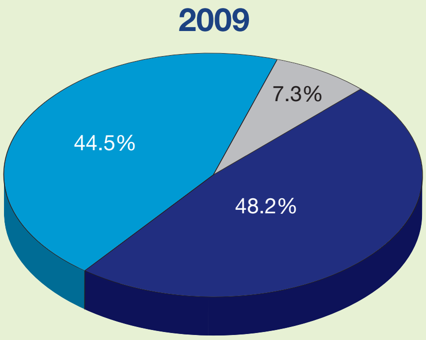
US$'m	FY2009[1]	FY2008[2]	FY2007[3]	CAGR 07 to 09*
Revenue	89.2	73.8	38.6	52.0%
Gross Profit	38.9	41.6	20.8	36.8%
Profit Before Tax	30.3	36.8	18.5	28.0%
Profit After Tax	29.4	36.1	17.4	30.0%
Profit After Tax & MI	28.1	36.1	17.4	27.1%
EPS Basic (US Cents)	3.76	5.15	2.64	19.3%
Gross Profit Margin	43.6%	56.3%	54.0%	
Profit Before Tax Margin	34.0%	49.8%	47.8%	
Profit After Tax Margin	33.0%	48.9%	45.0%	
Profit After Tax & MI Margin	31.5%	48.9%	45.0%	

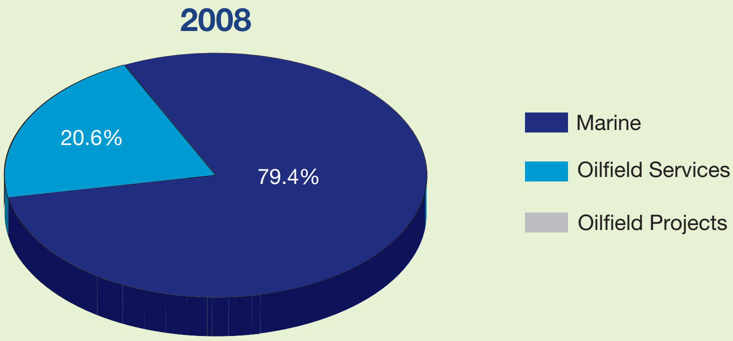
Balance Sheet
As at

US$'m	31.12.09	31.12.08	30.09.07
Current Assets	87.7	31.4	23.0
Total Assets	220.1	158.5	95.7
Current Liabilities	28.2	30.6	14.1
Total Liabilities	40.4	51.8	23.2
Total Debt	26.2	28.3	12.1
Shareholders' Fund	173.9	106.8	72.5
Net Assets	179.7	106.8	72.5
NAV Per Share (US Cents)	21.36	15.03	10.51

[1] FY2009: 12 months audited
[2] FY2008: 15 months audited
[3] FY2007: 12 months restated
* CAGR: Compound Annual Growth Rate

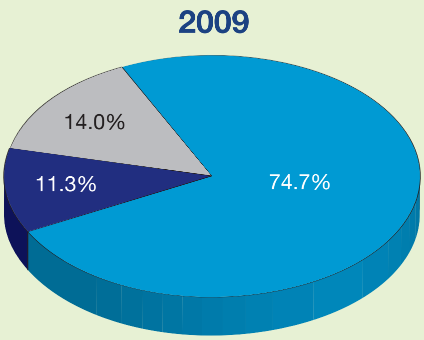
Segmental Revenue

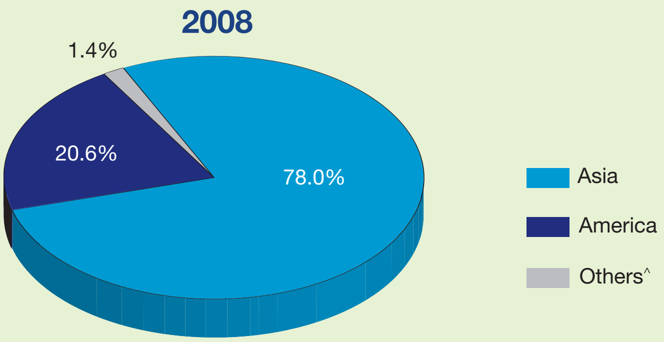




By Business

	Marine	Oilfield Services	Oilfield Projects	Total
2009				
US$'m	43.0	39.7	6.5	**89.2**
%	48.2	44.5	7.3	100.0
2008*				
US$'m	58.6	15.2	NA	**73.8**
%	79.4	20.6	NA	100.0





By Region

	Asia	America	Others^	Total
2009				
US$'m	66.7	10.1	12.4	**89.2**
%	74.7	11.3	14.0	100.0
2008*				
US$'m	57.6	15.2	1.0	**73.8**
%	78.0	20.6	1.4	100.0

^ Others include the Middle East

* FY2008: 15 months audited

Board of Directors

TAN PONG TYEA

Executive Chairman and Chief Executive Officer

Mr Tan Pong Tyea became the Chairman and CEO of Falcon Energy Group 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. 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 and Chief Operating Officer of Falcon Energy Group 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 a director cum Chief Executive Officer 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 Division and Oilfield Projects Division for Falcon Energy Group Ltd. His role includes the exploration of new business opportunities and expansion of the customer base in China and the Middle East.

He is currently a director of Terasa-Star International Shipping Pte Ltd, Longzhu Oilfield Services (S) Pte Ltd and CDS Oilfield Services Pte Ltd. With more than 14 years of experience in the oil and gas industry, he holds a Bachelor degree from the South China Normal University.

LIEN KAIT LONG

Lead Independent Director

Mr Lien Kait Long was appointed as an Independent Director of Falcon Energy Group 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 service provider, stockist cum trading, textile and food and beverage.

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

MOHAN RAJ S/O CHARLES ABRAHAM

Non-independent Director

Mr Mohan Raj s/o Charles Abraham was appointed a Director of Falcon Energy Group in July 2006 and re-designated as a Non-independent Director on 4

(From left to right: Tan Pong Tyea, Cai Wenxing, Neo Chin Lee, Lien Kait Long, Mohan Raj s/o Charles Abraham, Tan Kian Huay, Tan Sooh Whye, Cai Wenting

August 2008. Currently, he is practising as an advocate and solicitor with special emphasis in the fields of company, commercial and revenue laws. He has spent more than 18 years in the legal profession and before that, nine years as a tax practitioner in the accounting profession in England and Singapore.

He has sat on several boards of listed and private companies in Singapore, Hong Kong, Philippines and Malaysia. He read law at Lincoln's Inn in London, United Kingdom and also holds a Bachelor of Accountancy degree from the National University of Singapore.

TAN KIAN HUAY

Independent Director

Mr Tan Kian Huay was appointed as an Independent Director in October 2006 and is also the Chairman of the Nominating Committee and the Remuneration Committee. He has extensive experience in project management and business development, particularly in the construction industry. He was previously the Managing Director of the Singapore office of Obayashi Corporation for 16 years. Currently, he sits on the boards of NTUC Choice Homes Co-operative Ltd and Jurong Health Services Pte Ltd.

Mr Tan holds a Professional Diploma in Building and a Bachelor of Arts from Beijing Normal University. He is currently a fellow and was a former 2nd vice president of the Society of Project Managers and also a former president of the Singapore Institute of Building.

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.

Management Team

Foreground Left to Right:

Tan Pong Tyea
Executive Chairman and CEO

Neo Chin Lee
Executive Director

Background Left to Right:

Cai Wenting
Alternate Director

Gan Wah Kwang
Financial Controller

Cai Wenxing
Executive Director

Tan Jit Sin
General Manager
(Project Development)

Tan Sooh Whye
Alternate Director

Corporate Information

BOARD OF DIRECTORS

Tan Pong Tyea
Executive Chairman and Chief Executive Officer

Neo Chin Lee
Executive Director

Cai Wenxing
Executive Director

Lien Kait Long
Lead Independent Director

Mohan Raj s/o Charles Abraham
Non-independent Director

Tan Kian Huay
Independent Director

Tan Sooh Whye
Alternate Director to Tan Pong Tyea

Cai Wenting
Alternate Director to Cai Wenxing

AUDIT COMMITTEE

Lien Kait Long (Chairman)
Mohan Raj s/o Charles Abraham
Tan Kian Huay

NOMINATING COMMITTEE

Tan Kian Huay (Chairman)
Tan Pong Tyea
Lien Kait Long

REMUNERATION COMMITTEE

Tan Kian Huay (Chairman)
Lien Kait Long
Mohan Raj s/o Charles Abraham

EXECUTIVE OFFICERS

Gan Wah Kwang
Financial Controller

Tan Jit Sin
General Manager (Project Development)

COMPANY SECRETARIES

Lim Mee Fun ACIS
Peh Lei Eng CPA

REGISTERED OFFICE

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#22-14 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
Certified Public Accountants
6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809
Partner-in-charge: Lim Kuan Meng
Appointed on October 20, 2008

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#01-01 HSBC Building
Singapore 049320

Standard Chartered Bank
6 Battery Road #22-00
Singapore 049909

Report on Corporate Governance

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

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

The Board of Directors ("Board") is pleased to outline the main corporate governance framework and practices of the Company in this report, with specific reference made to each of the principles set out in the Code. This report describes the Company's corporate governance practices that were in place throughout the financial year ended 31 December 2009. 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 : Board's Conduct of its 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 form the Board. Directors are expected to act in good faith and in the interests of the Company.

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

Report on Corporate Governance (cont'd)

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

Types of Meetings	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings	No. of Meetings	No. of Meetings	No. of Meetings	No. of Meetings	No. of Meetings	No. of Meetings	No. of Meetings
Tan Pong Tyea (Alternate - Tan Sooh Whye)	3	3	–	–	1	1	–	–
Cai Wenxing (Alternate - Cai Wenting)	3	1	–	–	–	–	–	–
Neo Chin Lee	3	3	–	–	–	–	–	–
Lien Kait Long	3	3	3	3	1	1	1	1
Mohan Raj s/o Charles Abraham	3	2	3	2	–	–	1	1
Tan Kian Huay	3	3	3	3	1	1	1	1

Directors' Meetings Held During the Financial Year

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

The Board held three (3) meetings during the year under review.

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. The current directors have been made aware of and are familiar with their duties and obligations. In this regard, the Company does not provide a formal letter to directors outlining their duties and obligations.

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

Report on Corporate Governance (cont'd)

Principle 2 : Board Composition and Balance

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

Executive Directors :	
Tan Pong Tyea	(Executive Chairman and Chief Executive Officer)
Neo Chin Lee	(Executive Director)
Cai Wenxing	(Executive Director)
Non-Executive Directors :	
Lien Kait Long	(Lead Independent Director)
Mohan Raj s/o Charles Abraham	(Non-independent Director)
Tan Kian Huay	(Independent Director)
Alternate Directors :	
Tan Sooh Whye	(Alternate Director to Tan Pong Tyea)
Cai Wenting	(Alternate Director to Cai Wenxing)

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

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

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

Independent Members of the Board of Directors

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

Report on Corporate Governance (cont'd)

Principle 3 : Chairman and Chief Executive Officer

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

As the Executive 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 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 chaired by Mr Tan Kian Huay with Mr Tan Pong Tyea and Mr Lien Kait Long as members. The NC held one (1) meeting during the year under review.

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 Annual General Meeting ("AGM"), having regard to the director's contribution and performance, and to determine whether or not the director is independent.

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

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

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

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

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

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

The profile of each Director and other relevant information is set out in the section entitled "Board of Directors" on page 12 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 NC. The NC was of the view that the performance of the Board as a whole was satisfactory.

Principle 6 : Access to Information

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management. All directors have unrestricted access to the Company's records and information to enable them to constantly keep track of the Group's financial position. Detailed Board papers are prepared for each meeting of the Board and are normally circulated in advance of each meeting. The Board papers include sufficient information from 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 attend 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

The RC is chaired by Mr Tan Kian Huay with Mr Lien Kait Long and Mr Mohan Raj s/o Charles Abraham as members. It held one (1) meeting during the year under review which was attended by all members.

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

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

No director is involved in determining his own remuneration.

Principle 8 : Remuneration Level and Mix

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

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

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

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

Employee Share Option Scheme
The Scheme was implemented on 28 October 2004 as an incentive plan for employees of the Group based on individual performance. It is administered by the RC. Further information on the Scheme is set out in the section entitled "Share Options" on page 27 of this Annual Report.

Principle 9 : Disclosure on Remuneration

A breakdown, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2009, is as follows:

	Fees(i)	Salary(ii)	Bonus	Profit Sharing	Other Benefits(iii)	Share Options	Total
	%	%	%	%	%	%	%
S$250,000 to S$500,000							
Tan Pong Tyea	–	79.49	14.21	–	6.30	–	100
Neo Chin Lee	–	55.35	39.25	–	5.40	–	100
Cai Wenxing	–	84.01	15.99	–	–	–	100
Below S$250,000							
Tan Sooh Whye [1]	–	70.66	19.61	–	9.73	–	100
Cai Wenting [2]	–	87.86	12.14	–	–	–	100
Lien Kait Long	100	–	–	–	–	–	100
Mohan Raj s/o Charles Abraham	100	–	–	–	–	–	100
Tan Kian Huay	100	–	–	–	–	–	100

[1] Alternate to Tan Pong Tyea
[2] Alternate to Cai Wenxing

– (i) subject to approval by the shareholders as a lump sum at the AGM for the financial year ended 31 December 2009;
– (ii) salary is inclusive of CPF contribution;
– (iii) other benefits refer to benefits-in-kind such as car, allowances, club membership, etc. made available to directors as appropriate.

Report on Corporate Governance (cont'd)

Key Executives

The remuneration of the key executives of the Group for the financial year ended 31 December 2009 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	–	66.19	23.02	–	10.79	–	100
Gan Wah Kwang	–	64.05	26.33	–	9.62	–	100

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

Immediate Family Member of a Director or the CEO

For the financial year ended 31 December 2009, there were no employees who are immediate family members of a director or the CEO, and whose remuneration exceeded S$150,000. The remuneration paid to these employees is determined on the same basis as the remuneration of other unrelated employees.

(C) ACCOUNTABILITY AND AUDIT

Principle 10 : Accountability

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

Principle 11 : Audit Committee

The AC is chaired by Mr Lien Kait Long with Mr Mohan Raj s/o Charles Abraham and Mr Tan Kian Huay 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 recommend to the Board the appointment or re-appointment of the external auditors for the forthcoming year.

(ii) To review, with the external auditors, the audit plan and their evaluation of the system of internal accounting controls and monitor management's response and actions to correct any noted deficiencies.

(iii) To review the external auditors' reports.

(iv) To review the assistance given by the Company's officers to the external auditors.

(v) To evaluate the effectiveness of the external audit efforts through regular meetings.

(vi) To determine whether any unwarranted management restrictions are being placed the external auditors.

(vii) To review financial statements of the Company and of the Group with management and external auditors (where applicable) before submission to the Board.

(viii) To summarise and report to the Board the work performed by the AC in carrying out its functions.

(ix) To review interested person transactions (if any).

(x) To review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors.

(xi) To review the independence of the external auditors annually and nominate them for re-appointment.

The AC will meet periodically and also hold informal meetings and discussions with the management from time to time. The AC has full discretion to invite any director or executive officer to attend its meetings.

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

The AC will meet with the external auditors without the presence of the management. This is to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, the independence and objectivity of external auditors and the observation of auditors.

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.

The AC has recommended the re-appointment of Deloitte & Touche LLP as external auditors at the forthcoming AGM.

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 for staff to report in confidence about possible financial improprieties and other matters; for independent investigation of such matters and for appropriate follow-up action.

The AC has received no complaints as at the date of this report.

Principle 12 : Internal Controls

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

Principle 13 : Internal Audit

The Board recognizes and is responsible for maintaining a system of internal controls to safeguard the Group's business and assets.

The Company has outsourced its internal audit function to BDO Raffles Consultants Pte Ltd ("BDO"). The internal auditor plans its 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 auditor reports primarily to the Chairman of the AC. The AC has reviewed the internal audit report prepared by BDO and will follow up with management on the implementation of the recommendations by the internal auditor.

(D) COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

(E) DEALING IN SECURITIES

In line with Listing Rule 1207(18) 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 one month prior to the announcement of the Company's half yearly and 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 December 2009, the Company has complied with Listing Rule 1207(18) of the SGX-ST Listing Manual.

(F) MATERIAL CONTRACTS

During the financial year ended 31 December 2009, the Company entered into the following material contracts:

The placement and share lending agreement dated 15 September 2009 entered into between the Company, Tan Pong Tyea (as the vendor and lender in the said agreement) and Kim Eng Corporate Finance Pte. Ltd. pursuant to which Kim Eng Corporate Finance Pte. Ltd. agreed to procure the placement of up to 100,000,000 placement shares in the capital of the Company. Tan Pong Tyea is the CEO and a director of the Company.

Other than the abovementioned contracts, there were no material contracts of the Company or its subsidiaries involving the interests of the CEO, directors or controlling shareholders during the financial year ended 31 December 2009.

(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 Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	USD'000	USD'000
Cai Wenxing (1)		
– **Office rental**	158	–
Cai Wenting (2)		
– **Purchase consideration**	5,953	–

Notes :

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

(2) The Company had on 25 September 2008 entered into a conditional sale and purchase agreement with Cai Wenxing and Cai Wenting ("Vendors") for the proposed acquisition by the Company from the Vendors and certain other parties of 65% of the equity interest in Terasa-Star International Shipping Pte Ltd, approximately 52% of the equity interest in Longzhu Oilfield Services (S) Pte. Ltd. and approximately 87% of the equity interest in CDS Oilfield Services (S) Pte. Ltd. for an aggregate purchase consideration of S$8,775,000 (as amended by the supplemental agreement dated 5 December 2008). The purchase consideration was satisfied by the allotment and issue of 23,716,216 new shares in the share capital of the Company at an issue price of S$0.37 per new share to Cai Wenting. The said acquisition was completed on 17 April 2009.

(H) RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Board and 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 reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2009.

1 DIRECTORS

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

Tan Pong Tyea
Neo Chin Lee
Cai Wenxing
Lien Kait Long
Mohan Raj s/o Charles Abraham
Tan Kian Huay
Tan Sooh Whye (Alternate to Tan Pong Tyea)
Cai Wenting (Alternate 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.

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 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 January 1, 2009	At December 31, 2009	At January 21, 2010	At January 1 2009	At December 31, 2009	At January 21, 2010
The Company						
(Ordinary shares)						
Tan Pong Tyea *	505,013,700	371,740,700	371,740,700	88,393,051	88,393,051	88,393,051
Lien Kait Long	75,000	75,000	75,000	–	–	–
Tan Kian Huay	100,000	100,000	100,000	–	–	–
Tan Sooh Whye *	–	10,000,000	10,000,000	1,129,500	3,629,500	3,629,500
Cai Wenxing**	–	–	–	22,594,595	22,594,595	22,594,595
Neo Chin Lee	–	10,000,000	10,000,000	–	–	–
Cai Wenting**	–	23,716,216	23,716,216	–	–	–

* *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 (cont'd)

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 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:

Tan Kian Huay	(Chairman)
Lien Kiat Long	
Mohan Raj s/o Charles Abraham	

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

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

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

- a price equal to the Market Price; or

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

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

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

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

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

(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 number of outstanding share options under the scheme are as follows:

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at 1.1.2009	Granted	Cancelled	Balance at 31.12.2009	Exercise price per share	Exercisable period
5.6.2009	–	4,600,000	–	4,600,000	S$0.40	5.6.2011 to 5.6.2019

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

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

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

The information on directors of the Company participating in the Scheme is as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Neo Chin Lee	400,000	400,000	–	–	400,000
Cai Wenxing	250,000	250,000	–	–	250,000
Lien Kait Long	200,000	200,000	–	–	200,000
Mohan Raj s/o Charles Abraham	200,000	200,000	–	–	200,000
Tan Kian Huay	200,000	200,000	–	–	200,000
Cai Wenting	150,000	150,000	–	–	150,000

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

6 AUDIT COMMITTEE

The members of the Audit Committee, who are independent and non-executive, are as follows:

Lien Kait Long (Chairman)	–	Independent and non-executive
Tan Kian Huay	–	Independent and non-executive
Mohan Raj s/o Charles Abraham	–	Non-independent and non-executive

The Audit Committee has met 3 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) to review the annual financial statements, and announcements before submission to the Board of Directors for approval;

c) to review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings;

d) to ensure that the internal audit function is adequately resourced;

e) to review the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues and matters arising from the audits;

f) to consider and make recommendation on the re-appointment of the external auditors; and,

g) to review Interested Person Transactions falling within the scope of the Audit Committee's term of reference.

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

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

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

Report of the Directors (cont'd)

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Tan Pong Tyea | **Cai Wenxing**

March 22, 2010

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 33 to 87 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at December 31, 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Tan Pong Tyea

Cai Wenxing

March 22, 2010

Independent Auditors' Report

to the members of Falcon Energy Group Limited

We have audited the accompanying financial statements of Falcon Energy Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statement of financial position of the Group and the Company as at December 31, 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows the Group and statement of changes in equity of the Company for the financial year then ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes as set out on pages 33 to 87.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: 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 account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 the internal control relevant to the entity's preparation and fair presentation of the financial statements 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,

(a) 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 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 December 31, 2009 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) 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
Certified Public Accountants
Singapore

Lim Kuan Meng
Partner
Appointed on October 20, 2008

March 22, 2010

Statement of Financial Position

As At December 31, 2009

	Note	Group		Company	
		2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
ASSETS					
Current assets					
Cash and bank balances	6	48,333	10,271	34,633	4,539
Trade receivables	7	27,109	12,936	–	–
Other receivables	8	11,349	6,997	93,357	90,085
Inventories	9	863	1,188	–	–
Total current assets		87,654	31,392	127,990	94,624
Non-current assets					
Other receivables	8	1,450	1,510	–	–
Property, plant and equipment	10	124,968	119,857	2,168	2,282
Investments in subsidiaries	11	–	–	166,676	165,893
Investments in associates	12	6,028	5,790	–	–
Total non-current assets		132,446	127,157	168,844	168,175
Total assets		220,100	158,549	296,834	262,799
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	13	7,330	5,901	–	–
Other payables	14	5,269	17,144	332	8,290
Finance leases	15	96	16	–	–
Borrowings	16	14,476	7,215	6,007	3,159
Derivative financial liability	17	111	–	–	–
Income tax payable		932	316	–	–
Total current liabilities		28,214	30,592	6,339	11,449
Non-current liabilities					
Finance leases	15	523	43	–	–
Borrowings	16	11,706	21,129	3,501	1,118
Total non-current liabilities		12,229	21,172	3,501	1,118

Statement of Financial Position (cont'd)

As At December 31, 2009

	Note	Group		Company	
		2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Capital, reserves and minority interests					
Share capital	18	225,824	179,524	225,824	179,524
Share option reserve	19	160	–	160	–
Merger reserve	20	(154,954)	(154,954)	–	–
Revaluation reserve	21	3,262	3,262	–	–
Foreign currency translation reserve		(393)	(456)	–	–
Accumulated profits		99,976	79,409	61,010	70,708
Equity attributable to equity holders of the Company		173,875	106,785	286,994	250,232
Minority interests		5,782	–	–	–
Total equity		179,657	106,785	286,994	250,232
Total liabilities and equity		220,100	158,549	296,834	262,799

See accompanying notes to financial statements.

Statement of Comprehensive Income

Year ended December 31, 2009

	Note	Group January 1, 2009 to December 31, 2009 (12 months) USD'000	Group October 1, 2007 to December 31, 2008 (15 months) USD'000
Revenue	22	89,205	73,838
Cost of sales		(50,321)	(32,283)
Gross profit		38,884	41,555
Other operating income	23	3,977	6,236
Administrative expenses		(11,508)	(10,163)
Finance costs	24	(1,135)	(1,159)
Share of net profit of associates	12	82	290
Profit before income tax	25	30,300	36,759
Income tax expense	26	(860)	(650)
Profit for the year		29,440	36,109
Other comprehensive income:			
Foreign currency translation of foreign entities		63	(458)
Total comprehensive income for the year		29,503	35,651
Profit for the year attributable to:			
Equity holders of the Company		28,093	36,109
Minority interests		1,347	–
Total		29,440	36,109
Total comprehensive income attributable to:			
Equity holders of the Company		28,156	35,651
Minority interests		1,347	–
Total		29,503	35,651
Earnings per share (USD cents)			
- Basic	27	3.76	5.15
- Diluted	27	3.75	5.15

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended December 31, 2009

	Note	Share capital USD'000	Capital reserve USD'000	Share option reserve USD'000	Merger reserve USD'000	Revaluation reserve USD'000	Foreign currency translations reserve USD'000	Accumulated profits USD'000	Attributable to equity holders of the Company USD'000	Minority interests USD'000	Total USD'000
Group											
Balance at October 1, 2007		8,132	165,892	–	(148,064)	3,262	2	43,300	72,524	–	72,524
Total comprehensive income for the year		–	–	–	–	–	(458)	36,109	35,651	–	35,651
Dividend payment to ex-shareholders prior to restructuring		–	–	–	(6,890)	–	–	–	(6,890)	–	(6,890)
Transfer on issuance of shares for acquisition of OSCL group	18	165,892	(165,892)	–	–	–	–	–	–	–	–
Issue of shares	18	5,500	–	–	–	–	–	–	5,500	–	5,500
Balance at December 31, 2008		179,524	–	–	(154,954)	3,262	(456)	79,409	106,785	–	106,785
Total comprehensive income for the year		–	–	–	–	–	63	28,093	28,156	1,347	29,503
Issue of shares	18	46,300	–	–	–	–	–	–	46,300	–	46,300
Recognition of share-based payment	19	–	–	160	–	–	–	–	160	–	160
Acquisition of subsidiaries	28	–	–	–	–	–	–	–	–	4,435	4,435
Dividend paid	30	–	–	–	–	–	–	(7,526)	(7,526)	–	(7,526)
Balance at December 31, 2009		225,824	–	160	(154,954)	3,262	(393)	99,976	173,875	5,782	179,657

Statements of Changes in Equity (cont'd)

Year ended December 31, 2009

	Note	Share capital USD'000	Capital reserve USD'000	Share option reserve USD'000	Accumulated profits USD'000	Total USD'000
Company						
Balance at October 1, 2007		8,132	165,892	–	(1,508)	172,516
Transfer on issuance of shares for acquisition of OSCL group	18	165,892	(165,892)	–	–	–
Issue of shares	18	5,500	–	–	–	5,500
Total comprehensive income for the year		–	–	–	72,216	72,216
Balance at December 31, 2008		179,524	–	–	70,708	250,232
Issue of shares	18	46,300	–	–	–	46,300
Recognition of share-based payment	19	–	–	160	–	160
Total comprehensive income for the year		–	–	–	(2,172)	(2,172)
Dividends paid	31	–	–	–	(7,526)	(7,526)
Balance at December 31, 2009		225,824	–	160	61,010	286,994

See accompanying notes to financial statements.

Statements of Cash Flows

Year ended December 31, 2009

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Operating activities		
Profit before income tax	30,300	36,759
Adjustments for:		
Depreciation of property, plant and equipment	6,118	5,482
Interest expense	1,121	1,159
Share-based payments	160	–
Changes in fair value of derivative financial instrument	111	–
Loss on disposal of property, plant and equipment	1	20
Share of net profit of associates	(82)	(290)
Negative goodwill on acquisition of subsidiaries (Note 28)	(192)	–
Interest income	(232)	(147)
Exchange difference on translation	(528)	(341)
Gain on dilution of subsidiary to associate (Note 29)	(1,037)	–
Operating cash flows before movements in working capital	35,740	42,642
Trade receivables	(8,867)	(1,273)
Other receivables	(1,115)	(2,358)
Inventories	1,496	1,527
Trade payables	(802)	1,315
Other payables	(4,600)	11,036
Cash generated from operations	21,852	52,889
Income tax paid	(692)	(588)
Net cash from operating activities	21,160	52,301
Investing activities		
Purchase of property, plant and equipment	(36,333)	(52,862)
Proceeds from disposal of property, plant and equipment	–	8
Interest received	232	147
Net cash inflow from acquisition of subsidiaries (Note 28)	4,468	–
Net cash used in investing activities	(31,633)	(52,707)

Statements of Cash Flows (cont'd)

Year ended December 31, 2009

	Group	
	January 1 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Financing activities		
Dividends paid	(7,526)	–
Proceeds from issuance of new shares	40,347	–
Interest paid	(1,121)	(1,159)
Repayment of finance leases obligations	(35)	(15)
Proceeds of borrowings	22,534	20,850
Repayment of borrowings	(5,678)	(4,638)
Fixed deposits and bank balances pledged	(371)	(908)
Payment to ex-shareholders	–	(6,890)
Net cash from financing activities	48,150	7,240
Net increase in cash and cash equivalents	37,677	6,834
Effect of exchange rate changes on the balance of cash held in foreign currencies	14	11
Cash and cash equivalents at beginning of year	9,363	2,518
Cash and cash equivalents at end of year (Note 6)	47,054	9,363

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2009

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, #22-14 International Plaza, Singapore 079903. The Company is listed on mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") from September 8, 2009. Prior to that, the Company was listed on Catalist (non-sponsored) of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in United States dollars.

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2009 were authorised for issue by the Board of Directors on March 22, 2010.

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").

For the financial years ended December 31, 2008, the consolidated financial statements of the Group have been prepared using merger accounting.

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.

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on amounts reported for the current year or prior years except as disclosed below and in notes to the financial statements.

FRS 1 – Presentation of Financial Statements (Revised)

The Group and Company adopted FRS 1 (Revised) with effect from annual periods beginning on or after January 1, 2009. FRS 1 (Revised) has resulted in changes to the basis of presentation and structure of the financial statements, specifically on the following main areas:

- The previous version of FRS 1 used the titles "balance sheet", "profit and loss statement" and "cash flow statement" to describe three of the primary statements within the financial statements. With the adoption of FRS 1 (Revised), the Group and Company now uses the titles "statement of financial position", "statement of comprehensive income" and "statement of cash flows" for those statements respectively.
- FRS 1 (Revised) requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. The Group and Company is not permitted to present components of non-owner changes in equity (i.e. comprehensive income) in the statement of changes in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- For non-owner changes in equity, the Group and Company presents components of income and expenses in one statement (a statement of the comprehensive income), separately from owner changes in equity.
- In addition, the Group and Company is required to include a restated statement of financial position as at the beginning of the earliest comparative period whenever the company retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

FRS 108 – Operating Segments

The Group adopted FRS 108 with effect from January 1, 2009. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to identify two sets of segments (Business and Geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group's reportable segments has changed (Note 33).

The comparatives have been restated to conform to the requirements of FRS 1 (Revised) and FRS 108, where applicable.

At the date of authorisation of these financial statements, management have considered and anticipated that the adoption of the FRSs, INT FRSs and amendments to FRS that were issued but not effective until future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except as follows:

FRS 27 (Revised) Consolidated and Separate Financial Statements and FRS 103 (Revised) Business Combinations

FRS 27 (Revised) is effective for annual periods beginning on or after July 1, 2009. FRS 103 (Revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

Apart from matters of presentation, the principal amendments to FRS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. It is likely that these amendments will significantly affect the accounting for such transactions in future accounting periods, but the extent of such impact will depend on the details of the transactions, which cannot be anticipated. The changes will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Similarly, FRS 103 is concerned with accounting for business combination transactions. The changes to the Standard are significant, but their impact can only be determined once the details of future business combinations are known. The amendments to FRS 103 will be adopted prospectively for transactions after the fate of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Minority- interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interest consist of the amount of those interest at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to minotiry in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional to cover its share of those losses.

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

BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *FRS 103 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current 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*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquire is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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

Effective interest method

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

Financial assets

Cash and cash equivalents

These comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 investment have been impacted.

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 to statement of comprehensive income. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial liabilities

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

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

The Group as lessor

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

The Group as lessee

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

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 - Vessels for use in the supply of services are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such vessels is recognised in the other comprehensive income and accumulated in revaluation reserves, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such vessels is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Depreciation is charged so as to write off the cost of assets or valuation of assets, other than freehold land and vessels under constructions, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	20 years
Leasehold office premises	-	62 years
Vessels	-	15 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-in-progress and freehold land.

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 on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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 the carrying amount of the unit, 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 a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Associates' below.

IMPAIRMENT OF ASSETS - 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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

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

The results and assets and liabilities of associate is 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 associate is 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 associate, 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Rendering of services

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

Revenue from rendering of marine services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion to the total services to be performed.

Sale of goods

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

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

Interest income

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

Dividend income

Dividend income is recognised when the shareholders right to receive the dividend is legally established.

BORROWINGS 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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. Deferred tax is charged or credited to statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 directly 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

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

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

The management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements.

ii) Key sources of estimation uncertainty

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

Allowances for bad and doubtful debts

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

Allowances for inventories

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. No such indication of impairment was identified by management. The carrying amounts of the Group's property, plant and equipment are disclosed in Note 10 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Capital risk management policies and objectives

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

The capital structure of the Group consists of debt, which includes the bank borrowings (Note 16) and equity attributable to equity holders of the Company, comprising paid up capital, accumulated profits and other reserves.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

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

(b) Categories of financial instruments

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

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	87,043	30,036	127,955	94,603
Financial liabilities				
Borrowings and payables at amortised cost	39,400	51,448	9,840	12,567
Derivative financial liability	111	–	–	–

(c) Financial risk management policies and objectives

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

(i) *Market risk*

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

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

(ii) *Foreign currency risk management*

The Group transacts businesses significantly in Singapore Dollars ("SGD"), United States Dollars ("USD") and Chinese Renminbi ("RMB"). Transactions in other currencies, eg Hong Kong Dollars, Thai Baht etc are limited and such exposures to foreign exchange risk are minimal.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

	2009				2008			
	SGD	USD	RMB	Others	SGD	USD	RMB	Others
Group								
Cash and cash equivalents	1,912	123	–	9	531	33	–	5
Trade receivables	88	2,111	–	90	–	1,815	–	–
Other receivables	837	88	399	–	115	388	–	956
Trade payables	1,874	654	–	216	5,043	252	–	407
Other payables	1,215	249	–	26	131	305	–	956
Finance lease	619	–	–	–	59	–	–	–
Borrowings	4,508	–	–	–	1,235	–	–	–
Company								
Cash and cash equivalents	164	–	–	–	118	–	–	–
Other receivables	68	–	–	–	39	–	–	–
Other payables	332	–	–	–	128	–	–	–
Borrowings	4,508	–	–	–	1,235	–	–	–

Foreign currency sensitivity

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

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

	SGD Impact		USD Impact		RMB Impact		Others Impact	
	2009	2008	2009	2008	2009	2008	2009	2008
Group								
Profit or loss	(538)	(459)	142	168	40	–	(14)	(40)
Company								
Profit or loss	(461)	3	–	–	–	–	–	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) *Interest rate risk management*

The Group is exposed to interest rate risks as the Group borrows funds at both fixed and floating interest rates (see Note 15 and 16 to the financial statements for details of these borrowings). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

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

Interest rate sensitivity

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

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended December 31, 2009 would decrease/increase by USD129,000 (2008 : decrease/ increase by USD123,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate borrowings.

(iv) *Credit risk management*

Credit risk refers to the risk that debtors/counterparties will default on their obligations to repay the amount owing to the Group, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. A substantial portion of the Group's revenue is on credit terms. These credit terms are normally contractual. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

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

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

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

The age analysis of trade receivables is as follows:

	Group	
	2009 USD'000	2008 USD'000
Not past due (i)	25,216	12,808
91 days to 180 days (ii)	1,775	48
> 180 days (ii)	118	80
Total	27,109	12,936

(i) Trade receivables that are neither past due nor impaired are substantially compares with good collection track record with the Group.

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

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

(v) *Liquidity risk management*

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Liquidity and interest risk analyses

Non-derivative financial assets

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

	Weighted average effective interest rate%	On demand or Less than 1 year USD'000	Between 1 to 5 years USD'000	Adjustments USD'000	Total USD'000
Group					
2009					
Non-interest bearing	–	85,249	1,450	–	86,699
Variable interest rate	1.54	349	–	(5)	344
Total		85,598	1,450	(5)	87,043
2008					
Non-interest bearing	–	24,726	1,510	–	26,236
Variable interest rate	1.73	3,866	–	(66)	3,800
Total		28,592	1,510	(66)	30,036
Company					
2009					
Non-interest bearing	–	127,648	–	–	127,648
Variable interest rate	1.54	312	–	(5)	307
Total		127,960	–	(5)	127,955
2008					
Non-interest bearing	–	90,803	–	–	90,803
Variable interest rate	1.73	3,860	–	(66)	3,800
Total		94,669	–	(66)	94,603

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 cashflows 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 postion.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Weighted average effective interest rate %	On demand less than 1 year USD'000	Between 1 to 5 years USD'000	More than five years USD'000	Adjustments USD'000	Total USD'000
Group						
2009						
Non-interest bearing	–	12,599	–	–	–	12,599
Fixed interest rate	6.86	125	597	–	(103)	619
Variable interest rate	4.96	15,194	11,980	306	(1,298)	26,182
Total		27,918	12,577	306	(1,401)	39,400
2008						
Non-interest bearing	–	23,045	–	–	–	23,045
Fixed interest rate	6.78	19	47	–	(7)	59
Variable interest rate	6.73	7,701	17,658	4,893	(1,908)	28,344
Total		30,765	17,705	4,893	(1,915)	51,448
Company						
2009						
Non-interest bearing	–	332	–	–	–	332
Variable interest rate	5.52	6,339	3,386	308	(525)	9,508
Total		6,671	3,386	308	(525)	9,840
2008						
Non-interest bearing	–	8,290	–	–	–	8,290
Variable interest rate	4.98	3,316	544	630	(213)	4,277
Total		11,606	544	630	(213)	12,567

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

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accept pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

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

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

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

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

The derivative financial liability as disclosed in Note 17 to the financial statements is classified under Level 2.

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

5 OTHER RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Associates also include those that are associates of the holding and other related companies.

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.

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

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to September 30, 2008 (15 months) USD'000
Professional fee expense	7	97
Technical assistance expense	199	1,052
Bareboat charges	–	(1,625)
Sales of goods	(84)	–
Sales of services	(20)	–
Rental expense	158	–
Purchase of services	13	2,903
Purchase of plant and equipment	–	(16,000)

5 OTHER RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

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

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to September 30, 2008 (15 months) USD'000
Short-term benefits	2,088	1,611
Post-employment benefits	60	65
Total	2,148	1,676

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	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Cash on hand and bank balances	47,989	6,471	34,326	739
Fixed deposits	344	3,800	307	3,800
Total	48,333	10,271	34,633	4,539
Less: Fixed deposits and bank balances pledged	(1,279)	(908)	(300)	(300)
Cash and cash equivalents	47,054	9,363	34,333	4,239

Fixed deposits bear interests at effective interest rate ranging from 0.62% to 2.45% (2008 : 1.00% to 2.45%) per annum and for a tenure of 3 days to a year (2008 : 30 days).

Pledged fixed deposits of the Company amounting to USD300,000 (2008 : USD300,000) and bank balances of the subsidiaries amounting to USD979,000 (2008 : USD608,000), totalling USD1,279,000 (2008 : USD908,000), are pledged to a financial institution in respect of banking facilities provided to the Company and the subsidiaries (Note 16).

6 CASH AND BANK BALANCES (cont'd)

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

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Singapore Dollars	1,912	531	164	118
United States Dollars	123	33	–	–
Mexican Peso	53	–	–	–
Hong Kong Dollars	9	5	–	–

7 TRADE RECEIVABLES

	Group	
	2009 USD'000	2008 USD'000
Outside parties	27,109	12,936

The average credit period on sales of goods is 90 days (2008 : 90 days). No interest is charged on the outstanding trade receivable balance.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The management are of opinion that there is no credit provision required.

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

	Group	
	2009 USD'000	2008 USD'000
United States Dollars	2,111	1,815
United Arab Emirates Dirham	90	–
Singapore Dollars	88	–

8 OTHER RECEIVABLES

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Due from associate (Note 12)	6,422	1,634	–	–
Other receivables	4,134	3,702	–	7
Prepayments	1,198	1,678	35	21
Due from related parties (Note 5)	541	–	–	–
Sundry deposits	504	1,493	33	32
Dividend receivable	–	–	–	73,400
Due from subsidiaries (Note 11)	–	–	93,289	16,625
Total	12,799	8,507	93,357	90,085
Less: Non-current	(1,450)	(1,510)	–	–
Current	11,349	6,997	93,357	90,085

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

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Singapore Dollars	837	115	68	39
Chinese Renminbi	399	–	–	–
United States Dollars	88	388	–	–
Norwegian Kroner	–	956	–	–

9 INVENTORIES

	Group	
	2009 USD'000	2008 USD'000
Equipment components, at cost	863	1,188

Notes to Financial Statements (cont'd)

December 31, 2009

10 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings USD'000	Freehold land USD'000	Leasehold office premises USD'000	Vessels USD'000	Plant and machinery USD'000	Furniture and fittings USD'000	Renovation USD'000	Motor vehicles USD'000	Total USD'000
Cost or valuation:									
At October 1, 2007	581	69	2,134	73,931	229	173	–	287	77,404
Additions	412	–	–	56,898	151	34	116	51	57,662
Disposals	–	–	–	–	(64)	(30)	–	(24)	(118)
Translation adjustment	(112)	(13)	–	–	(10)	(6)	–	(18)	(159)
At December 31, 2008	881	56	2,134	130,829	306	171	116	296	134,789
Additions	–	–	–	35,918	35	1	6	373	36,333
Arising on acquisition of subsidiaries (Note 28)	–	–	–	1,639	222	122	396	487	2,866
Disposal on disposal of a subsidiary (Note 29)	–	–	–	(28,136)	–	–	–	–	(28,136)
Disposals	–	–	–	(22)	(20)	(1)	–	–	(43)
Translation adjustment	32	2	–	40	22	4	4	13	117
At December 31, 2009	913	58	2,134	140,268	565	297	522	1,169	145,926
Comprising:									
December 31, 2008									
At cost	881	56	2,134	127,567	306	171	116	296	131,527
At valuation	–	–	–	3,262	–	–	–	–	3,262
Total	881	56	2,134	130,829	306	171	116	296	134,789
December 31, 2009									
At cost	913	58	2,134	137,006	565	297	522	1,169	142,664
At valuation	–	–	–	3,262	–	–	–	–	3,262
Total	913	58	2,134	140,268	565	297	522	1,169	145,926

Notes to Financial Statements (cont'd)

December 31, 2009

10 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Buildings USD'000	Freehold land USD'000	Leasehold office premises USD'000	Vessels USD'000	Plant and machinery USD'000	Furniture and fittings USD'000	Renovation USD'000	Motor vehicles USD'000	Total USD'000
Accumulated depreciation:									
At October 1, 2007	9	–	–	9,327	94	96	–	45	9,571
Depreciation	82	–	43	5,137	77	30	42	71	5,482
Disposals	–	–	–	–	(54)	(31)	–	(5)	(90)
Translation adjustment	(18)	–	–	–	(3)	–	–	(10)	(31)
At December 31, 2008	73	–	43	14,464	114	95	42	101	14,932
Arising on acquisition of subsidiary (Note 28)	–	–	–	244	154	113	291	216	1,018
Disposal on disposal of subsidiary (Note 29)	–	–	–	(1,098)	–	–	–	–	(1,098)
Depreciation	44	–	34	5,668	99	23	63	187	6,118
Disposals	–	–	–	(22)	(19)	(1)	–	–	(42)
Translation adjustment	4	–	–	6	6	3	5	6	30
At December 31, 2009	121	–	77	19,262	354	233	401	510	20,958
Carrying amount:									
At December 31, 2008	808	56	2,091	116,365	192	76	74	195	119,857
At December 31, 2009	792	58	2,057	121,006	211	64	121	659	124,968

During the year, borrowing costs of USD97,000 (Note 24) has been included in the cost of the qualifying asset in accordance with FRS23 *Borrowing Costs.*

10 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold office premises USD'000	Furniture and fittings USD'000	Plant and machinery USD'000	Renovation USD'000	Total USD'000
Cost:					
At October 1, 2007	2,134	–	5	–	2,139
Additions	–	25	114	115	254
At December 31, 2008	2,134	25	119	115	2,393
Additions	–	–	1	–	1
At December 31, 2009	2,134	25	120	115	2,394
Accumulated depreciation:					
At October 1, 2007	–	–	1	–	1
Additions	43	5	20	42	110
At December 31, 2008	43	5	21	42	111
Additions	34	5	38	38	115
At December 31, 2009	77	10	59	80	226
Carrying amount:					
At December 31 2008	2,091	20	98	73	2,282
At December 31, 2009	2,057	15	61	35	2,168

A vessel was revalued as at December 31, 2005 and December 31, 2006 by a firm of independent professional valuers, at open market value on an existing use basis, as requested by a financial institution for loan purposes. The vessel was not revalued as at December 31, 2009 and 2008 as the management is of the view that the carrying value of the vessel approximates its fair value.

At December 31, 2009, had the vessel been carried at historical cost less accumulated depreciation, its carrying amount would have been approximately USD2,016,000 (2008 : USD2,161,000).

The carrying amounts of the Group's certain plant and equipment includes an amount of USD558,000 (2008 : USD97,500) secured in respect of assets held under finance leases (Note 15).

The Group and the Company has pledged leasehold office premises amounting to USD2,057,000 (2008 : USD2,091,000) and vessels amounting to USD53,223,000 (2008 : USD60,961,000) with a carrying amount of USD55,280,000 (2008 : USD63,052,000) to secure banking facilities granted to the Group and the Company (Note 16).

11 INVESTMENT IN SUBSIDIARIES

	Company 2009 USD'000	Company 2008 USD'000
Unquoted equity shares, at cost:		
At beginning of year	165,893	165,893
Addition	783	–
At end of year	166,676	165,893

The balances with subsidiaries are unsecured, interest-free and repayable on demand unless stated otherwise. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in the financial statements.

Details of the Company's subsidiaries as at December 31, 2009 and 2008 are as follows:

Name of entity	Cost of investment 2009 USD'000	Cost of investment 2008 USD'000	Equity interest and voting power held 2009 %	Equity interest and voting power held 2008 %	Place of incorporation/ operation	Principal activities
Held by the Company:						
Falcon Energy Projects Pte. Ltd. (1)	716	*	100	100	Singapore	Investment holding
Falcon Oilfield Services Pte. Ltd. (1)	67	*	100	100	Singapore	Investment holding
FEG Offshore Pte. Ltd. (1)	*	*	100	100	Singapore	Investment holding
Oilfield Services Company Limited (2)	165,893	165,893	100	100	Hong Kong	Investment holding
	166,676	165,893				

* *Amount less than USD1,000*

11 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of entity	Equity interest and voting power held 2009 %	2008 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Asetanian Marine Pte Ltd (1)	100	100	Singapore	Ship manager
Astanient S.A. de C.V. (3)	65	100	Republic of Mexico	Providing services to oil field companies
Atlantic Marine S.A. (4)	100	100	Republic of Panama	Vessel owner and charterer
Axus Marine Pte Ltd (1) (5)	100	–	Singapore	Vessel owner and charterer
CDS Oilfield Service (S) Pte Ltd (1) (6)	86.67	–	Singapore	Dormant
CDS Oilfield Service (Tianjin) Co., Ltd (6) (7)	65	–	People's Republic of China	International trade logistics and oilfield services of engineering technical and consultation
Century Marine S.A. (4)	100	100	Republic of Panama	Vessel owner and charterer
Excel Marine S.A. (4)	100	100	Republic of Panama	Vessel owner and charterer
Falcon Oilfield Projects Inc. (4) (5)	100	–	British Virgin Islands	Project management
Falcon Oilfield Services (USA) Inc. (8)	100	100	United States of America	Providing services to oil field companies

Notes to Financial Statements (cont'd)

December 31, 2009

11 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of entity	Equity interest and voting power held 2009 %	2008 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Imel Assets Corporation (4)	100	100	Republic of Panama	Vessel owner and charterer
Imperial Marine S.A. (4)	100	100	Republic of Panama	Vessel owner and charterer
Innovest Resources Ltd (4)	100	100	British Virgin Islands	Vessel owner and charterer
Longzhu Oilfield (S) Services Pte Ltd (1) (6)	51.75	–	Singapore	Shipping agencies for offshore oilfield explorations, construction and marine transportations
Longzhu Resources Pte Ltd (1) (5)	65	–	Singapore	Trading of sand
Morrison Marine Services S.A. (4)	100	100	Republic of Panama	Vessel owner and charterer
Motley Trio Offshore Pte Ltd (4)	100	100	British Virgin Islands	Vessel owner and charterer
Otira Corporation (4) (9) (Note 12)	49	100	British Virgin Islands	Bareboat charterer
Passiflora Capital Limited (4)	100	100	British Virgin Islands	Bareboat charterer

11 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of entity	Equity interest and voting power held		Place of incorporation/ operation	Principal activities
	2009 %	2008 %		
Held by subsidiaries:				
Sears Marine S.A. [4]	100	100	Republic of Panama	Vessel owner and charterer
Terasa-Star International Shipping Pte Ltd [1] [6]	65	–	Singapore	Provision of shipping and transportation services and sales of demulsifies
Trio Victory Inc. [4]	100	100	British Virgin Islands	Vessel owner and charterer

Notes on auditors:

(1) Audited by Deloitte & Touche LLP, Singapore.
(2) Audited by overseas practices of Deloitte Touche Tohmatsu.
(3) Audited by DFK Lopez Novelo, S.C.P.
(4) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes. Not required to be audited in the country of incorporation.
(5) Incorporated during the financial year
(6) Acquired during the financial year.
(7) Audited by Tian Jin Hua Xiang United Accounting Firm. The entity is audited by Deloitte & Touche LLP, Singapore for consolidation purposes.
(8) Audited by Lee, Huang & Associates, P.C.
(9) In 2009, the Company disposed 51% shareholdings in Otira Corporation. As a result of the disposal, the Group does not exercise any power to govern the financial and operating policies of Otira Corporation. Consequently, the investment in Otira Corporation is reclassified from investment in subsidiaries to investment in associates (Note 12).

12 INVESTMENT IN ASSOCIATES

	Group 2009 USD'000	Group 2008 USD'000	Company 2009 USD'000	Company 2008 USD'000
Cost of investment in associates	5,656	5,500	–	–
Share of post acquisition profit	372	290	–	–
Total	6,028	5,790	–	–

Details of the Group's associates at December 31, 2009 and 2008 are as follows:

Name of entity	Equity interest and voting power held 2009 %	Equity interest and voting power held 2008 %	Place of incorporation/ operation	Principal activities
Held by subsidiaries:				
Federal Offshore Services Pte Ltd [1]	40	40	Singapore	Vessel owner and charterer
FLZ Marine Pte Ltd [1]	29	–	Singapore	Dormant
Otira Corporation (Note 11)	49	–	British Virgin Islands	Bareboat Charterer

[1] Both entities are audited by another firm of Certified Public Accountants.

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

Statement of financial position	Group 2009 USD'000	Group 2008 USD'000
Total assets	66,210	35,154
Total liabilities	(51,229)	(20,679)
Net assets	14,981	14,475
Group's share of associate's net assets	6,028	5,790
Statement of comprehensive income		
Revenue	8,653	5,384
Profit for the year	188	725
Group's share of associate's profit for the year	82	290

13 TRADE PAYABLES

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Outside parties	7,330	5,901	–	–

The average credit period on purchases of goods is 30 days (2008 : 30 days). The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Singapore Dollars	1,874	5,043	–	–
United States Dollars	654	252	–	–
Thai Baht	77	254	–	–
Saudi Arabia Rial	59	–	–	–
Indian Rupee	58	–	–	–
Malaysian Ringgit	20	55	–	–
Euro Dollars	1	–	–	–
Indonesian Rupiah	1	98	–	–

14 OTHER PAYABLES

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Accrued expenses	3,432	1,708	236	157
Due to related parties (Note 5)	693	8,450	–	1,000
Advance billing	456	3,344	–	–
Due to directors	–	410	–	400
Due to subsidiaries (Note 11)	–	–	–	6,097
Other payables	688	3,232	96	636
Total	5,269	17,144	332	8,290

The amount due to related parties and directors are unsecured, interest-free and are repayable on demand.

14 OTHER PAYABLES (cont'd)

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

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Singapore Dollars	1,215	131	332	285
United States Dollars	249	305	–	–
United Arab Emirates Dirham	26	–	–	–
Norwegian Kroner	–	956	–	–

15 FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Amounts payable under finance leases:				
Within one year	125	19	96	16
In the second to fifth years inclusive	597	47	523	43
Total	722	66	619	59
Less: Future finance charges	(103)	(7)	NA	NA
Present value of lease obligations	619	59	619	59
Less: Due within 12 months			(96)	(16)
Due after 12 months			523	43

It is the Group's policy to lease certain of its plant and equipment under finance leases. The lease terms were for an average of 7 years (2008: 5 years). The effective borrowing rate was 4.240% to 8.148% (2008 : 5.562% to 8.148%) per annum. Interest rates are fixed at the contract date and thus expose the Group to fair value interest rate risk. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Singapore dollars.

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.

16 BORROWINGS

	Group 2009 USD'000	Group 2008 USD'000	Company 2009 USD'000	Company 2008 USD'000
Bank loan I	4,050	7,050	–	–
Bank loan II	1,146	1,236	1,146	1,236
Bank loan III	6,152	7,208	–	–
Bank loan IV	5,000	3,041	5,000	3,041
Bank loan V	–	9,809	–	–
Bank loan VI	6,180	–	–	–
Bank loan VII	292	–	–	–
Bank loan VIII	3,362	–	3,362	–
Total	26,182	28,344	9,508	4,277
Less: Current portion	(14,476)	(7,215)	(6,007)	(3,159)
Non-current portion	11,706	21,129	3,501	1,118

The bank loans are repayable as follows:

	Group 2009 USD'000	Group 2008 USD'000	Company 2009 USD'000	Company 2008 USD'000
Within one year	14,476	7,215	6,007	3,159
Within two to five years	11,414	16,545	3,209	518
After five years	292	4,584	292	600
Total	26,182	28,344	9,508	4,277

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

Loan I — An outstanding loan of USD4.05 million (2008 : USD7.05 million). Monthly repayment of USD250,000 commenced on April 2007 for 36 months and thereafter monthly repayment of USD150,000 until January 2012. The loan was secured by a charge over certain of the Group's vessels and bank balances of at least one month of instalment. The loan carries interest at 1.75% plus prime rate per annum. The effective interest for the loan is 4.37% (2008 : 5.82%) per annum.

Loan II — An outstanding loan of USD1.15 million (2008 : USD1.24 million). The loan is denominated in Singapore dollars and was obtained for the purpose of financing the purchase of leasehold office premises. The term loan is repayable within 10 years commencing in September 2007, with a first year payment of SGD19,946 per month, the remaining years at SGD21,079 per month. The loan is secured on the leasehold office premises with a carrying amount of USD2,057,000 (2008 : USD2,091,000) and fixed deposit of USD300,000 (2008 : USD300,000). The loan carries interest at prime rate less 1.02% per annum. The effective interest for the loan is 4.88% (2008 : 3.68%) per annum.

16 BORROWINGS (cont'd)

Loan III — An outstanding loan amount of USD6.15 million (2008 : USD7.21 million). Monthly repayment of USD88,000 commenced on April 2008 for 22 months and thereafter monthly repayment of USD64,500 until September 2012. The loan was secured by a charge over certain of the Group's vessels and bank balances of at least one month of instalment. The loan carries interest at 1.75% plus prime rate per annum. The effective interest for the loan is 4.37% (2008 : 5.82%) per annum.

Loan IV — An outstanding revolving credit loan amount of USD5.00 million (2008 : USD3.04 million). The loan was secured by a charge over certain of the Group's vessels. The loan carries interest at 2% plus prime rate per annum. The effective interest for the loan is 6.00% (2008 : 6%) per annum.

Loan V — The loan of USD9.80 million was raised on October 2008. The loan was secured by a charge over certain of the Group's vessels. The loan carries interest at 2.9% plus average LIBOR rate. The effective interest for the loan is 3.48% per annum.

During the year, the loan was deconsolidated as part of the Group's dilution of shareholdings in a subsidiary (Note 29).

Loan VI — An outstanding loan amount of USD6.18 million (2008:USDNil). The loan is repayable in 19 quarterly instalment of USD320,000 commencing September 25, 2009 and one final instalment of USD420,000. The loan was secured by mortgage over certain Group's vessel, charter hire income of certain Group's vessels and bank balances equivalent to a quarter instalment of USD371,000. The effective interest rate for the loan is 5.5% (2008 : Nil%) per annum.

Loan VII — An outstanding loan amount of USD0.3 million (2008: USDNil). The bank loan is to be fully repaid within the next financial year over a monthly instalment of USD36,000 each. Interest is charged over the bank's United States Dollar's cost of funds. The effective interest for the loans is 2.29% (2008 : Nil%) per annum. The loan was secured by mortgage over one of the Group's vessel, charter hire income of the vessel and certain properties and vehicles belonging to certain directors of the Group.

Loan VIII — An unsecured outstanding loan amount of USD3.36 million (2008: USDNil). The loan is denominated in Singapore dollars and has a monthly repayment of SGD115,239, commencing on October 2009. The loan carries fixed interest at 5.0%.

17 DERIVATIVE FINANCIAL LIABILITY

	Group		Company	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Fair value of interest rate swap	111	–	–	–

The Group uses interest rate swap, which is due in 5 years, to manage its exposure to interest rate movements on its bank borrowings, which had been fully drawn down as at the end of the reporting period, by swapping the borrowing from floating rates to fixed rates. Borrowing with nominal value of USD6.15 million (2008 : USDNil) have floating interest payments at cost at fund plus variable rate of 2% per annum. The floating rate has been swapped to fixed rate of 5.5% (2008 : Nil%) per annum.

The fair value of swap entered into at December 31, 2009 is estimated to be a loss of approximately USD111,000 (2008 : USDNil) This amount is based on quoted market prices for equivalent instruments at the end of reporting period. The interest rate swap was accounted for at fair value, which adjustment loss of USD111,000 is recognised in profit or loss.

18 SHARE CAPITAL

	Group and Company			
	2009	2008	2009	2008
	Number of ordinary shares		USD'000	USD'000
Issued and paid up:				
At beginning of year	710,418,754	80,436,937	179,524	8,132
Issue of shares:				
- for acquisition of subsidiaries	23,716,216	629,981,817	5,953	171,392
- for placement of new shares	80,000,000	–	40,347	–
At end of year	814,134,970	710,418,754	225,824	179,524

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.

During the year, the Company issued shares in relation to the acquisition of subsidiaries (Note 28) and for the placement of new shares.

19 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 Executive Director and 8 years for Non-executive Director and Employees from June 5, 2011, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

19 SHARE-BASED PAYMENTS (cont'd)

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

	Group and Company			
	2009		2008	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
Outstanding at the beginning of the year	–	–	–	–
Granted	4,600,000	0.40	–	–
Cancelled	–	–	–	–
Outstanding at the end of the year	4,600,000	0.40	–	–
Exercisable at end of year	–	–	–	–

The weighted average share price at the date of grant for share options granted during the year was S$0.40 (2008 : Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 2 years (2008 : Nil).

The options were granted on June 5, 2009. The estimated fair values of the options granted on those dates were USD639,000.

For the financial year ended December 31, 2009, the Group and the Company recognised an expense of USD160,000 related to fair value of the options granted and a corresponding credit to the share option reserve.

These fair values for share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2009	2008
Weighted average share price (S$)	0.50	–
Weighted average exercise price (S$)	0.40	–
Expected volatility (%)	47	–
Expected life (years)	2	–
Risk free rate (%)	2.00	–
Expected divided yield (%)	2.28	–
Discount rate (%)	20	–

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years. 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.

20 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.

21 REVALUATION RESERVE

The revaluation reserve arises on the revaluation of vessels. Where revalued vessels are sold, the portion of revaluation reserves that relates to the assets is effectively realised and should be transferred directly to the accumulated profits.

The revaluation reserves are not available for distribution to the Company's shareholders.

22 REVENUE

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Chartered hire income	42,975	58,628
Services rendered	29,779	1,260
Sales of goods	16,451	13,950
Total	89,205	73,838

23 OTHER OPERATING INCOME

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Other vessel operation income	1,943	2,059
Gain on dilution of a subsidiary to associate (Note 29)	1,037	–
Sundry income	443	3,665
Interest income	232	147
Negative goodwill on acquisition of subsidiaries (Note 28)	192	–
Government grant – Jobs credit scheme	130	–
Foreign exchange gain – net	–	365
Total	3,977	6,236

In 2008, the sundry income included a one-time gain of USD3,662,000 on a disposal of a newly acquired vessel purchased in the same year.

24 FINANCE COSTS

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Interest expenses to non-related companies:		
- Bank borrowings	1,107	1,153
- Finance leases	14	6
Fair value charges on derivative financial liability charged to profit or loss	111	–
Total	1,232	1,159
Less: Interest amount capitalised in property, plant and equipment (Note 10)	(97)	–
Net	1,135	1,159

25 PROFIT BEFORE INCOME TAX

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

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Audit fees:		
- auditors of the Company	184	117
- other auditors of the Company	17	111
Cost of defined contribution plans included in employee benefits expense	235	168
Directors' remuneration:		
- of the Company	346	–
- of the subsidiaries	1,024	679
Directors' fee	72	79
Depreciation of property, plant and equipment	6,118	5,482
Employee benefits expense (including directors' remuneration)	5,414	6,738
Loss on disposal of property, plant and equipment	1	20
Net foreign exchange losses (gains)	908	(365)
Non-audit fees:		
- auditors of the Company	37	14
- former auditors of the Company	–	363
- other auditors of the Company	22	24
Share-based payments	160	–

26 INCOME TAX EXPENSE

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Current tax		
- Singapore	770	–
- Foreign	58	647
Under-provision of current tax in prior years	32	3
Net	860	650

Domestic income tax is calculated at 17% (2008 : 18%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

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

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Profit before income tax	30,300	36,759
Income tax expense at Singapore's statutory rate of 17% (2008 : 18%)	5,151	6,617
Tax effect of non-taxable income	(5,158)	(6,576)
Tax effect of non-deductible expenses	820	389
Under-provision in prior years	32	3
Effect of different tax rates of subsidiaries operating in other tax jurisdiction	15	217
Income tax expense	860	650

27 EARNINGS PER SHARE

	Group	
	January 1, 2009 to December 31, 2009 (12 months) Basic	October 1, 2007 to December 31, 2008 (15 months) Basic
Earnings:		
Profit attributable to equity holders of the Company (USD'000)	28,093	36,109
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	746,230	707,017*
Effect of dilutive potential ordinary shares - share options	2,683	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	748,913	707,017*
Earnings per share (US cents):		
- Basic	3.76	5.15
- Diluted	3.75	5.15

* *The weighted average number of shares in 2008 had been adjusted for the potential share to be issued for the acquisition of OSCL group under the merger accounting.*

28 ACQUISITION OF SUBSIDIARIES

On April 30, 2009, the Group acquired 65% equity interest in Teresa-Star International Shipping Pte Ltd, 51.75% of the equity interest in Longzhu Oilfield Services (S) Pte Ltd and 86.67% of the equity interest in CDS Oilfield Services Pte Ltd for cash consideration of USD5,953,000 (equivalent to S$8,775,000).This transaction has been accounted for by the purchase method of accounting.

As part of the above acquisition and arrangement under the sales and purchase agreement, the Group diluted its equity interest in a wholly-owned subsidiary. Astanient S.A. de. C.V. to 65%. The effective date is on January 1, 2009. The loss on dilution of USD743,000 is offsetted against the negative goodwill arising on acquisition.

The effective date for the completion of the acquisition, as determined by management, is April 30, 2009.

28 ACQUISITION OF SUBSIDIARIES (cont'd)

The net assets acquired in the transaction based on the audited financial statements of the respective entities for the financial period ended April 30, 2009, are as follows:

	2009 USD'000
Property, plant and equipment	1,848
Inventories	1,171
Trade receivables	5,306
Other receivables	3,245
Cash and cash equivalents	4,468
Trade payables	(2,231)
Other payables	(2,030)
Provision for taxation	(353)
Term loans	(579)
Finance lease	(265)
	10,580
Less: Minority interest	(4, 435)
Net asset acquired	6,145
Negative goodwill [(1)]	(192)
Total consideration, satisfied by issue of new shares	5,953
Net cash inflow from acquisition	4,468

[(1)] Included the loss of dilution of USD743,000

Management has indicated and represented that the carrying value of the net assets acquired as at April 30, 2009 approximates to its fair value.

In 2009, the above subsidiaries contributed USD32,633,000 to the Group's revenue and USD3,811,000 to the Group's profit after tax for the period between the date of acquisition and at the end of the reporting period.

If the acquisition had been completed on January 1, 2009, total Group's revenue for the year would have been USD94,453,000 and profit for the year would have been USD30,565,000.

29 DILUTION OF A SUBSIDIARY TO ASSOCIATE

As referred in Note 11 to the financial statements, on December 1, 2009, the Company has disposed off 51% of its shareholdings in a subsidiary, Otira Corporation. The effects of dilution are as follows:

	2009 USD'000
Plant and equipment	27,038
Prepayment	337
Borrowing	(19,716)
Other payables	(7,340)
Net identifiable assets	319
Reclassified to investment in associates	(156)
Net identifiable assets disposal	163
Gain on dilution	1,037
Total consideration	1,200

The total consideration remained outstanding as at year end and are included in other receivables per Note 8 to the financial statements.

30 DIVIDEND

The Board of Directors is pleased to recommend a tax exempt one-tier final dividend of S$0.01 per share (2008 : S$0.01 per share), payable on ordinary shares, in respect of the financial year ended December 31, 2009 for approval by shareholders at the next Annual General Meeting to be convened. In accordance with FRS 10 – Events After the Balance Sheet Date, the amount in not taken up as a liability.

During the financial year

(i) a tax exempt (1-tier) final dividend of S$0.01 per ordinary shares on 734,134,970 shares amounting to approximately S$7,341,000 (USD4,980,000) was paid to shareholders in respect on the financial year ended December 31, 2008.

(ii) a tax exempt (1-tier) interim dividend of S$0.005 per ordinary shares on 734,134,970 shares amounting to approximately S$3,671,000 (USD2,546,000) was paid to shareholders in respect of the financial year ended December 31, 2009.

31 OPERATING LEASES

	Group	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
The Group as lessee		
Minimum lease payments paid under operating leases recognised as expense in the year	492	338

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

	Group	
	2009 USD'000	2008 USD'000
Within one year	362	119
In the second to fifth year inclusive	–	9
Total	362	128

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

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	
	January 1, 2009 to December 31, 2009 (12 months) USD'000	October 1, 2007 to December 31, 2008 (15 months) USD'000
Charter hire income	42,975	58,628
Within one year	13,011	22,532
Within two to five years	7,397	32,142
After five years	–	30,118
Total	20,408	84,792

All vessels held have committed customers for 1 to 3 years (2008 : 1 to 8.5 years).

32 FUTURE CAPITAL EXPENDITURE AND COMMITMENTS

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

	Group	
	2009 USD'000	2008 USD'000
Contracted but not provided for:		
- for investments in subsidiaries and associate	–	6,098
- for acquisition of property, plant and equipment	–	22,300

33 SEGMENT INFORMATION

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

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

The Group is principally engaged in three reportable segments, namely (1) Marine - vessel owner and charterer, (2) Oilfield services - sourcing spare parts and machineries, and providing services to oilfield companies and (3) Oilfield projects - services to oilfield companies providing shipping and transportation services, sales of demulsifiers and international trade, logistics and oilfield services of engineering, technical and consultation and shipping agencies for offshore oilfield explorations, construction and marine transportation

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

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

33 SEGMENT INFORMATION (cont'd)

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

	Marine USD'000	Oilfield services USD'000	Oilfield projects USD'000	Elimination USD'000	Total USD'000
2009					
Revenue					
External sales	42,975	39,686	6,544	–	89,205
Inter-segment sales	–	2,370	–	(2,370)	–
Total revenue	42,975	42,056	6,544	(2,370)	89,205
Result					
Segment result	25,444	4,747	4,124	–	34,315
Unallocated expenses					(3,194)
Operating profit from operations					31,121
Share of net profit of associates					82
Interest income	44	13	–	175	232
Finance costs	(642)	(20)	(197)	(276)	(1,135)
Profit before income tax					30,300
Income tax expense					(860)
Profit for the year					29,440
2008					
Revenue					
External sales	58,628	15,210	–	–	73,838
Inter-segment sales	–	1,098	–	(1,098)	–
Total revenue	58,628	16,308	–	(1,098)	73,838
Result					
Segment result	36,201	2,464	–	–	38,665
Unallocated expenses					(1,184)
Operating profit from operations					37,481
Share of net profit of associates					290
Interest income	91	53	–	3	147
Finance costs	(1,014)	–	–	(145)	(1,159)
Profit before income tax					36,759
Income tax expense					(650)
Profit for the year					36,109

Segment assets represent cash and bank balances, trade receivables, other receivables, inventories, property, plant and equipment and investment in associates 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.

33 SEGMENT INFORMATION (cont'd)

	Marine USD'000	Oilfield services USD'000	Oilfield projects USD'000	Elimination USD'000	Total USD'000
Assets and Liabilities					
December 31, 2009					
Segment assets	137,751	25,422	20,058	–	183,231
Unallocated assets					36,869
Consolidated total assets					220,100
Segment liabilities	20,903	9,157	556	–	30,616
Unallocated liabilities					9,827
Consolidated total liabilities					40,443
December 31, 2008					
Segment assets	147,472	4,196	–	–	151,668
Unallocated assets					6,881
Consolidated total assets					158,549
Segment liabilities	43,486	1,808	–	–	45,294
Unallocated liabilities					6,470
Consolidated total liabilities					51,764

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

Unallocated corporate liabilities represent other payables and borrowings at corporate level.

	Marine USD'000	Oilfield services USD'000	Oilfield projects USD'000	Unallocated USD'000	Total USD'000
2009					
Capital additions	24,506	580	11,246	1	36,333
Depreciation of property, plant and equipment	4,525	371	1,106	116	6,118
2008					
Capital additions	56,938	470	–	254	57,662
Depreciation of property, plant and equipment	5,203	169	–	110	5,482

33 SEGMENT INFORMATION (cont'd)

Geographical information

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

	Revenue USD'000	Assets USD'000	Capital additions USD'000
January 1, 2009 to December 31, 2009 (12 months)			
Asia	66,672	90,632	11,339
America	10,076	129,468	24,994
Middle East	12,457	–	–
Total	89,205	220,100	36,333
October 1, 2007 to December 31, 2008 (15 months)			
Asia	57,577	20,680	298
America	15,210	137,869	57,364
Others	1,051	–	–
Total	73,838	158,549	57,662

Information about major customers

For the financial year ended December 31, 2009, revenue from the largest customer per segment is as follows:

	Group January 1, 2009 to December 31, 2009 (12 months) USD'000	Group October 1, 2007 to December 31, 2008 (15 months) USD'000
Marine	12,019	15,120
Oilfield services	26,901	15,173
Oilfield projects	6,176	–

34 EVENTS AFTER THE REPORTING PERIOD

On February 5, 2010, the Group announced the acquisition of 205,000,000 ordinary shares, representing 29.07% shareholdings, in CH Offshore Ltd. CH Offshore Ltd is a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). The purchase consideration for acquisition is S$143.5 million and is satisfied entirely by cash.

Statistics of Shareholdings

As at 19 March 2010

Number of share	–	814,134,970
Class of shares	–	Ordinary shares
Voting rights	–	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	119	6.54	12,591	0.00
1,000 – 10,000	794	43.62	5,775,452	0.71
10,001 – 1,000,000	873	47.97	71,404,135	8.77
1,000,001 and above	34	1.87	736,942,792	90.52
Total:	1,820	100.00	814,134,970	100.00

Twenty Largest Shareholders

	Name	No. of Shares	%
1.	Tan Pong Tyea	371,740,700	45.66
2.	Amfraser Securities Pte. Ltd.	48,338,997	5.94
3.	HSBC (Singapore) Nominees Pte Ltd	31,877,000	3.92
4.	Citibank Nominees Singapore Pte Ltd	31,561,000	3.88
5.	Cheng Ting Chak	24,902,371	3.06
6.	Cai Wenting	23,716,216	2.91
7.	Cheng Kwong Fan	22,898,732	2.81
8.	Kim Eng Securities Pte. Ltd.	22,817,432	2.80
9.	Longzhu Oilfield Services Limited	22,594,595	2.78
10.	DBSN Services Pte Ltd	21,312,000	2.62
11.	Camelot Capital Consultants Ltd	17,459,459	2.14
12.	DBS Nominees Pte Ltd	13,543,015	1.66
13.	Neo Chin Lee	10,000,000	1.23
14.	Tan Sooh Whye	10,000,000	1.23
15.	Glenealy Gold Investments Limited	7,038,460	0.86
16.	OCBC Securities Private Ltd	6,984,665	0.86
17.	Lim & Tan Securities Pte Ltd	5,912,000	0.73
18.	Raffles Nominees (Pte) Ltd	4,710,000	0.58
19.	United Overseas Bank Nominees Pte Ltd	4,446,150	0.55
20.	UOB Kay Hian Pte Ltd	4,405,000	0.54
Total :		706,257,792	86.76

Statistics of Shareholdings (cont'd)

As at 19 March 2010

Substantial Shareholders

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 19 March 2010

Name of Shareholder	Direct Interest	%	Deemed Interest	%
Ruben Capital Ventures Ltd (1)	48,338,997	5.94	–	–
Tan Pong Tyea (2)	371,740,700	45.66	88,393,051	10.86

Notes:

(1) Ruben Capital Ventures Ltd's interest in shares are held in the name of Amfraser Securities Pte. Ltd.

(2) Tan Pong Tyea's deemed interest in 88,393,051 ordinary shares in the capital of Falcon Energy Group Limited ("Shares") comprises:

(i) his deemed interest in 48,338,997 Shares held by Amfraser Securities Pte. Ltd. by virtue of his 90% shareholding interest in Ruben Capital Ventures Limited;

(ii) his deemed interest in 22,594,595 Shares held by Longzhu Oilfield Services Limited which is 50% owned by Real Trek Pacific Limited which is in turn wholly-owned by Tan Pong Tyea; and

(iii) his deemed interest in 17,459,459 Shares held by Camelot Capital Consultants Ltd by virtue of his 100% shareholding interest in Camelot Capital Consultants Ltd.

Free Float

Based on the information available to the Company as at 19 March 2010, approximately 36.61% of the issued ordinary shares of the Company was held by the public.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice of the Sixth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at 108 Robinson Road, Level 11, Singapore 068900 on Friday, 23 April 2010 at 2.30 p.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2009, together with the Auditors' Report thereon. (Resolution 1)

2. To approve the first and final tax-exempt (one-tier) dividend of S$0.01 per ordinary share for the financial year ended 31 December 2009. (Resolution 2)

3. To approve the payment of Directors' fees of S$105,000/- for the financial year ending 31 December 2010, to be paid half yearly in arrears. (Resolution 3)

4. To re-elect Mr. Cai Wenxing, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. (Resolution 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-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)

7. 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:

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

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

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

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

(i) new shares arising from the conversion or exercise of convertible securities;
(ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
(iii) any subsequent bonus issue, consolidation or subdivision of shares;

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

(d) the fifty per centum (50%) limit in sub-paragraph (a) above may be increased to one hundred per centum (100%) for issues of Shares and/or Instruments by way of a renounceable rights issue where shareholders of the Company are entitled to participate in the same on a pro-rata basis."

9. **"Discount For Non Pro-Rata Share Issue** (Resolution 8)

(a) That subject to and conditional upon the passing of Ordinary Resolution 7 above, approval be and is hereby given to the Directors of the Company at any time to issue Shares (other than on a pro-rata basis to shareholders of the Company) at an issue price for each Share which shall be determined by the Directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than twenty per centum (20%) to the weighted average price of a Share for trades done on the SGX-ST (as determined in accordance with the requirements of SGX-ST); and

(b) That (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

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

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 the Sixth Annual General Meeting

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 4 May 2010 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 23 April 2010.

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 3 May 2010 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 3 May 2010 will be entitled to such proposed dividends.

The proposed dividends, if approved by Members at the Annual General Meeting, will be paid on 20 May 2010.

By Order of the Board

Peh Lei Eng
Company Secretary

Singapore
8 April 2010

Notice of the Sixth Annual General Meeting

Explanatory Notes

Resolution 3 – The Ordinary Resolution 3 proposed in item 3, if passed, will authorise the Directors of the Company to pay Directors' fees for the year ending 31 December 2010 to Directors half yearly in arrears.

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

Resolution 7 – The Ordinary Resolution 7 proposed in item 8, 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.

This increased limit of up to 100% [referred to in sub-paragraph (d)] for renounceable pro-rata rights issue will be effective up to 31 December 2010 pursuant to SGX-ST's news release of 19 February 2009. The increased limit is subject to the condition that the issuer makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and, provides a status report on the use of proceeds in the annual report.

Resolution 8 – The Ordinary Resolution 8 proposed in item 9, if passed, will enable Directors to issue new Shares on a non pro-rata basis, at a discount of not more than 20% to the weighted average market price of the Company's shares, determined in accordance with the requirements of SGX-ST. The discount in issue price of non pro-rata new Share issue is one of the interim measures announced by the SGX to accelerate and facilitate listed issuer's fund-raising efforts in a volatile and difficult market condition.

Resolution 9 – The Ordinary Resolution 9 proposed in item 10, is to authorise the Directors to offer and grant options in accordance with the provisions of the Falcon Energy Group Employee Share Option Scheme ("Scheme") and pursuant to Section 161 of the Companies Act, Chapter 50 to allot and issue shares under the Scheme up to an amount not exceeding fifteen per cent (15%) of the total number of shares of the Company from time to time.

Notes:

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

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

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Anson Road #22-14 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

SIXTH ANNUAL GENERAL MEETING

FALCON ENERGY GROUP LIMITED

(Registration No. 200403817G)

IMPORTANT:

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

I/We ____(Name)

NRIC/Passport No. ______________________ of ______________________________

____

(Address) being a member/members of the above company, hereby appoint:

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

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

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

or failing him/her, the Chairman of the meeting as my/our proxy to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Sixth Annual General Meeting of the Company to be held at 108 Robinson Road, Level 11, Singapore 068900 on Friday, 23 April 2010 at 2.30 p.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
	ROUTINE BUSINESS		
1.	To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2009, together with the Auditors' Report thereon.		
2.	To approve the first and final tax-exempt (one-tier) dividend of S$0.01 per ordinary share for the financial year ended 31 December 2009.		
3.	To approve the payment of Directors' fees of S$105,000/- for the financial year ending 31 December 2010, to be paid half yearly in arrears.		
4.	To re-elect Mr. Cai Wenxing as Director (under Article 115).		
5.	To re-elect Mr. Lien Kait Long as Director (under Article 115).		
6.	To re-appoint Messrs Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
7.	To approve the Share Issue Mandate.		
8.	To approve Discount For Non-Pro-Rata Share Issue.		
9.	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 ____________ 2010

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 #22-14 International Plaza Singapore 079903 not less than 48 hours before the time fixed for holding the Annual General Meeting.

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

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

FALCON ENERGY GROUP LTD
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Company Registration Number: 200403817G