FEG

Falcon Energy posts net profit of US$28.1m on turnover of US$89.2m for fiscal 2009

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US$'m Year Ended 31 December	FY2009 12mths	FY2008* 12mths	Change	FY2008 15mths
Revenue	89.2	59.1	▲51%	73.8
Gross Profit	38.9	33.2	▲17%	41.6
Profit before Tax	30.3	28.2	▲7%	36.7
Profit after Tax	29.4	27.6	▲7%	36.1
Profit after Tax and Minority Interest	28.1	27.6	▲2%	36.1
NAV per share of 21.36 US cents as at 31 December 2009				

**The financial numbers in the profit and loss statement for the 15 months ended 31 December 2008 have been adjusted to 12 months for comparative purposes.*

SINGAPORE, 1 March 2010 – MAINBOARD-LISTED **Falcon Energy Group Limited** (FEG) today announced a net profit after tax and minority interest of US$28.1 million as at 31 December 2009, compared to US$27.6 million it achieved for the adjusted 12 months to 31 December 2008.

Group turnover, at US$89.2 million, was 51% higher than the previous US$59.1 million that it achieved during fiscal 2008. The Group's Marine Division, Oilfield Division and Project Division achieved US$43.0 million, US$39.7 million and US$6.5 million respectively. The strong growth in turnover partly reflected the eight months' contribution from Longzhu Group of Companies to the Oilfield Division which totalled approximately US$30.7 million. The increase in Group revenue was driven largely by revenue from its Marine and Oilfield Divisions segment which made up more than 90% of total turnover.

In terms of geographic area performance, activities in Asia continued to lead revenue growth accounting for US$66.7 million or 75% of Group turnover and America made US$10.1 million or 11% of Group turnover. Others (including the Middle East) made US$12.5 million accounting for the remaining 14% of Group turnover.

Other operating income totalled US$4.0 million, which was inclusive of a US$1.0 one-off gain on disposal for the disposal of 51% equity interest in one of the subsidiaries in the Project Division and negative goodwill of US$0.2 million on acquisition of the Longzhu Group of Companies.

Gross profit margin stood at 44% compared to 56% it achieved previously, generally due to the lower margin from the Oilfield Services Division. Gross profit margin for the Marine Division remained constant at 61% (FY2008: 62%). The gross profit margin for Oilfield Services Division was 22% (FY2008: 35%). The difference in margin was due mainly to the consolidation on the acquisition of Longzhu Group of companies. For the Project Division, the gross profit margin stood at approximately 59%.

FEG is one of the region’s leading providers of integrated support services for the Offshore Marine and Oil & Gas industries, serving clients along the entire oil production cycle from initial exploration to production and post-production, with a specialist focus on the production phase of oilfield activities.

Mr. Tan Pong Tyea, FEG’s Chief Executive Officer, said he was gratified with the Group’s financial showing. He said: “I am satisfied with the Group’s performance in light of the difficult operating environment. Our financial performance demonstrates the underlying strength and potential of the business. We have achieved a good set of results that is in line with our own expectations considering the downturn in the market place due to the global financial crisis. The strength of our asset base, our diversified portfolio of service, loyal customer base and a regional business, have enabled us to better withstand the economic crisis. Over the past 12 months, our operational performance has been strong."

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 earlier in the year making total dividend for FY2009 to be S$0.015 per ordinary share. This works out to a dividend yield of 2.2% based on 26 February 2010 closing share price of S$0.685 and dividend payout ratio of 40%.

Healthy financial position

The Group's financial position remained in good shape overall. Market capitalisation stood at S$557.7 million (approximately US$395.8 million based on exchange rate of US$1 = S$1.409) -- based on 26 February 2010 closing price of S$0.685 -- on total assets of US$220.1 million and net tangible assets of US$179.6 million.

Shareholders' equity was US$173.9 million, 63% or US$67.1 million higher than at 31 December 2008. Net asset value per share of 21.36 cents (US$) was 42% or 6.33 cents (US$) higher than at 31 December 2008. Its positive net working capital of US$59.4 million was a significant improvement over the US$0.8 million in the previous corresponding period.

The Group continued to maintain a healthy liquidity position with cash and cash equivalent of US$48.3 million in the 12 months to 31 December 2009, a significant increase of 371% from the US$10.3 million over the previous corresponding period, attributable to the proceeds from the placement of 80 million shares in September 2009. It achieved a net cash position of US$22.2 million as at 31 December 2009. The total number of shares issued was 814.13 million as at end of fiscal 2009.

Recent corporate developments

To further drive growth, the Group has made a proposed acquisition of CH Offshore Ltd. (CH Offshore) for a cash consideration of S$143.5 million. The proposal was made to Scomi Marine Services Pte. Ltd. (Scomi Marine Services) on 5 February 2010 for the acquisition of 205,000,000 ordinary shares in the share capital of CH Offshore, representing approximately 29.07% of the entire issued ordinary of CH Offshore. The listed CH Offshore Group provides marine services to oil companies and operates a fleet of anchor handling tug supply (AHTS) 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.

Market outlook and strategy

Future prospects for the Offshore Marine and Oil & Gas sectors continue to remain positive in the near-term. “With a recovering global economy, rising energy demand and increasing CAPEX investments, we are cautiously optimistic in our outlook for 2010. We will continue to stay competitive by strengthening and enhancing our capabilities and by staying focused on our core business activities. We will pursue organic growth as well as expansion through acquisition if the right opportunity presents itself,” said Mr Tan.

Looking ahead, Mr Tan said the Group will continue to focus on growing long-term shareholder value and achieve cost and operational efficiencies. Its strategic priorities will be to:

- Expand its fleet size: FEG will continue to acquire more vessels capable of deepwater operations and enhance its capabilities through upgrading and fleet modification to improve operational efficiency and productivity;
- Pursue new geographical markets: FEG intends to expand its operating network across South East Asia, India and Australia to fast-growing regions such as China, Africa and the Middle East; and
- Diversify into untapped market segments: FEG will build new competencies to provide a broader spectrum of oilfield services to companies in peripheral oil production activities as well as grow new revenue and earnings streams in its oilfield services and oilfield projects segments.

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About Falcon Energy Group Limited (www.falconenergy.com.sg)

Falcon Energy Group Limited is a SGX Mainboard-listed leading player in the regional Offshore Marine and Oil & Gas sectors. The Group provides a full spectrum of support services for the Offshore Marine and Oil & Gas cycle, from initial exploration and drilling to production and post-production stage, with a specialist focus on the production phase of oilfield activities.

The Group has three business divisions with operations spanning Southeast Asia, India and Australia. Its Marine Division provides offshore support vessels for services such as offshore hook up and commissioning, offshore conductor piling and pipe trenching, among others. Its Oilfield Services Division provides services such as agencies, warehousing, logistics, procurement and other general support activities. Through its Oilfield Projects Division, the Group is involved in projects and investments related to the Marine and Oil & Gas industry.

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

Falcon currently has a fleet of 12 Offshore Support Vessels (OSVs) comprising nine multi-purpose support vessels, one seismic survey vessel and two supply vessels.

The Group was listed on SGX SESDAQ on 2 December 2004 through a reverse takeover of Sembawang Music Holdings Limited and changed its name to Falcon Energy Group Limited on 13 November 2006. It was upgraded to SGX Mainboard on 8 September 2009.

Issued on behalf of **Falcon Energy Group Limited** by: Waterbrooks Consultants Pte Ltd

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Stirling Coleman Capital Limited was the financial adviser ("**Financial Adviser**") to the Company in relation to the acquisition of Oilfield Services Capital Limited which was completed on 30 April 2008. The Financial Adviser assumes no responsibility for the contents of this announcement.