



SBI Offshore Limited

NEW GROWTH OPPORTUNITIES

2015 ANNUAL REPORT



TABLE OF CONTENTS

01	COMPANY PROFILE
02	CHAIRMAN'S STATEMENT
05	FINANCIAL HIGHLIGHTS
06	FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW
08	BOARD OF DIRECTORS
10	KEY MANAGEMENT
11	GROUP STRUCTURE
12	CORPORATE INFORMATION
13	CORPORATE GOVERNANCE STATEMENT
31	DIRECTORS' STATEMENT
38	INDEPENDENT AUDITOR'S REPORT
40	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
41	STATEMENTS OF FINANCIAL POSITION
42	STATEMENTS OF CHANGES IN EQUITY
45	CONSOLIDATED STATEMENT OF CASH FLOWS
47	NOTES TO THE FINANCIAL STATEMENTS
111	STATISTICS OF SHAREHOLDERS
113	APPENDIX
133	NOTICE OF ANNUAL GENERAL MEETING PROXY FORM

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

The Sponsor has not verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

COMPANY PROFILE

SBI Offshore Limited ("SBI Offshore" and together with its subsidiaries, the "Group") was established in 1994 as a marketing and distribution company for offshore and marine products. Since its listing on the Catalist board of the Singapore Exchange in November 2009, the Group has been evolving into an integrated drilling equipment and engineering solutions provider for the oil and gas industry with four main

business areas: (i) drilling equipment systems and land/onshore drilling rigs; (ii) mobile offshore drilling units; (iii) contract manufacturing and fabrication; and (iv) marketing, distribution and servicing.

Since July 2015, SBI Offshore has diversified into solar energy focusing on investing and developing solar photovoltaic projects as an independent

power producer in emerging markets. Through its 51%-owned subsidiary, Graess Energy Pte Ltd, SBI Offshore has a partnership with German solar photovoltaic EPC contractor, Gräss Group. Gräss Group owns the remaining 49% of the joint venture and has more than 15 years of experience in solar photovoltaic projects, having installed a total capacity of about 2,000 megawatts of solar power.



CHAIRMAN'S STATEMENT



WE REMAINED NIMBLE-FOOTED AND ADAPTED RAPIDLY BY DIVERSIFYING INTO THE SOLAR ENERGY SECTOR. IN THE YEAR AHEAD, WE WILL ACCELERATE EFFORTS TO BUILD UP THE SOLAR BUSINESS.

Dear Shareholders,

When I was approached by the Board of Directors (the “Board”) of SBI Offshore Limited (“SBI Offshore” or the “Group”) to assume the role of Non-Executive Chairman, I was mindful of the challenges facing the Group in the offshore oil and gas sector. At the same time, I was excited about SBI Offshore’s prospects given its diversification into the development of solar energy, which is fast gaining acceptance worldwide as an alternative source of power.

I am pleased to present to you the Annual Report for the financial year ended 31 December 2015 (“FY2015”).

FY2015 had been exceptionally tough for the Group in view of the sharp decline in global crude oil prices. The entire offshore, marine, oil and gas industries were severely impacted and

SBI Offshore was not spared. Market uncertainty is likely to persist with the continuing trend of weaker oil prices, at least in the near to medium term.

The Group had sighted the storm clouds gathering from afar. We have cut down operating costs of our offshore and marine (“O&M”) business as part of a significant downsizing of this sector. More importantly, during the year under review, we embarked on a highly significant diversification into renewable energy in order to reduce the dependence on the O&M sector. We formed a 51%-owned subsidiary, Graess Energy Pte Ltd (“Graess Energy”), with German solar energy specialists, Gräss Group, which holds the remaining stake.

While we are still in the early days, we are confident that this diversification

will serve as an important pillar of growth for the Group going forward.

A NEW GROWTH ENGINE

Even before the full impact of the slowdown in the O&M sector, the Directors had been exploring other businesses which could preserve, if not enhance, shareholder value in the coming years. Accordingly, on 7 July 2015, the Group unveiled a major diversifications into solar energy with German solar power specialist Gräss Group.

Approved by shareholders on 28 September 2015, the diversification paves the way for the Group to develop new revenue streams in renewable energy. This shift is taking place among heightened concerns about sustaining the environment in line with the recent



Paris Agreement to combat climate change, signed at the United Nations Conference of the Parties (COP21).

Solar energy is regarded as the fastest-growing renewable energy source. It is gaining wide acceptance as nations and corporations seek to cut greenhouse gas emissions whilst the costs of installing solar facilities are falling.

Our partners in the JV, Gräss Group has a track record of over 15 years in engineering, construction and development of solar energy projects.

Graess Energy will be able to leverage on Gräss Group's experience and network as we build our business in clean energy. It undertakes three main businesses: (i) Engineering, Procurement and Construction; (ii) Operations and Maintenance; and (iii) Independent Power Producer activities.

CORPORATE MATTERS

Subsequent to the year-end, several changes to the Board were announced on 18 March 2016. I was appointed Non-Executive Chairman of the Group. I was previously a Non-Independent,

Non-Executive Director. With the appointment, Mr Chan Lai Thong relinquished his role as Executive Chairman and assumed the position of Chief Executive Officer ("CEO") of the Group. He remains an Executive Director. The change will free him of some Board duties to focus on the solar energy business.

Mr Tan Woo Thian stepped down as CEO and Executive Director. Along with the other members of the Board, I would like to extend our sincere gratitude for his invaluable contributions. As founder of SBI Offshore, he has played a critical role in driving the Group's growth throughout the years.

OUTLOOK AND FORWARD STRATEGY

FY2015 has been an important and transformational year for the Group. We felt the force of the fall in crude oil prices and took tough decisions to cut costs as we anticipate this weakness to remain for a while. We remained nimble-footed and adapted rapidly by diversifying into the solar energy sector. In the year ahead, we will accelerate efforts to build up the solar business.

On behalf of the Board, I wish to thank SBI Offshore's management and staff for putting forth their best efforts, undeterred by the highly challenging conditions in the O&M sector. I also wish to thank all our customers, bankers, professional advisers, business partners, and express my heartfelt gratitude to our loyal shareholders, for your unwavering support and dedication as we enter a new phase of growth.

MIRZAN BIN MAHATHIR

Chairman

31 March 2016

A low-angle, upward-looking photograph of a large array of solar panels. The panels are dark blue with a grid of thin white lines. They are tilted diagonally across the frame, leading the eye from the bottom left towards the top right. The sky is a vibrant blue, filled with soft, white clouds. A bright sun is visible in the upper left corner, creating a lens flare effect. The overall composition conveys a sense of clean, renewable energy and optimism.

The diversification
paves the way
for the Group
to develop new
revenue streams
in renewable
energy.

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

	FY2015	FY2014	FY2013
Revenue (US\$'000)	7,110	14,149	41,792
Gross Profit (US\$'000)	3,904	5,840	5,478
Gross Profit Margin (%)	54.9	41.3	13.1
Net (Loss)/Profit (US\$'000)	(4,116)	610	987
(Loss)/Earnings per share on diluted basis (US cents)	(1.62)	0.30	0.58

FINANCIAL POSITION

	31 December 2015	31 December 2014	31 December 2013
Total Assets (US\$'000)	30,342	39,623	27,478
Total Liabilities (US\$'000)	4,396	9,505	10,891
Net Assets (US\$'000)	25,946	30,118	16,587
Cash & Cash Equivalents (US\$'000)	18,165	18,000	7,586
Net Asset Value per share (US cents)	10.39	12.06	9.34

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

REVENUE AND PROFIT MARGIN

For FY2015, the Group generated revenue of US\$7.1 million, compared to US\$14.1 million the previous year ("FY2014"). As with many other service providers in the offshore oil and gas sector, the Group was impacted by the sharp decline in oil prices.

In terms of business segments, revenue from Marketing and Distribution segment decreased to US\$6.9 million in FY2015 from US\$7.8 million in FY2014. Revenue from the Projects segment fell to US\$0.2 million from US\$6.4 million as the Group secured fewer Engineering, Procurement, Construction and Commissioning ("EPCC") projects and had revenue contribution from a design and engineering contracts secured in FY2014.

With the lower revenue, gross profit declined to US\$3.9 million in FY2015 from US\$5.8 million in FY2014. Gross profit margin rose, however, to 55% from 41%, attributable to an EPCC project and our lifeboat inspection services, which typically command higher margins.

EXPENSES

Administrative and other expenses in FY2015 increased to US\$8.8 million from US\$5.5 million in FY2014, mainly due to impairment losses on a trade receivable (US\$3.3 million) and plant and equipment (US\$0.2 million).

Foreign-exchange losses of US\$0.8 million arising from the strengthening of the US dollar against the Singapore

dollar (the Group's operating currency) also accounted for the higher administrative and other expenses, although the increase was mitigated by lower employee share-based payments, which decreased 93% to US\$40,000 in FY2015.

Finance costs decreased more than half to US\$24,000 due to a lower amount of outstanding bank loan.

CONTRIBUTIONS FROM ASSOCIATES AND JOINT VENTURES

The Group's share of results from its 35%-owned associate, Jiangyin Neptune Marine Appliance Co Ltd ("NPT"), decreased to US\$184,000 from US\$212,000 as NPT experienced a lower sales volume due to the downturn in the oil and gas industry. SBI Offshore sold its entire stake in NPT in January 2016.

The Group's share of results from its 50%-owned joint venture, RBV Energy (Singapore) Pte Ltd ("RBVS"), decreased to US\$93,000 from US\$447,000 due to lower sales volume.

BOTTOM LINE

As a result of the above, the Group reported a net loss attributable to owners of the parent of US\$4.0 million in FY2015 compared to a net profit of US\$0.6 million in FY2014. Without the one-off impairment and unrealised foreign-exchange losses, the Group would have made a net profit of US\$0.3 million in FY2015.

BALANCE SHEET

As at 31 December 2015, the Group had US\$6.1 million of non-current assets, compared to US\$10.5 million as at 31 December 2014. The difference was mainly due to the reclassification of investment in associate under non-current assets to current assets classified as held for sale.

Current assets decreased to US\$24.2 million as at 31 December 2015 from US\$29.1 million as at 31 December 2014 due to lower trade and other receivables of US\$8.1 million arising from repayment of outstanding debts by customers, recognition of impairment loss of US\$3.3 million on a trade receivable and an allowance of US\$30,000 made for inventories.

Current liabilities decreased to US\$4.4 million as at 31 December 2015 from US\$9.5 million as at 31 December 2014 mainly due to lower trade and other payables, income tax and bank borrowings. Trade and other payables declined by US\$3.7 million due to repayment to vendors. There were no current income tax payable and bank borrowings as at 31 December 2015 due to the payment of corporate income tax and the repayment of matured bank borrowings in FY2015, respectively.

The Group's working capital position stood at US\$19.8 million as at 31 December 2015 compared to US\$19.6 million as at the end of 2014.

STATEMENT OF CASH FLOWS

Net cash used in operating activities amounted to US\$1.3 million in FY2015, compared to US\$0.9 million in FY2014, mainly due to repayment of trade and other payables.

Net cash generated from investing activities was US\$2.2 million in FY2015, compared to net cash used in investing activities of US\$56,000 in FY2014, due to advances received from the disposal of NPT, partially offset by a down payment to a third party.

Net cash used in financing activities amounted to US\$0.8 million in FY2015 compared to net cash of US\$13.4 million generated from financing activities in FY2014, due to the receipt of net proceeds from a share placement.

The Group's cash and cash equivalents (net of fixed deposits pledged) increased to US\$17.6 million as at 31 December 2015 from US\$17.3 million as at the end of 2014.



BOARD OF DIRECTORS



MR MIRZAN BIN MAHATHIR
NON-EXECUTIVE
NON-INDEPENDENT CHAIRMAN

Mr Mirzan Bin Mahathir was appointed to the Board as Non-Independent Non-Executive Director on 29 October 2014. He was re-designated as Non-Executive Non-Independent Chairman on 18 March 2016.

Presently, he is the Chairman and Chief Executive Officer of Crescent Capital Sdn Bhd, and also holds directorships with various private and public companies including Petron Corporation, listed on the Philippine Stock Exchange.

Mr Mirzan has over 20 years of experience in the investment and financial services industry, helping to take Konsortium Logistik Berhad public on the Kuala Lumpur Stock Exchange in 1996.

Mr Mirzan graduated from Brighton Polytechnic, United Kingdom with a Bachelor in Computer Science and has a Masters in Business Administration from the Wharton School, University of Pennsylvania, USA.



MR CHAN LAI THONG
EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER

Mr Chan Lai Thong was appointed as Independent Director of the Company on 28 September 2009, and was appointed Executive Chairman on 17 August 2012. He was subsequently re-designated as Chief Executive Officer on 18 March 2016.

Mr Chan started his career at Keppel FELS in 1980 and was involved in business development in various parts of the world. As Group General Manager, he was instrumental in developing Keppel's business in the Middle East, Eastern Europe and Central Asia. He joined the Al Bawardi Group in United Arab Emirates in 1985 as its vice-president and was responsible for streamlining its operations and spearheading its business development efforts. In 2004, Mr Chan ventured into China and was involved in property development.

Mr Chan graduated from the National University of Singapore with a Bachelor of Science (Honours) degree in 1980 and has post-graduate diplomas in Administrative Management and Marketing Management.



MR BASIL CHAN
LEAD INDEPENDENT DIRECTOR

Mr Basil Chan was appointed to the Board on 2 February 2015 and he is the Chairman of the Audit and Risk Management Committee with effect from 27 March 2015.

Mr Basil Chan holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science & Technology, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales ("ICAEW") as well as a Member of the Institute of Singapore Chartered Accountants ("ISCA").

Mr Basil Chan was formerly a Council member and Director of the Singapore Institute of Directors where he served 12 years, chairing its Professional Development sub-committee for many years and serving as Treasurer for a term of three years. He is a Chartered Accountant by training, having qualified in the United Kingdom with ICAEW. He was also a member of the Corporate Governance Committee in 2001, which published the Singapore Code of Corporate Governance. Mr Basil Chan further serves as an Independent Director of five other SGX-listed companies. In addition, he previously sat on the Accounting Standards Committee and on the Audit and Assurance Standards Committee of ISCA. He is currently Deputy Chairman of the Corporate Governance Committee of ISCA. He is also the Founder and Managing Director of MBE Corporate Advisory Pte Ltd which provides corporate and financial advisory to both listed and private companies.



MR MAHTANI BHAGWANDAS
INDEPENDENT DIRECTOR

Mr Mahtani Bhagwandas was appointed to the Board as an Independent Director on 14 September 2012, and is the Chairman of the Remuneration Committee.

He is a lawyer by profession and commenced practice as an advocate and solicitor of the Supreme Court of Singapore since 1993. Currently, he is a Senior Partner with LegalStandard LLP, a law firm in Singapore that specializes in commercial practice including commercial litigation work, and an Independent Director of SGX-listed GRP Ltd and Alliance Mineral Assets Limited. Formerly an Independent Director of Next-Generation Satellite Communications Ltd and GKE Corporation Limited, Singapore, Mr Bhagwandas also holds several directorships in privately-held companies.

Mr Bhagwandas graduated from the National University of Singapore with a Bachelor of Law (Honours) degree in 1992.



MR AHMAD SUBRI BIN ABDULLAH
INDEPENDENT DIRECTOR

Mr Ahmad Subri Bin Abdullah was appointed to the Board as an Independent Director on 10 January 2013, and is the Chairman of the Nominating Committee.

He is presently the Chairman of Crave Capital Sdn. Bhd. and Managing Director of Emerio (Malaysia) Sdn. Bhd., an NTT Group Company. He is also an Independent Director of ECS ICT Bhd., a company listed on the main board of Bursa Saham Malaysia. Mr Subri has over 30 years of experience in the insurance and financial services industry, with more than 18 years as Chief Executive Officer of various companies including Trust International Insurance, MCIS Insurance, Mayban Life Assurance and Malaysia National Insurance Bhd.

Mr Subri qualified as a Fellow of the Chartered Insurance Institute (United Kingdom) and is a Fellow of the Malaysian Insurance Institute.

KEY MANAGEMENT



MS AMY SOH WAI LING
CHIEF FINANCIAL OFFICER

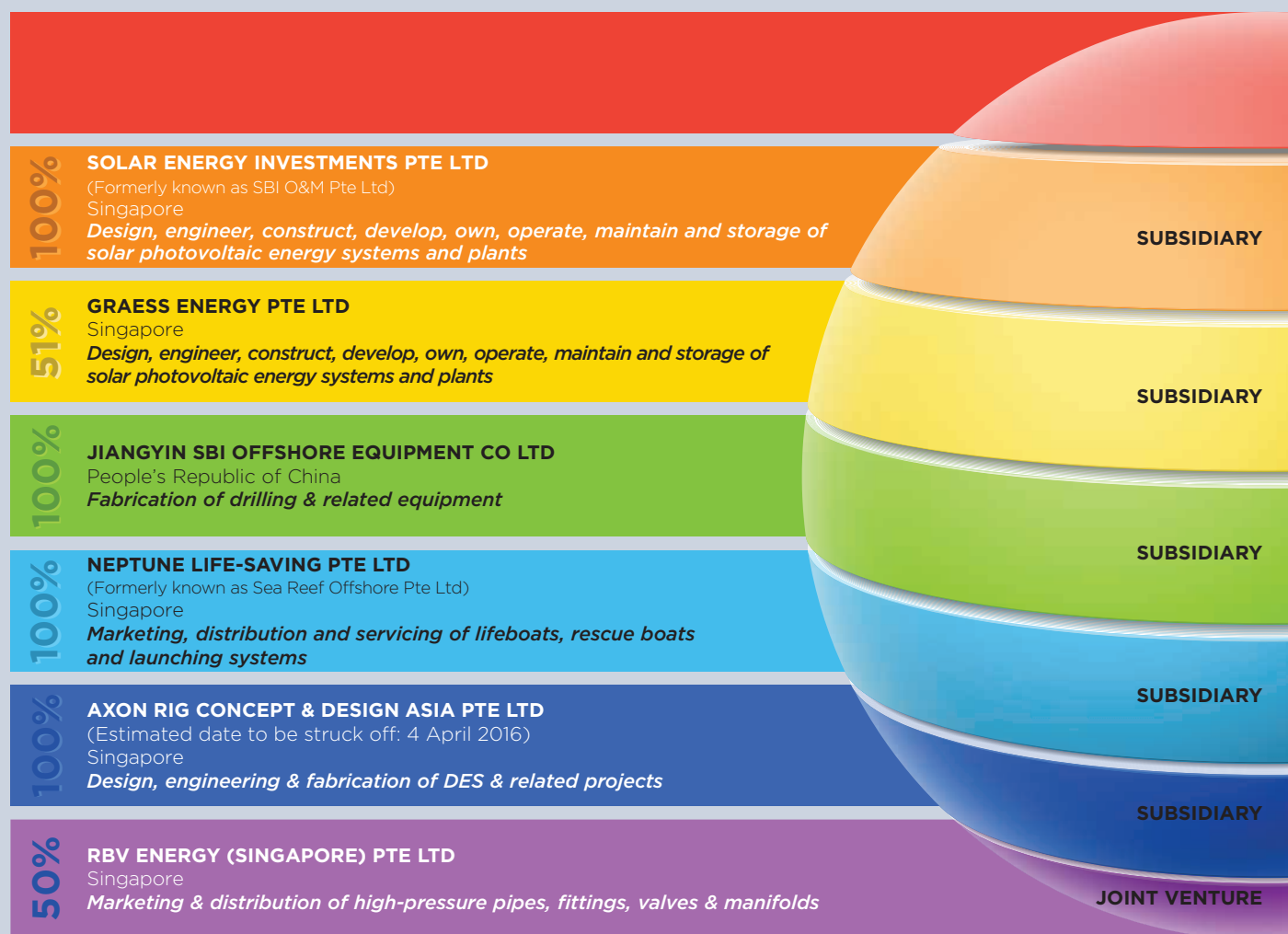
Ms Amy Soh Wai Ling was appointed as Chief Financial Officer of the Company on 15 September 2014. She oversees the Group's financial affairs, including corporate finance, merger and acquisition activities, capital management, treasury and investor relations.

Ms Amy Soh has over 20 years of professional experience with corporate accounting and finance. During her career, she has been involved with various tax and

business strategies. Prior to joining the Company, Ms Amy Soh was the Finance Director of HSL Constructor Group in Asia Pacific, and was the Finance Manager with AEI Corporation Ltd.

Ms Amy Soh is a Fellow Member of CPA Australia and a Chartered Accountant certified by the Institute of Singapore Chartered Accountants. She holds a Master of Accounting from Curtin University of Technology, Australia as well as a Master of Business Administration (MBA) from the University of Leicester, United Kingdom.

GROUP STRUCTURE



BOARD OF DIRECTORS

MIRZAN BIN MAHATHIR Non-Executive Non-Independent Chairman

CHAN LAI THONG Executive Director and Chief Executive Officer

BASIL CHAN Lead Independent Director

MAHTANI BHAGWANDAS Independent Director

AHMAD SUBRI BIN ABDULLAH Independent Director

AUDIT AND RISK MANAGEMENT COMMITTEE

BASIL CHAN (Chairman)

MAHTANI BHAGWANDAS

AHMAD SUBRI BIN ABDULLAH

NOMINATING COMMITTEE

AHMAD SUBRI BIN ABDULLAH (Chairman)

CHAN LAI THONG

BASIL CHAN

REMUNERATION COMMITTEE

MAHTANI BHAGWANDAS (Chairman)

BASIL CHAN

AHMAD SUBRI BIN ABDULLAH

COMPANY SECRETARY

CHAN LAI YIN, ACIS

SPONSOR

PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

16 Collyer Quay

#10-00 Income at Raffles

Singapore 049318

REGISTERED OFFICE

20 Pioneer Crescent

#09-01 West Park BizCentral

Singapore 628555

Tel: +65 6848 1033

Fax: +65 6848 1011

Website: <http://www.sbioffshore.com>

SHARE REGISTRAR

TRICOR BARBINDER SHARE REGISTRATION SERVICES

80 Robinson Road #02-00

Singapore 068898

AUDITORS

BDO LLP

Public Accountants and Chartered Accountants

21 Merchant Road #05-01

Singapore 058267

Partner-in-charge: **ADRIAN LEE YU-MIN**

(First appointed for the financial year ended 31 December 2015)

PRINCIPAL BANKERS

DBS BANK LTD

12 Marina Boulevard Level 3

Marina Bay Financial Centre Tower 3

Singapore 018982

CIMB BANK BERHAD, SINGAPORE BRANCH

50 Raffles Place #09-01

Singapore Land Tower

Singapore 048623

UNITED OVERSEAS BANK LIMITED

80 Raffles Place

#12-00 UOB Plaza 1

Singapore 048624

HONG LEONG FINANCE LIMITED

16 Raffles Quay

#01-05 Hong Leong Building

Singapore 048581

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) of SBI Offshore Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to its policy of managing the affairs of the Group with transparency, integrity and accountability by ensuring that sound framework of best corporate practices is in place at all levels of the Group’s businesses. The Board aspires to discharge its principal responsibility towards protecting and enhancing long-term shareholders’ value and investors’ interest.

The Company has complied with the principles and guidelines as set out in the Code of Corporate Governance 2012 (the “**Code**”), except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The Board members as at the date of this report are:

Name of Director	Designation
Mirzan Bin Mahathir	Non-Executive Non-Independent Chairman (appointed on 18 March 2016)
Chan Lai Thong	Executive Director and Chief Executive Officer (re-designated on 18 March 2016)
Basil Chan	Lead Independent Director
Mahtani Bhagwandas	Independent Director
Ahmad Subri Bin Abdullah	Independent Director

Mr Tan Woo Thian (“**Mr Tan**”) has been re-designated as Commercial Manager on 18 March 2016 to better reflect the change of role and involvement in the Group’s renewable energy business. In line with the re-designation, Mr Tan has relinquished his position as Chief Executive Officer (“**CEO**”) and resigned as Executive Director of the Company.

Mr Chan Lai Thong (“**Mr Chan**”) has been re-designated as Executive Director and CEO on 18 March 2016 so as to better reflect his involvement in the management and operations of the Group’s renewable energy business. In line with the re-designation, Mr Chan has relinquished his position as Executive Chairman. The Board has appointed its existing Non-Executive and Non-Independent Director, Mr Mirzan Bin Mahathir as the Non-Executive and Non-Independent Chairman of the Board (“**Chairman**”) on 18 March 2016.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The Board works closely and monitors the performance of management. The Board oversees processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfies itself as to the adequacy of such processes. The Board is also responsible for considering sustainability issues relating to the environment and social factors as part of the strategic formulation of the Group and also to set the Group’s values and standards and provide guidance to Management to ensure that the Company’s obligations to its shareholders and the public are met. The Board recognises its responsibility to safeguard shareholders’ interests and the Company’s assets. All Directors objectively make decisions in the fiduciary interests of the Group.

CORPORATE GOVERNANCE STATEMENT

The Board has identified matters reserved for its approval and those matters had been formalised in writing. This would provide clear directions to the Management on matters that must be approved by the Board. Matters that require Board's approval include, amongst others, the following:

- Approval of periodic financial results announcements and annual audited financial statements;
- Declaration of dividends and other returns to shareholders;
- Major corporate policies on key areas of operation;
- Corporate or financial restructuring and share issuances;
- Mergers and acquisitions;
- Material acquisitions and disposals;
- Approval of interested person transactions; and
- Appointment of new Directors.

The Articles of Association of the Company provide for Directors to convene Board meetings by teleconferencing or videoconferencing when a physical Board meeting is not possible. Timely communication with the members of the Board can be achieved through electronic means.

To improve the Management efficiency, the Board has delegated certain responsibilities to the committees, namely the Audit Committee (the “**AC**”, now known as the Audit and Risk Management Committee (“**ARMC**”), the Board Risk Committee (the “**BRC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”) (collectively, the “**Board Committees**”). Each of these Board Committees has its own clearly defined written terms of reference and its actions are reported regularly to and monitored by the Board.

The current compositions of the Board Committees are as follows:

	ARMC*	NC	RC
Chairman	Basil Chan	Ahmad Subri Bin Abdullah	Mahtani Bhagwandas
Member	Mahtani Bhagwandas	Basil Chan	Basil Chan
Member	Ahmad Subri Bin Abdullah	Chan Lai Thong	Ahmad Subri Bin Abdullah

* AC has renamed as ARMC to take on the responsibilities of BRC following the dissolution of BRC on 11 January 2016.

The Board meets on a quarterly basis. Additional Board meetings are also held at such other times as and when required to address any specific significant matters that may arise. The general agenda of the meeting includes discussion over matters arising from time to time, financial results of the Group and any other issues requiring the Board's deliberation and approval. The agenda for each Board meeting is circulated to all the Directors for their perusal prior to the convening of each meeting to enable Directors to obtain further clarification/explanation prior to the meeting to ensure smooth proceeding of each meeting.

CORPORATE GOVERNANCE STATEMENT

The attendance of the Directors at every Board and Board Committees meetings held during FY2015 are presented below.

	Board	AC	NC	RC	BRC
No. of meetings held	5	4	2	1	1
Directors	No. of meetings attended				
Chan Lai Thong	5	-	2	-	1
Tan Woo Thian	5	-	-	-	-
Mahtani Bhagwandas	5	4	-	1	1
Ahmad Subri Bin Abdullah	5	4	2	1	-
Mirzan Bin Mahathir	5	-	-	-	-
*Jen Shek Voon	2	1	2	1	1
**Basil Chan	4	4	-	-	1

* Mr Jen Shek Voon resigned as Independent Director with effect from 27 March 2015 and relinquished his position as Lead Independent Director, Chairman of AC, a member of NC, BRC and RC with effect from 27 March 2015.

** Mr Basil Chan was appointed as an Independent Director, a member of the AC and BRC with effect from 2 February 2015. He was appointed as Lead Independent Director, Chairman of the AC and a member of RC with effect from 27 March 2015.

The proceedings and resolutions reached at each Board and Board Committee meeting are minuted and signed by the Chairman of the meeting. Minutes of all Board and Board Committees meetings are circulated to members for review and confirmation. Besides Board meetings, the Board exercises control on matters that require Board's deliberation and approval through the circulation of Directors' resolution(s).

All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel.

New and existing Directors are informed of development relevant to the Group including changes in laws and regulations that impact the Group's operations and have access to all information concerning the Group. They are also encouraged to attend workshops and seminars to enhance their skills and knowledge, which will be funded by the Company.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board currently comprises one Non-Independent Non-Executive Chairman, one Executive Director, and three Independent Directors.

The Board constantly examines its size based on the scope and nature of the operations as well as business requirements and considers the appropriate size for decision making.

The criteria for independence are determined based on the definition as provided in the Code. There is an independence element on the Board, given that more than half of the Board are Independent Directors. The Board considers an "independent" director as one who has no relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent judgement with the view to the best interest of the Company and the Group.

CORPORATE GOVERNANCE STATEMENT

In view that the Chairman is not an Independent Director, Guideline 2.2 of the Code is met as the Independent Directors make up more than half of the Board.

The Independent Directors had confirmed their independence in accordance with the Code. The NC had also reviewed and confirmed the independence of the Independent Directors in accordance with the Code.

Currently, none of the Independent Directors has served on the Board for more than 9 years from the date of his first appointment.

The Board comprises business leaders and professionals with industry and financial backgrounds and its composition enables the management to benefit from a diverse and objective external perspective on issues raised before the Board. The Board will constantly examine its size annually with a view to determine its impact upon its effectiveness and review its appropriateness for the nature and scope of the Group's operations. The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making and believes that the experience, skills and expertise of the Board members in areas such as accounting, legal and business would contribute to the Group's objective, although the Board has no policy regarding diversity in identifying Board nominees.

The Board is of the view that the current Board comprises persons who, as a group, provide capabilities required for the Board to be effective. These include audit, finance, banking, accounting and legal with entrepreneurial and management experience, industry experience and familiarity with regulatory requirement and risk management.

Profiles of the Directors are set out on pages 08 to 09 of this Annual Report.

Non-Executive Directors had discussions without the presence of management in FY2015.

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and CEO are separately held by two persons.

During FY2015, the Chairman of the Board, Mr Chan, was the Executive Director of the Company ("**Executive Chairman**"). During FY2015, the CEO was Mr Tan, who was also the Executive Director of the Company. The Executive Chairman and CEO were not related to each other.

There was a clear separation of the roles and responsibilities between the Executive Chairman and the CEO. In FY2015, the Executive Chairman was responsible for the daily overall management of the Group and ensures that the Group's businesses are kept distinct as well as increasing the accountability and capacity of the Board for independent decision making. The CEO is responsible for the conduct of the Group's daily business directions and operational decisions.

Following the re-designation of Mr Chan from Executive Chairman to CEO and the appointment of Mr Mirzan Bin Mahathir as Non-Executive and Non-Independent Chairman on 18 March 2016, the daily overall management of the Group and business as well as operations matters has been undertaken by the CEO, Mr Chan.

CORPORATE GOVERNANCE STATEMENT

The Non-Executive and Non-Independent Chairman's roles include:

- a. To schedule meetings that enable the Board to perform its duties responsibly;
- b. To review meeting agenda;
- c. To exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- d. To ensure effective communication with shareholders;
- e. To assist in ensuring compliance with the Group's guidelines on corporate governance;
- f. To promote a culture of openness and debate at the Board; and
- g. To facilitate the effective contribution of non-executive directors in particular.

In view that the Chairman is not an Independent Director, the Company has appointed Mr Basil Chan as the Lead Independent Director who will avail himself to address shareholders' concerns and act as a counterbalance in the decision making process.

The Lead Independent Director had discussions with the remaining Independent Directors in the absence of the Executive Directors in FY2015.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises the following members, the majority of whom, including the Chairman of the NC, are independent:

Ahmad Subri Bin Abdullah – Chairman

Basil Chan – Member

Chan Lai Thong – Member

There is a written terms of reference for the NC. The NC is scheduled to meet at least once a year. Its role is to establish an objective and transparent process for the appointment, re-appointment or resignation of members of the Board and of the various Board Committees, as well as to evaluate and assess the effectiveness of the Board as a whole and its Board Committees, and the effectiveness and contribution of each Director to the Board. The NC also reviews training and professional development programs for the Board. The NC reviews (and subsequently recommends for approval by the Board) the succession plans for directors according to the business needs and operations requirement.

CORPORATE GOVERNANCE STATEMENT

The NC has considered and the Board has concurred with the NC's guideline that the maximum number of listed company board representations a director may hold is five (5). Notwithstanding that Mr Basil Chan currently has directorships in more than five listed companies (including the Company), the NC is of the view that, Mr Basil Chan has the capability and ability to undertake other obligations or commitments together with serving on the Board effectively. Such number of board representations enables the Director to widen his experience as a board member and at the same time, addresses competing time commitments faced by the Director who serves on multiple boards. The NC is satisfied that sufficient time and attention has been given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2015.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC will take into consideration the current Board size and its mix and determine if the candidate's background, experience and knowledge (such as technology, business or finance management skills) will bolster the core competencies of the Board. The selected candidate must also be a person of integrity and be prepared to commit time and attention to the Company's affairs, especially if he is serving on multiple boards.

In reviewing the re-appointment of incumbent Directors, NC has considered criteria such as Director's contribution and performance, attendance, preparedness and participation.

For the selection and appointment of a new director, the NC evaluates the candidate in areas of academic and professional qualifications, knowledge and experiences required to contribute to the overall competency matrix of the Board. The Board approves the appointment of a new director through the recommendation by the NC.

The NC is also charged with the responsibility of determining annually whether a director is independent. Each NC member will not take part in determining his own re-nomination or independence.

Under the provisions of Article 99 of the Company's Articles of Association newly appointed Directors are required to hold office until the next annual general meeting of the Company ("**AGM**") and at least one third of the Directors are required to retire by rotation at every AGM. All Directors are required to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM.

The NC also recommended to the Board the re-election of Mr Chan Lai Thong and Mr Mahtani Bhagwandas, who are due for retirement at the AGM pursuant to Article 93 of the Articles of Association of the Company. Mr Mahtani Bhagwandas, upon re-election, remains as the Independent Director, Chairman of the RC and a member of the ARMC. The Board considers Mr Mahtani Bhagwandas to be independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"). The Board has accepted the recommendation of the NC.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence and there is accountability for good corporate governance. All the Board Committees are chaired by Independent Directors and at least half of the Board consists of Independent Directors.

CORPORATE GOVERNANCE STATEMENT

PARTICULARS OF DIRECTORS

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Present Directorship/ chairmanship in other listed companies	Directorship/ chairmanship held over the preceding three years in other listed companies
*Chan Lai Thong	28 September 2009	29 April 2014	Executive Chairman/Executive Director	None	None
**Tan Woo Thian	1 July 1997	24 April 2015	Chief Executive Officer/Executive Director	None	None
Mahtani Bhagwandas	14 September 2012	29 April 2014	Independent Director	1. GRP Limited 2. Alliance Mineral Assets Limited	1. GKE Corporation Limited (Resigned on 30 September 2015)
Ahmad Subri Bin Abdullah	10 January 2013	24 April 2015	Independent Director	1. ECS ICT Berhad (Listed on Bursa Saham Malaysia)	None
***Mirzan Bin Mahathir	29 October 2014	24 April 2015	Non-Independent Non-Executive Director	1. Petron Corporation (Listed on Philippine Stock Exchange)	1. Lafe Corporation Ltd (Resigned on 26 April 2013) 2. AHB Holdings Berhad (Listed on Bursa Saham Malaysia, resigned on 12 September 2014)
Basil Chan	2 February 2015	24 April 2015	Lead Independent Director	1. Singapore eDevelopment Limited 2. AEM Holdings Ltd 3. Yoma Strategic Holdings Ltd 4. Grand Banks Yachts Limited 5. Global Invacom Group Limited	1. Teledata (Singapore) Ltd (Resigned on 3 March 2014)

* Mr Chan Lai Thong has been re-designated as Executive Director and CEO with effect from 18 March 2016.

** Mr Tan Woo Thian has resigned as CEO and Executive Director with effect from 18 March 2016.

*** Mr Mirzan Bin Mahathir has been appointed as Non-Executive Non-Independent Chairman with effect from 18 March 2016.

Details of other principal commitments of the Directors, and their academic and professional qualifications are set out in Page 08 and 09 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5: BOARD PERFORMANCE

The Board has a formal process for assessing the effectiveness of the Board as a whole with objective performance criteria. The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval. Such performance criteria allow comparison with industry peers and address how the Board has enhanced long-term shareholders' value. The Board has conducted an assessment of the functions and effectiveness of the Board as a whole. The assessment of the contribution by directors, effectiveness of Board Committees and contribution by the Chairman had been included in the Board assessment. The Board assessment takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the Management's performance against the goals that had been set by the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-election as a Director.

The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of the CEO/Top Management is conducted at least annually.

For FY2015, each Director completed a form on the assessment of the effectiveness of Board as a whole. The said assessment also included questions related to contribution by Directors, the effectiveness of Board Committees and contribution by the CEO/Top Management based on the performance criteria. The results of the evaluation process will be used by the NC, in consultation with the Chairman, to effect continuing improvements on Board processes. The NC has looked into the comments and suggestions raised during the evaluation process.

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole has been satisfactory.

No external facilitator was engaged by the Company in FY2015.

PRINCIPLE 6: ACCESS TO INFORMATION

The Board is provided with complete, adequate and timely information to enable them to fulfill their duties and responsibilities. Detailed board papers and related materials will be prepared for each Board meeting. The Management reports with the necessary information including, but not limited to financial reports, are provided to the Directors in a timely manner to enable them to make informed decisions.

The Directors have separate and independent access to the Group's senior management and the Company Secretary at all times. The Company Secretary will be present at all Board and Board Committees meetings, advising the Board on all governance matters and to ensure that they are conducted in accordance with Articles of Association of the Company, applicable rules and regulations, and that the provisions in the Catalist Rules are complied with. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

The Directors, whether individually or as a group, in the furtherance of their duties require professional advice, may engage independent professionals to obtain advice and enable Directors to discharge their duties with adequate knowledge on the matters being deliberated, if necessary. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises the following members, all of whom, including the Chairman of the RC, are independent:

Mahtani Bhagwandas – Chairman
Basil Chan – Member
Ahmad Subri Bin Abdullah – Member

The RC is scheduled to meet at least once a year. The responsibilities of the RC as written in the terms of reference include:

- To review and recommend to the Board a framework of remuneration and determine the appropriateness of specific remuneration packages awarded to attract, retain and motivate the Executive Director, the CEO and key management personnel without being excessive, and thereby maximise shareholders' value. The recommendations should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;
- To review the proportion of such remuneration that should be linked to performance of the Company as well as individual incumbent; and
- To administer the Company's Employees Share Option Scheme or any long-term incentive scheme.

The RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary on the Company's remuneration matters. Expenses of such advice shall be borne by the Company. No remuneration consultants were engaged by the Company in FY2015.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

As part of its review, the RC ensures that the remuneration packages are comparable within the industry and with similar companies and has taken into consideration the Group's relative performance and the performance of individual Directors.

The Independent Directors do not have service agreements with the Company, but they will receive a formal appointment letter. They are paid directors' fees, which are determined by the Board, appropriate to the level of their contribution and attendance at meetings, taking into account factors such as the effort and time spent and the responsibilities of the Independent Directors. The fees are recommended to shareholders for approval at the AGM. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company.

The Company had entered into a service agreement with Mr Chan on 17 August 2012 for a period of five years and an Addendum to the service agreement on 18 March 2016. The service agreement shall be automatically renewed annually after the end of the fifth year for such annual period thereafter unless otherwise agreed in writing between the Company and Mr Chan.

CORPORATE GOVERNANCE STATEMENT

The Company adopts a remuneration policy that comprises a fixed component as well as a variable component. The fixed component is in a form of base salary and benefits while the variable component is pegged to the performance of the Group and also on the individual performance and contribution towards overall performance of the Group.

The remuneration system of the Group is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

All revisions to the remuneration packages for Directors and key management personnel are subject to the review and approval of the Board. No Director is involved in deciding his own remuneration package. Directors' fees are paid after approval by shareholders at the AGM.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The remuneration packages of Directors, CEO and top key management personnel of the Group for FY2015 are as follows:

	Salary %	Bonus %	Fees %	Total %
Directors				
<u>S\$250,000 - S\$500,000</u>				
Chan Lai Thong	100	-	-	100
Tan Woo Thian ⁽¹⁾	100	-	-	100
<u>Below S\$250,000</u>				
Mahtani Bhagwandas	-	-	100	100
Ahmad Subri Bin Abdullah	-	-	100	100
Mirzan Bin Mahathir	-	-	100	100
Basil Chan	-	-	100	100
Jen Shek Voon ⁽²⁾	-	-	-	-
Key Management Personnel				
<u>S\$250,000 - S\$500,000</u>				
David George Aimers Andison ⁽³⁾	100	-	-	100
<u>Below S\$250,000</u>				
Amy Soh Wai Ling	100	-	-	100

Notes:

* Employer's Central Provident Fund Contribution ("CPF") is not included in the above table.

(1) Resigned on 18 March 2016.

(2) Resigned on 27 March 2015.

(3) Resigned on 31 March 2016.

As at the end of FY2015, the Company has only 2 key management personnel (who is not the Director or CEO of the Company).

CORPORATE GOVERNANCE STATEMENT

Further information on the Directors and key management personnel are found on pages 08 to 10 of this report.

The above remuneration has been pro-rated according to their date of appointment or date of resignation (where applicable).

Other than the CPF, there were no termination, retirement, and post-employment benefits granted to the Directors, the CEO, and the key management personnel in FY2015.

Given solar energy sector is a specialised industry and the highly competitive environment which the Company operates in, disclosure of the remuneration of individual Director and key management personnel is disadvantageous to its business interests. Therefore, the Company is disclosing the remuneration of each Director and key management personnel in applicable bands of S\$250,000 as per the table above.

In view of the aforementioned reason, the Company shall also not disclose the aggregate remuneration paid to the key management personnel of the Group in this report.

Ms Chen Jiayu (“**Ms Chen**”) is the daughter of Mr Tan Woo Thian, the ex-Executive Director and ex-CEO of the Company. Ms Chen is the Human Resources and Administrative Manager of the Company. The remuneration of Ms Chen in FY2015 was in the band of S\$50,000 to S\$100,000. Ms Chen had resigned as Human Resources and Administrative Manager of the Company with effect from 22 March 2016. Save as disclosed, there were no employees who were immediate family members of a Director or the CEO of the Company, and whose remuneration exceeds S\$50,000 in FY2015.

Employee share option scheme

The SBI Offshore Employee Share Option Scheme (the “**Employee Share Option Scheme**”) was established on 28 September 2009. The RC administers the Employees Share Option Scheme based on the rules of the Employees Share Option Scheme and determines participation eligibility, option offers and share allocation and attends to matters that may be required in connection with the Employee Share Option Scheme.

Information on the options granted under the Share Option Scheme to participants required under Catalist Rule 851 is as follows:

Name of participant	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to the end of financial year under review	Aggregate options lapsed since commencement of scheme to the end of financial year under review	Aggregate options outstanding as at end of financial year under review
Chan Lai Thong	Nil	10,000,000	Nil	10,000,000

Please refer to the Directors’ Statement in this Annual Report for further details of the Share Option Scheme.

CORPORATE GOVERNANCE STATEMENT

Performance share plan

The RC administers the SBI Offshore Performance Share Plan (“**PSP**”) which was approved by shareholders on 30 April 2013.

From the commencement of the PSP to 31 December 2015, awards comprising an aggregate of 10,000,000 shares have been granted. In the previous financial year, 10,000,000 performance shares granted to Mr Chan Lai Thong were vested upon achievement of certain performance targets over the performance period.

There were no additional performance shares granted under PSP during the financial year.

Information on the awards granted under the PSP to participant as follows:

Name of participant	Awards granted during the financial year under review	Aggregate awards granted since commencement of PSP to the end of financial year under review	Aggregate awards vested since commencement of scheme to the end of financial year under review	Aggregate awards outstanding as at end of financial year under review
Chan Lai Thong	Nil	10,000,000	10,000,000	Nil

Please refer to the Directors’ Statement in this Annual Report for further details of the PSP.

PRINCIPLE 10: ACCOUNTABILITY

The Board is accountable to the shareholders while the Management is accountable to the Board. The Board updates shareholders on the Group’s performance, position and prospects through the dissemination of half-year and full-year results announcements and annual reports and where appropriate, press releases and media and analyst briefings. The Management provides the Board with understandable and detailed information of the Group’s performance, position and prospects on a quarterly basis for its effective monitoring and decision-making. The Board also takes adequate step to ensure compliance with regulatory requirements.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has in place a system of risk management and internal controls to safeguard shareholders’ investment and the Group’s assets. The Board regularly reviews the Group’s businesses and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The Management reviews significant control policies and procedures and highlights all significant matters to the Board.

CORPORATE GOVERNANCE STATEMENT

The Board believes that, in the absence of any evidence to the contrary, the system of risk management and internal controls maintained by the Group's Management throughout the financial year up to the date of this report is effective and adequate to meet the needs of the Group in its current business environment. The system of risk management and internal controls provide reasonable, but not absolute assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of business risk. The Board, however, recognises that no cost effective system of internal controls could preclude all errors and irregularities. The internal control system is designed to manage rather than eliminate all risk of failure to achieve business objectives.

The Board, through the ARMC (formerly known as the AC), reviews the effectiveness and adequacy of the Group's risk management framework and internal controls, with the assistance of the external and internal auditors, to ensure that robust risk management and internal controls are in place. These include assessment of the key risks relating to financial, operational and compliance risks and information technology systems.

Based on the system of risk management and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board and its various Board Committees, the Board with the concurrence of the ARMC, are of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective in FY2015.

The Board has received assurance from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective in respect of FY2015.

The Board, after considering the Company's size, structure, nature of the Company's operations and risk profile as well as the Board's specific needs, had dissolved the BRC and the responsibilities of the BRC have been undertaken by the AC (and was renamed ARMC) with effect from 11 January 2016.

PRINCIPLE 12: AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC (formerly known as the AC) currently comprises the following members, all of whom, including the Chairman are Independent Directors:

Basil Chan – Chairman
Mahtani Bhagwandas – Member
Ahmad Subri Bin Abdullah – Member

The members have expertise or experience in accounting or related financial management expertise or experience and the Board considers that the members are appropriately qualified to discharge the responsibilities of the ARMC.

CORPORATE GOVERNANCE STATEMENT

The main functions of the ARMC as written in the terms of reference include:

- Review the overall scope of examination of the external auditors, the audit plan and their evaluation of the Group's system of risk management, compliance and internal controls;
- Review the co-operation given by management to the external auditors and internal auditors, and discuss problems and concerns, if any, arising from the interim and final audits;
- Review the independence of the external auditors annually, recommend the appointment of the external auditors and their level of audit fees;
- Assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to risk management of the Group and each of its subsidiaries;
- Evaluate the adequacy of the Company's internal controls and effectiveness of the internal audit function to ensure robust risk management and internal controls are in place;
- Review the Group's half-year and full-year results announcements prior to its recommendations to the Board for approval; and
- Review interested person transactions (if any) falling within the scope of Chapter 9 of the Catalyst Rules.

The ARMC has explicit authority by the Board to investigate any matter within its terms of reference. All employees have been directed to co-operate as requested by the members of the ARMC. The ARMC has full and unlimited/unrestricted access to all information and documents/resources as well as to the internal and external auditors and senior management of the Company and the Group which are required to perform its duties. All audit findings and recommendations put up by the internal and the external auditors were forwarded to the ARMC. Significant issues were discussed during the meetings. The ARMC is authorised by the Board at the expense of the Company to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The ARMC has reasonable resources to enable it to discharge its functions properly.

The ARMC received updates on changes in accounting standards from the external auditors periodically. The ARMC members have expertise, experience and are members of relevant professional organizations to keep them abreast of changes in accounting standards, Catalyst Rules and other regulations which could have impact on the Group's business and financial statements.

During the financial year, the ARMC has reviewed the scope and quality of the audits and the independence and objectivity of the external auditors as well as the cost effectiveness. The ARMC is satisfied that the external auditors, Messrs BDO LLP ("**External Auditors**") is able to meet the audit requirements and statutory obligation of the Company. The ARMC reviewed all audit and non-audit fee provided by the External Auditors, during the year. Details of the audit and non-audit fees are set out on page 70 of this Annual Report. The ARMC is satisfied with the independence and objectivity of the External Auditors. The ARMC has recommended and the Board has approved the nomination for re-appointment of Messrs BDO LLP as the External Auditors at the forthcoming AGM.

CORPORATE GOVERNANCE STATEMENT

The Company is in compliance with Rule 712 of the Catalyst Rules.

The ARMC is satisfied that the appointment of different auditors for its foreign subsidiaries and associate company would not compromise the standard and effectiveness of the audit of the Company. The Company is in compliance with Rule 715 of the Catalyst Rules.

The ARMC had met with the External Auditors without the presence of the Management in FY2015.

The Company has formulated the guidelines for a whistle-blowing policy to provide a channel for employees and any external parties of the Group to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting and other matters. The objective of the policy is to ensure that there is independent investigation of such matters and that appropriate follow up actions will be taken. Employees and external parties could approach the ARMC Chairman directly on any concerns that they may have. Matters raised may be investigated by the Management, the internal auditors and the ARMC. This policy will be reviewed, prior to the start of each calendar year, by the Board so as to ensure the continuing effectiveness of the same. The whistle-blowing policy and the code of conduct and ethics are posted in the Investor Relations section of our corporate website.

PRINCIPLE 13: INTERNAL AUDIT

The Company had appointed the public accounting firm, Nexia TS Risk Advisory Pte Ltd (the “**Internal Auditors**”) on 29 April 2015 as the internal auditors to review the adequacy and integrity of the Group’s internal control system. The Internal Auditors meet the standard for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditors reports directly to the ARMC Chairman.

The scope of the internal audit is:

- to review the effectiveness of the Group’s material internal controls;
- to provide assurance that key business and operational risks are identified and managed;
- to determine that internal controls are in place and functioning as intended; and
- to evaluate whether the operations are conducted in an effective and efficient manner.

The ARMC had reviewed with the Internal Auditors their audit plan, their audit findings and Management’s responses to those findings, their evaluation of the adequacy and effectiveness of material internal controls, including financial, operational, compliance and information technology controls and overall risk management of the Company and the Group. The Internal Auditors has access to all records including access to ARMC. The ARMC had reviewed the adequacy and effectiveness of the internal audit function at least annually. The ARMC is satisfied that the Internal Auditors was adequately qualified and resourced, and has appropriate standing within the Group to discharge its duties effectively in FY2015.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 14: SHAREHOLDER RIGHTS

The Company continually reviews and updates its governance arrangements to recognise, protect and facilitate the exercise of shareholders' rights and to ensure that all shareholders, investors and public are treated fairly and equitably. All material information relating to the Company is promptly and adequately disclosed via SGXNET. All shareholders are accorded their rights in accordance with the Companies Act, Chapter 50 of Singapore and the Company's Articles of Association.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Company has engaged the service of a professional investor relations firm in Singapore and has held a number of briefings for shareholders, analysts and brokers during the year.

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders. Shareholders are kept abreast of all important developments concerning the Group through regular and timely dissemination of information via SGXNET announcements, press releases, annual reports, and various other announcements made during the year. The Company continually updates its corporate website at <http://www.sbioffshore.com> through which shareholders will be able to access information on the Group.

Currently, the Company does not have a fixed dividend policy. In consideration for dividend payment, the Company has taken into account, among other factors, current cash positions, future cash needs, profitability, retained earnings and business outlook. No dividend has been declared or recommended for FY2015 as the Company intends to conserve its cash for future needs in view of the uncertain global economic outlook.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The Articles of Association of the Company allows shareholders of the Company the right to appoint two (2) proxies to attend and vote on their behalf at the shareholders' meetings.

Annual reports and circulars, including the notices of meetings are dispatched to all shareholders. The Board regards the shareholders' meetings as the main forum where dialogue with shareholders can be effectively conducted. The members of the Board Committees, including the respective chairpersons, will be present at shareholders' meetings to answer questions from shareholders. The Management and the External Auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. Shareholders are encouraged to attend the shareholders' meetings to ensure a high level of accountability and to stay informed of the Company's strategy and goals. The Company had adopted poll voting for its shareholders' meetings with effect from 1 August 2015. All minutes of the shareholders' meetings will be made available to shareholders upon their request after the general meeting.

The Company ensures that there are separate resolutions at shareholders' meetings on each distinct issue.

CORPORATE GOVERNANCE STATEMENT

DEALINGS IN SECURITIES

The Group has adopted an internal code of conduct to provide guidance to the Company, its officers including Directors, management staff and employees (collectively, “**Officers**”) with regard to dealings in the Company’s securities. The Code prohibits dealing in the Company’s securities by the Company and the Officers of the Group while in possession of unpublished price-sensitive information. The Company and the Officers of the Group should not deal in the Company’s securities on short-term considerations and during the period commencing one month before the announcement of the Group’s half-year and full-year results and ending on the date of the announcement of the relevant results. The Officers of the Group are also required to adhere to any other relevant regulations with regard to their securities transactions.

INTERESTED PERSON TRANSACTIONS (“IPT”)

All IPTs are properly documented and reported periodically to the ARMC for their review to ensure that such transactions are carried out on an arm’s length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The Company does not have a general shareholders’ mandate for recurrent IPTs.

The Company confirms that there were no IPTs with value more than S\$100,000 transacted during FY2015.

MATERIAL CONTRACTS

Save for the service agreement between the Executive Director and the Company, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the controlling shareholder or Director, which are either still subsisting at the end of FY2015 or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

In FY2015, the Company paid to PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S\$50,000 (excluding disbursements and GST) for project management services.

CORPORATE GOVERNANCE STATEMENT

USE OF PROCEEDS

- (a) On 27 December 2013, the Company issued 22 million new ordinary shares via share placements to a fund manager at an issue price of S\$0.125 per share, raising net proceeds of approximately S\$2.7 million (US\$2.2 million). As at the date of this Annual Report, the use of the net proceeds from the issuance of placement shares was as follows:

Use of net proceeds		Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
1)	Funding for new project	1,375	(1,375)	-
2)	Funding for existing project	1,375	(1,375)	-
Total		2,750	(2,750)	-

The above utilisation is in line with the intended uses of the net proceeds stated in the Company's announcement dated 4 December 2013.

- (b) In October 2014, the Company issued 62 million new ordinary shares via share placements to four investors at an issue price of S\$0.2605 per share, raising net proceeds of approximately S\$16.1 million (US\$12.8 million). As at the date of this Annual Report, the use of the net proceeds from the issuance of placement shares was as follows:

Use of net proceeds		Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
1)	Funding for new project	11,306	-	11,306
2)	Funding for existing project	4,845	(2,171)	2,674
Total		16,151	(2,171)	13,980

The above utilisation is in line with the intended uses of the net proceeds stated in the Company's announcement dated 23 September 2014.

DIRECTORS' STATEMENT

The Directors present their statement together with the audited consolidated financial statements of SBI Offshore Limited (the "Company") and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The Directors of the Company at the date of this report are as follows:

Chan Lai Thong
Mirzan Bin Mahathir
Basil Chan
Mahtani Bhagwandas
Ahmad Subri Bin Abdullah

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except as disclosed in paragraph 5 of this report.

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Shareholdings registered in the name of Directors			Shareholdings in which Directors are deemed to have an interest		
	Balance at 1 January 2015	Balance at 31 December 2015	Balance at 21 January 2016	Balance at 1 January 2015	Balance at 31 December 2015	Balance at 21 January 2016
	Number of ordinary shares					
Company						
Tan Woo Thian ⁽¹⁾	45,900,000	31,870,000	21,970,000	–	9,700,000	11,700,000
Chan Lai Thong	14,010,000	14,140,000	14,140,000	6,000,000	6,600,000	6,600,000
Mahtani Bhagwandas	117,000	117,000	117,000	–	–	–
Mirzan Bin Mahathir	–	–	–	27,000,000	29,060,000	29,060,000

Note:

(1) By virtue of Section 7 of the Act, Mr Tan Woo Thian is deemed to have an interest in all the subsidiaries of the Company. Mr. Tan had ceased to be a Director of the Company on 18 March 2016.

5. SHARE OPTIONS AND PERFORMANCE SHARES

The SBI Offshore Employee Share Option Scheme ("ESOS") was approved and adopted by its members at an Extraordinary General Meeting held on 28 September 2009.

The SBI Offshore Performance Share Plan ("PSP") was approved and adopted by its members at an Extraordinary General Meeting held on 30 April 2013.

The ESOS and PSP are administered by the Remuneration Committee (the "RC"), comprising Mr Mahtani Bhagwandas, Chairman of the RC, Mr Basil Chan and Mr Ahmad Subri Bin Abdullah.

In exercising its discretion, the RC must act in accordance with any guidelines that may be provided by the Board of Directors ("Board"). The RC shall refer any matter not falling within the scope of its terms of reference to the Board. The RC shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the ESOS and PSP as it thinks fit.

No participants have received 5% or more of the total number of shares other than disclosed below.

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

ESOS

Options are exercisable at price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Limited ("SGX-ST") for the five market days preceding the date of grant. The RC may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. If the options remain unexercised after the first anniversary of the day granted until the tenth anniversary, the options will expire. Options are forfeited if the employees leave the Company before the options vest.

a) *Options granted*

Options granted on 8 January 2013

10,000,000 share options were granted to Mr Chan Lai Thong, Executive Director and Executive Chairman of the Company (prior to his redesignation to Executive Director and Chief Executive Officer on 18 March 2016), at the exercise price of S\$0.10 on 8 January 2013. The options are vested over various vesting periods after the first anniversary, second, third, fourth and fifth anniversary in respect of 20% respectively of the options granted and exercisable until 8 January 2023.

Options granted on 26 December 2013

3,000,000 share options were granted to Mr Giang Sovann, Executive Director of the Company (resigned on 8 October 2014), at the exercise price of S\$0.10 on 26 December 2013. The options are vested over various vesting periods after the second anniversary, third, fourth and fifth anniversary in respect of 25% respectively of the options granted and exercisable until 26 December 2023. The share options granted to Mr Giang Sovann were forfeited as a result of his resignation as Executive Director of the Company on 8 October 2014.

b) *Unissued shares under options*

At the end of the financial year, the number of unissued shares under options was as follows:

<u>Date of grant</u>	<u>At beginning of the year</u>	<u>Forfeited/ cancelled</u>	<u>Exercised during the year</u>	<u>At end of the year</u>	<u>Exercise price S\$</u>	<u>Exercise period</u>
8.1.2013	10,000,000	-	-	10,000,000	0.10	8.1.2014 to 8.1.2023

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

ESOS (Continued)

b) Unissued shares under options (Continued)

The table below summarises the number of unissued shares under options, their exercise price as at the end of the financial year as well as the movements during the financial year.

	2015		2014	
	Number of options	Exercise price S\$	Number of options	Exercise price S\$
At 1 January	10,000,000	0.10	13,000,000	0.10
Forfeited	-	-	(3,000,000)	0.10
At 31 December	10,000,000	0.10	10,000,000	0.10

There was no option being exercised during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

Save as disclosed, there were no options have been granted to directors under the ESOS.

No options have been granted to controlling shareholders of the Company and their associates under the ESOS.

None of the participants received 5% or more of the total number of options available under the ESOS.

The Company does not have any parent company.

No options were granted at a discount to market price during the financial year.

PSP

The PSP is targeted to incentivise participants in key positions who are able to drive the growth of the Company to excel in their performance and encourage greater dedication and loyalty to the Company.

a) Eligible participants

i) Employees

- confirmed full-time employees who have attained the age of 21 years on or before the date of award; or
- Executive Directors who are Controlling Shareholders and Executive Directors who are Associates of Controlling Shareholders; and

ii) Independent Directors and Non-Executive Directors who, in the opinion of the RC, have contributed or will contribute to the success of the Group.

There shall be no restriction on the eligibility of any participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company or the Group.

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

PSP (Continued)

b) *Maximum allowable allotment*

The aggregate number of shares which may be issued pursuant to PSP granted on any date, when added to the number of new shares issued and/or issuable in respect of all PSP granted and any other share scheme which the Company may implement from time to time, including but not limited to the ESOS, will not exceed 15% of the total issued shares in the capital of the Company (excluding treasury shares) on the day preceding the grant date.

The following additional limits must not be exceeded:

- i) The aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under PSP; and
- ii) The number of shares available to each controlling shareholder of his associate must not exceed 10% of the shares available under PSP.

The number of shares to be awarded to the participants in accordance with PSP shall be determined by the RC at its absolute discretion, such discretion shall be exercised taking into account criteria such as the rank and the responsibilities, performance, years of service and potential for future development of the participant.

c) *Duration*

PSP shall continue in force at the discretion of the RC, subject to a maximum period of 10 years, commencing on the date on which PSP is adopted by the Company in a general meeting, provided always that PSP may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of PSP, any awards made to participants prior to such expiry or termination will continue to remain valid.

From the commencement of the PSP to 31 December 2015, awards comprising an aggregate of 10,000,000 shares have been granted. In the previous financial year, 10,000,000 performance shares granted to Mr Chan Lai Thong were vested upon achievement of certain performance targets over the performance period.

There were no additional performance shares granted under PSP during the financial year.

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

PSP (Continued)

The table below summarises the number of performance shares that were granted, vested and cancelled during the financial year and outstanding as at the end of the reporting period.

	Number of Shares	
	2015	2014
At 1 January	-	10,000,000
Granted	-	-
Exercised	-	(10,000,000)
At 31 December	-	-

6. AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises the following members who, including the Chairman, are all Independent Non-Executive Directors of the Company. The members of the Audit and Risk Management Committee as at the date of this report are:

Basil Chan (Chairman)
Mahtani Bhagwandas
Ahmad Subri Bin Abdullah

The Audit and Risk Management Committee performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance. In performing its functions, the Audit and Risk Management Committee reviewed the audit plans and the overall scope of examination by the external auditors of the Company. The Audit and Risk Management Committee also reviewed the independence of the external auditors of the Company and the nature and extent of the non-audit services provided by the external auditors.

The Audit and Risk Management Committee also reviewed the assistance provided by the Company's officers to the internal and external auditors, the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group prior to their submission to the Directors of the Company for adoption and reviewed the interested person transactions as defined in Chapter 9 of the Rules of Catalist of the SGX-ST.

The Audit and Risk Management 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 has also full authority and discretion to invite any Director or executive officer to attend its meetings. The Audit and Risk Management Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Management Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT

7. INDEPENDENT AUDITORS

The independent auditors, BDO LLP, have expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Chan Lai Thong

Director

Singapore

31 March 2016

Mirzan Bin Mahathir

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of SBI Offshore Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
31 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 US\$'000	Group 2014 US\$'000
Revenue	4	7,110	14,149
Cost of sales		(3,206)	(8,309)
Gross profit		3,904	5,840
Other items of income			
Interest income		49	102
Other income	5	382	27
Other items of expense			
Administrative and other expenses		(8,758)	(5,544)
Finance costs	6	(24)	(70)
Share of results of an associate, net of tax	14	184	212
Share of results of a joint venture, net of tax	15	93	447
(Loss)/Profit before income tax	7	(4,170)	1,014
Income tax credit/(expense)	8	54	(404)
(Loss)/Profit for the financial year		(4,116)	610
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations, net of tax of US\$Nil		(96)	(117)
Total comprehensive income for the financial year		(4,212)	493
(Loss)/Profit attributable to:			
Owners of the parent		(4,043)	610
Non-controlling interests		(73)	-
		(4,116)	610
Total comprehensive income attributable to:			
Owners of the parent		(4,139)	493
Non-controlling interests		(73)	-
		(4,212)	493
(Loss)/Earnings per share (cents)	9		
- Basic		(1.62)	0.31
- Diluted		(1.62)	0.30

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Non-current assets					
Property, plant and equipment	10	4,179	4,908	122	128
Land lease prepayment	11	1,010	1,085	-	-
Intangible assets	12	57	72	38	72
Investments in subsidiaries	13	-	-	3,371	4,201
Investment in associate	14	-	2,933	-	1,800
Investment in joint venture	15	868	1,524	50	50
Total non-current assets		6,114	10,522	3,581	6,251
Current assets					
Inventories	16	-	30	-	-
Trade and other receivables	17	2,946	11,071	9,208	17,854
Cash and cash equivalents	18	18,165	18,000	14,890	13,413
Total current assets		21,111	29,101	24,098	31,267
Assets classified as held for sale	19	3,117	-	1,800	-
Total assets		30,342	39,623	29,479	37,518
Current liabilities					
Trade and other payables	20	4,392	8,130	4,603	6,486
Current income tax payable		-	431	-	33
Bank borrowings	22	-	940	-	940
Total current liabilities		4,392	9,501	4,603	7,459
Net current assets		19,836	19,600	21,295	23,808
Non-current liability					
Deferred tax liability	23	4	4	4	4
Net assets		25,946	30,118	24,872	30,055
Equity, reserves and non-controlling interests					
Share capital	24	25,253	25,253	25,253	25,253
Other reserves	25	207	167	242	202
Foreign currency translation reserve	27	383	479	-	-
Accumulated profits/(losses)		176	4,219	(623)	4,600
Equity attributable to owners of the parent		26,019	30,118	24,872	30,055
Non-controlling interests		(73)	-	-	-
Total equity		25,946	30,118	24,872	30,055

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Share capital US\$'000	Share-based payment reserve US\$'000	Equity non- controlling interests US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits US\$'000	Equity attributable to owners of the parent US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2015		25,253	202	(35)	479	4,219	30,118	-	30,118
Total comprehensive income for the financial year									
Loss for the financial year		-	-	-	-	(4,043)	(4,043)	(73)	(4,116)
<i>Other comprehensive income</i>									
Exchange differences arising from translation of foreign operations		-	-	-	(96)	-	(96)	-	(96)
Total		-	-	-	(96)	(4,043)	(4,139)	(73)	(4,212)
Transactions with owners of the parent recognised directly in equity									
Employee share-based payment	26	-	40	-	-	-	40	-	40
Balance at 31 December 2015		25,253	242	(35)	383	176	26,019	(73)	25,946

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Share capital US\$'000	Share-based payment reserve US\$'000	Equity non- controlling interests US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits US\$'000	Equity attributable to owners of the parent US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Balance at									
1 January 2014		11,559	570	(35)	596	3,897	16,587	-	16,587
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	610	610	-	610
<i>Other comprehensive income</i>									
Exchange differences arising from translation of foreign operations		-	-	-	(117)	-	(117)	-	(117)
Total		-	-	-	(117)	610	493	-	493
Transactions with owners of the parent recognised directly in equity									
Issue of shares under performance share plan, net of share issue expenses	24	918	(925)	-	-	-	(7)	-	(7)
Issue of shares pursuant to placement, net of share issue expenses	24	12,776	-	-	-	-	12,776	-	12,776
Employee share-based payment	26	-	557	-	-	-	557	-	557
Dividends	28	-	-	-	-	(288)	(288)	-	(288)
Total		13,694	(368)	-	-	(288)	13,038	-	13,038
Balance at									
31 December 2014		25,253	202	(35)	479	4,219	30,118	-	30,118

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Company	Note	Share capital US\$'000	Share-based payment reserve US\$'000	Accumulated profits/(losses) US\$'000	Total equity US\$'000
Balance at 1 January 2015		25,253	202	4,600	30,055
Loss for the financial year, representing total comprehensive income for the financial year		-	-	(5,223)	(5,223)
Transactions with owners of the parent recognised directly in equity					
Employee share-based payment	26	-	40	-	40
Balance at 31 December 2015		25,253	242	(623)	24,872
Balance at 1 January 2014		11,559	570	6,420	18,549
Loss for the financial year, representing total comprehensive income for the financial year		-	-	(1,532)	(1,532)
Transactions with owners of the parent recognised directly in equity					
Issue of shares under performance share plan, net of share issue expenses	24	918	(925)	-	(7)
Issue of shares pursuant to placement, net of share issue expenses	24	12,776	-	-	12,776
Employee share-based payment	26	-	557	-	557
Dividends	28	-	-	(288)	(288)
Total		13,694	(368)	(288)	13,038
Balance at 31 December 2014		25,253	202	4,600	30,055

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 US\$'000	Group 2014 US\$'000
Operating activities			
(Loss)/Profit before income tax		(4,170)	1,014
Adjustments for:			
Amortisation of intangible assets	12	39	46
Amortisation of land lease prepayment	11	27	27
Depreciation of property, plant and equipment	10	398	398
(Gain)/Loss on disposal of plant and equipment		(5)	45
(Gain)/Loss on disposal of intangible assets		(5)	69
Gain on settlement of balances with a contract customer	17	(262)	-
Unrealised foreign exchange loss		750	571
Allowance for obsolete inventories	16	30	100
Trade receivables written-off	17	3,338	-
Impairment loss on plant and equipment	10	228	-
Interest income		(49)	(102)
Interest expense		24	70
Share of results of an associate		(184)	(212)
Share of results of a joint venture		(93)	(447)
Employee share-based payment		40	557
Operating cash flows before working capital changes		106	2,136
Working capital changes:			
Inventories		-	826
Trade and other receivables		4,395	(2,890)
Trade and other payables		(4,644)	(485)
Cash used in operations		(143)	(413)
Interest income		49	102
Interest expense		(24)	(70)
Income tax paid, net of tax refund		(377)	(164)
Net cash used in operating activities		(495)	(545)
Investing activities			
Purchase of plant and equipment	10	(99)	(75)
Purchase of intangible assets	12	(26)	(1)
Proceeds from disposal of plant and equipment		7	20
Proceeds from disposal of intangible assets		7	-
Dividend received from a joint venture	15	500	-
Advances received from disposal of an associate	20	3,000	-
Down payment to a third party	17	(1,149)	-
Net cash generated from/(used in) investing activities		2,240	(56)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 US\$'000	2014 US\$'000
Financing activities			
Repayment of bank borrowings		(2,034)	(4,317)
Proceeds from bank borrowings		1,094	3,290
Release of pledge of fixed deposits with banks		150	1,963
Proceeds from issuance of shares pursuant to placements, net of share issue expenses	24	-	12,776
Share issue expenses in respect of issuance of performance shares	24	-	(7)
Dividends paid	28	-	(288)
Net cash (used in)/generated from financing activities		(790)	13,417
Net change in cash and cash equivalents		955	12,816
Cash and cash equivalents at beginning of financial year		17,263	4,884
Effect of foreign exchange rate changes in cash and cash equivalents		(640)	(437)
Cash and cash equivalents at end of financial year	18	17,578	17,263

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL CORPORATE INFORMATION

SBI Offshore Limited (the “Company”) is a limited liability company incorporated and domiciled in the Republic of Singapore. The Company was admitted to the official list of Catalist under Singapore Exchange Securities Trading Limited on 11 November 2009, with its registered office address and principal place of business at 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555.

The principal activities of the Company are those of investment holding, marketing and distribution of drilling and related equipment, integrated engineering and equipment solutions.

The principal activities of the subsidiaries are set out in Note 13 to the financial statements.

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 31 December 2015 were authorised for issue by the Board of Directors on 31 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”) including the related Interpretations of FRS (“INT FRS”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity in the Group are measured using 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 dollar (“US\$”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The financial statements are expressed in US\$ and rounded to the nearest thousand (“US\$’000”), unless otherwise stated.

Although the Group had incurred losses of US\$4,116,000 for the financial year ended 31 December 2015, the management is of the opinion that the use of going concern basis to prepare the Group’s financial statements is appropriate. In assessing whether the Group can meet its debt obligations for the ensuing twelve months, the management had prepared cash flow forecasts which was approved by the Board. The cash flows were derived from the financial budget for the financial year ending 31 December 2016 where it indicates that the Group is able to pay its debts as and when they fall due.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting judgements and key sources of estimation of uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

On 1 January 2015, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS does not result in any changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

FRS issued but not yet effective

As at the date of authorisation of these financial statements, the following FRS and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure Initiative	1 January 2016
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (November 2014)		1 January 2016

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

The management anticipates that the adoption of the above FRSs and amendments to FRSs in future periods, will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is still in the process of assessing the impact of this standard, which includes the assessment of classification and measurement of financial assets and the new impairment requirements are expected to result in changes for impairment provisions for trade receivables and other financial assets not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is still in the process of assessing the impact of this standard and plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

In the separate financial statements of the Company, investments in subsidiaries, associate and joint venture are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for 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. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

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

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

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

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Rendering of services

Revenue from rendering of services is recognised when the services have been performed and accepted by the customers in accordance to the relevant terms and conditions of the contracts. The Group accounts for these services under the percentage-of-completion method based on the services rendered as at the end of the financial year compared to total costs expected under the contract. Revenue is recognised by reference to the stage of completion of the contract provided the amount of revenue, stage of completion and associated costs can be measured reliably and it is probable that the consideration will be received. At the time a loss on a contract is anticipated, the entire amount of the estimated loss is accrued. Contract revenue is recognised in accordance with the Group's accounting policy in construction contracts.

Contracts that do not qualify for use of the percentage-of-completion method as reasonable estimates of percentage of completion are not available, are accounted for by deferring all billings and related costs, net of anticipated losses, until completion of the contract.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and 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.

Rental income

Rental income under operating lease is recognised on a straight-line basis over the term of lease.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Employee benefits

Retirement benefit costs

The Group participates in the national schemes as defined by the laws of the countries in which it has operates.

Singapore

The Group and the Company makes contribution to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme.

People's Republic of China ("PRC")

A subsidiary, incorporated and operating in the PRC, are required to provide certain retirement plan contribution to their employees under existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are charged as an expense in profit or loss in the financial year as the employment that gives rise to the contributions.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within twelve months from the end of the financial year as a result of services rendered by employees up to the end of the financial year.

Share-based payments

Share options

The Group issues 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. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share option reserve.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Employee benefits (Continued)

Share-based payments (Continued)

Performance shares

The performance share plan of the Group is accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The performance share expense is amortised and recognised in profit or loss on a straight-line basis over the vesting period. At the end of each financial year, the Group revises the estimate of the number of performance shares that are expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to equity.

2.6 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.7 Leases

When the Group and the Company is the lessee of an operating lease

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.

When the Group is the lessor of an operating lease

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 user 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss 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 recognised at the amount expected to be paid or recovered from the taxation authorities and 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 financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary 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 are accounted for using the 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 on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 the end of each financial year 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 the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

Deferred tax (Continued)

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.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination.

Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.9 Foreign currency transactions and translation

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 the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items and on retranslating of monetary items are included in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the re-translation 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currency transactions and translation (Continued)

For the purposes of presenting consolidated financial statements, the results and financial positions of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rate at the end of financial year;
- (ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

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

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends on ordinary shares are recorded in the financial year in which the dividends are approved by the shareholders.

2.11 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the property, plant and equipment before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Leasehold property	20
Computers	3
Furniture and fittings	3
Office equipment	3 to 5
Renovation	3 to 5
Motor vehicles	3 to 4
Site equipment	10

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charges for depreciation is made in respect of these assets.

2.12 Land lease prepayment

Land lease prepayment represents land use rights, which are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The land use rights are amortised over the lease term of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary 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 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.

Goodwill on associate or joint venture is included in 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 identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

On disposal of a subsidiary, an associate or a joint venture, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Computer software

Computer software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software is subsequently carried at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line method so as to write off the costs of the computer software over their estimated useful lives of three years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.2). The Group classifies its interests in joint arrangements as joint venture where the Group has rights to only the net assets of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method) as described in Note 2.15 below.

2.15 Associate and joint venture

An associate is an entity over which the Group has significant influence. 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.

Associate and joint venture are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is accounted as goodwill and is included in the carrying amount of the investment in associate or joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associate or joint venture and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Associate and joint venture (Continued)

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

Investment in an associate and a joint venture are stated at cost in the Company's statement of financial position less impairment loss, if any.

2.16 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial 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.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its 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.

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.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group or the Company 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 allocating the interest income or expense over the relevant period. The effective interest rate is the rate 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, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables (excluding prepayments, advance payments to suppliers, non-trade receivables from associate and other recoverable) and cash and cash equivalents which have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. 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 amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset 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 receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by 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.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables (excluding advance payments from customers, a shareholder of an associate and amount due to contract customers) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Borrowings

Interest-bearing bank loans and overdrafts 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.

Financial guarantee contracts

The Company has issued corporate guarantees to a bank for banking facilities of the joint venture and these guarantees qualify as financial guarantees because the Company is required to reimburse the bank if the joint venture breaches any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Non-current asset held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials is determined on a “first-in, first-out” basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured goods, cost includes costs of materials, direct labour and an appropriate portion of manufacturing overheads.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow-moving and defective inventories.

2.20 Construction contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The Group measures stage of completion based on the proportion of contract costs incurred to date compared total contract costs.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as “Amount due from contract customers” within “Trade and other receivables”. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as “Amount due to contract customers” within “Trade and other payables”.

Progress billings not yet paid by customers and retentions are included within “Trade and other receivables”. Advances received are included within “Trade and other payables”.

2.21 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits, net of fixed deposits pledged.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decision.

2.23 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

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 made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgements made in applying the accounting policies

The management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investments in subsidiaries and joint venture and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether an investment or a financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investments in subsidiaries, joint venture or fair value of financial asset is less than their carrying amount and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

3.2 Key sources of estimation uncertainty

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

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be within 3 to 20 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2015 were US\$4,179,000 (2014: US\$4,908,000) and US\$122,000 (2014: US\$128,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when it believes that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables are disclosed in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. REVENUE

	Group	
	2015	2014
	US\$'000	US\$'000
Sale of goods	4,478	5,483
Services rendered	2,383	2,287
Contract revenue	249	6,379
	7,110	14,149

5. OTHER INCOME

	Group	
	2015	2014
	US\$'000	US\$'000
Rental income	72	-
Gain on settlement of balances with a contract customer (Note 17)	262	-
Miscellaneous income	48	27
	382	27

6. FINANCE COSTS

	Group	
	2015	2014
	US\$'000	US\$'000
Bank loan interest	24	70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. (LOSS)/PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	Group	
	2015 US\$'000	2014 US\$'000
Administrative and other expenses		
Audit fees		
- auditors of the Company	67	109
- other auditors	8	8
Non-audit fees		
- auditors of the Company	4	-
- other auditors	-	-
Allowance for obsolete inventories	30	100
Amortisation of land lease prepayment	27	27
Amortisation of intangible assets	39	46
Professional fees	242	210
Depreciation of property, plant and equipment	398	398
Foreign exchange loss, net	814	575
(Gain)/Loss on disposal of plant and equipment	(5)	45
(Gain)/Loss on disposal of intangible assets	(5)	69
Operating lease expenses	105	94
Transportation and travelling	326	381
Trade receivable written-off (Note 17)	3,338	-
Impairment loss on plant and equipment	228	-

The (loss)/profit before income tax also includes the following:

	Group	
	2015 US\$'000	2014 US\$'000
Employee benefits		
Salaries, bonuses and allowances	2,653	2,712
Defined contribution plans	153	147
Share-based payment expense	40	557
Other employee benefits	108	60
	2,954	3,476

Employee benefits are recognised in the following line items in the consolidated statement of comprehensive income:

	Group	
	2015 US\$'000	2014 US\$'000
Cost of sales	361	554
Administrative and other expenses	2,593	2,922
	2,954	3,476

Employee benefits include key management personnel remuneration as shown in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2015	2014
	US\$'000	US\$'000
Current income tax		
- current year	-	411
- (over)/under provision in prior years	(54)	12
	(54)	423
Deferred tax		
- over provision in prior years	-	(19)
Total income tax (credit)/expense	(54)	404

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore statutory income tax rate of 17% (2014: 17%) to (loss)/profit before income tax as a result of the following differences:

	Group	
	2015	2014
	US\$'000	US\$'000
(Loss)/Profit before income tax	(4,170)	1,014
Income tax calculated at statutory income tax rate of 17%	(709)	172
Effect of different tax rate in other countries	(70)	(65)
Tax effect of expenses not deductible	217	247
Tax effect of income not subject to tax	(65)	(132)
Statutory stepped income tax exemption	-	(20)
Unrecognised deferred tax assets	630	197
(Over)/under provision of current income tax in prior years	(54)	12
Over provision of deferred tax in prior years	-	(19)
Tax incentive and rebate	(2)	(10)
Others	(1)	22
	(54)	404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

The Group has unutilised tax loss carry forwards available for offsetting against future taxable income as follows:

	Group	
	2015 US\$'000	2014 US\$'000
At beginning of the year	2,960	2,168
Adjustments	(126)	-
Arising during the year	3,419	927
Expired during the year	(558)	(123)
Currency translation adjustment	(44)	(12)
At end of the year	5,651	2,960

	Group	
	2015 US\$'000	2014 US\$'000
Deferred tax assets not recognised in respect of the above unutilised tax losses carry forward		
Not recorded	1,188	740
Recorded	-	-
	1,188	740

The deferred tax assets has not been recognised in the financial statements due to the unpredictability of future revenue streams.

The unutilised tax losses arising from the subsidiary in the jurisdiction of the People's Republic of China can only be utilised for set-off against its future taxable profits within five years from the date the tax losses were incurred.

The expiry for these unutilised tax losses are as follows:

	Group	
	2015 US\$'000	2014 US\$'000
<u>People's Republic of China</u>		
Year		
2015	-	558
2016	511	521
2017	220	224
2018	717	730
2019	784	927
2020	607	-
	2,839	2,960

Except as disclosed above, the remaining unutilised tax losses may be carried indefinitely subject to the tax legislations and conditions imposed by Inland Revenue Authority of Singapore ("IRAS").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit attributable to equity holders of the Company by the actual (2014: weighted average) number of ordinary shares in issue during the financial year.

Diluted (loss)/earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of potential dilutive ordinary shares: share options and performance shares.

In 2014, the weighted average number of shares on issues has been adjusted as if all dilutive share options and performance shares were exercised. No adjustment is made to the net profit.

At the end of the reporting period, diluted loss per share is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share. Share options granted under the ESOS (Note 26) have not been included in the calculation of diluted loss per share because they are anti-dilutive.

Basic and diluted (loss)/earnings per share attributable to owners of the parent is calculated as follows:

	Group	
	2015 US\$'000	2014 US\$'000
(Loss)/Profit attributable to owners of the parent	(4,043)	610
	Number of Shares	Number of Shares
Actual (2014: weighted average) number of ordinary shares for basic (loss)/earnings per share ('000)	249,680	193,951
Adjustments for ('000)		
- Share options	-	10,000
	249,680	203,951
Basic (loss)/earnings per share (cents)	(1.62)	0.31
Diluted (loss)/earnings per share (cents)	(1.62)	0.30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property US\$'000	Computers US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Renovation US\$'000	Motor vehicles US\$'000	Site equipment US\$'000	Total US\$'000
Cost								
Balance at 1 January 2015	5,212	92	37	25	658	51	493	6,568
Additions	-	19	3	4	25	-	55	106
Disposals/Write-off	-	-	-	-	(10)	(36)	-	(46)
Currency realignment	(237)	-	(1)	-	(20)	-	(9)	(267)
Balance at 31 December 2015	4,975	111	39	29	653	15	539	6,361
Accumulated depreciation								
Balance at 1 January 2015	828	71	27	20	523	39	152	1,660
Depreciation for the financial year	233	17	6	3	87	4	48	398
Disposals/Write-off	-	-	-	-	-	(36)	-	(36)
Currency realignment	(45)	-	(1)	-	(20)	-	(2)	(68)
Balance at 31 December 2015	1,016	88	32	23	590	7	198	1,954
Impairment								
Allowance for impairment loss	-	-	-	-	-	-	228	228
Net carrying amount								
At 31 December 2015	3,959	23	7	6	63	8	113	4,179

During the year, the Group carried out a review of certain site equipment of a subsidiary, Jiangyin SBI Offshore Equipment Co., Ltd.. Management determined that indicators of impairment existed at the end of the reporting period as the site equipment was employed by the subsidiary which was loss making and had become inactive during the year. The review led to a full impairment loss of US\$228,000 recognised in profit or loss and included in "administrative and other expenses". The recoverable amount of the site equipment has been determined based on fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold property US\$'000	Computers US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Renovation US\$'000	Motor vehicles US\$'000	Site equipment US\$'000	Total US\$'000
Cost								
Balance at 1 January 2014	5,340	150	135	36	630	38	493	6,822
Additions	-	10	7	1	39	14	12	83
Disposals/Write-off	-	(68)	(103)	(12)	-	-	-	(183)
Currency realignment	(128)	-	(2)	-	(11)	(1)	(12)	(154)
Balance at 31 December 2014	5,212	92	37	25	658	51	493	6,568
Accumulated depreciation								
Balance at 1 January 2014	668	72	111	20	389	38	113	1,411
Depreciation for the financial year	177	24	6	5	142	2	42	398
Disposals/Write-off	-	(25)	(88)	(5)	-	-	-	(118)
Currency realignment	(17)	-	(2)	-	(8)	(1)	(3)	(31)
Balance at 31 December 2014	828	71	27	20	523	39	152	1,660
Net carrying amount								
At 31 December 2014	4,384	21	10	5	135	12	341	4,908

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Renovation US\$'000	Motor vehicles US\$'000	Site equipment US\$'000	Total US\$'000
Cost							
Balance at 1 January 2015	90	20	21	204	-	-	335
Additions	11	-	1	7	-	55	74
Transferred from a subsidiary	1	-	-	-	8	-	9
Balance at 31 December 2015	102	20	22	211	8	55	418
Accumulated depreciation							
Balance at 1 January 2015	70	15	16	106	-	-	207
Depreciation for the financial year	15	3	3	62	-	6	89
Balance at 31 December 2015	85	18	19	168	-	6	296
Net carrying amount							
At 31 December 2015	17	2	3	43	8	49	122
Cost							
Balance at 1 January 2014	82	17	19	184	-	-	302
Additions	8	3	2	20	-	-	33
Balance at 31 December 2014	90	20	21	204	-	-	335
Accumulated depreciation							
Balance at 1 January 2014	49	13	12	51	-	-	125
Depreciation for the financial year	21	2	4	55	-	-	82
Balance at 31 December 2014	70	15	16	106	-	-	207
Net carrying amount							
At 31 December 2014	20	5	5	98	-	-	128

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment were as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Additions during the financial year	106	83
Provision for reinstatement costs	(7)	(8)
Cash payments to purchase plant and equipment	99	75

11. LAND LEASE PREPAYMENT

	Group	
	2015 US\$'000	2014 US\$'000
Cost		
Balance at beginning of financial year	1,203	1,233
Currency realignment	(55)	(30)
Balance at end of financial year	1,148	1,203
Accumulated amortisation		
Balance at beginning of financial year	118	93
Amortisation for the financial year	27	27
Currency realignment	(7)	(2)
Balance at end of financial year	138	118
Net carrying amount		
At end of financial year	1,010	1,085
Remaining useful lives	42 years	43 years

Land lease prepayment represents land use rights held by a subsidiary company in the People's Republic of China.

Amortisation expense has been included in "Administrative and other expenses" in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

12. INTANGIBLE ASSETS

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Computer software				
Cost				
Balance at beginning of financial year	112	263	112	111
Additions	26	1	6	1
Disposals	(7)	(152)	(7)	-
Balance at end of financial year	131	112	111	112
Accumulated amortisation				
Balance at beginning of financial year	40	77	40	3
Amortisation for the financial year	39	46	38	37
Disposals	(5)	(83)	(5)	-
Balance at end of financial year	74	40	73	40
Net carrying amount				
At end of financial year	57	72	38	72

Amortisation expense has been included in "Administrative and other expenses" in the consolidated statement of comprehensive income.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 US\$'000	2014 US\$'000
Unquoted equity shares, at cost	6,001	6,001
Allowance for impairment losses	(2,630)	(1,800)
	3,371	4,201

Movement in the allowance for impairment losses are as follows:

	Company	
	2015 US\$'000	2014 US\$'000
Balance at beginning of financial year	1,800	800
Allowance made during the year	830	1,000
Balance at end of financial year	2,630	1,800

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During the year, management performed an impairment assessment for its significant subsidiaries which have either suffered losses during the year or are inactive.

In conjunction with management's impairment assessment carried out on the Group's site equipment described in Note 10 to the financial statements, the Company's cost of investment in Jiangyin SBI Offshore Equipment Co., Ltd. was also determined to exceed its recoverable amount and consequently an impairment loss of US\$830,000 (2014: US\$1,000,000) was recognised in profit or loss. The recoverable amount of the investment in this subsidiary of approximately US\$3,371,000 (2014: US\$4,201,000) was determined on the basis of the subsidiary's fair value less costs to sell which was estimated by the management using the following basis:

- i) by reference to market evidences of transaction prices for the non-current assets of the subsidiary which comprised mainly leasehold property and land use rights recorded as land lease prepayment; and
- ii) the fair value of the current assets and liabilities are determined by management to approximate their carrying values due to short-term maturity.

The fair value hierarchy is considered as Level 3 as the inputs to determine the fair value less costs to sell of the non-current assets are based on a valuation report carried out by an independent professional valuation firm using the sales comparison approach whereby sale prices of comparable properties in similar locations are adjusted for differences in key attributes such as property size. The most significant input into the valuation model is the price per square metre of the property. The valuation is based on the assets' highest and best use, which is in line with their actual use.

The details of the Group's significant subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest and voting power held		Proportion of ownership held by non-controlling interests	
		2015	2014	2015	2014
		%	%	%	%
<i>Held by the Company</i>					
Jiangyin SBI Offshore Equipment Co., Ltd. ⁽¹⁾ (People's Republic of China)	Manufacturing of offshore rig equipment	100	100	-	-
Neptune Life-Saving Pte. Ltd. ⁽²⁾ (Singapore)	Marketing, distribution and servicing of offshore and marine equipment	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest and voting power held		Proportion of ownership held by non-controlling interests	
		2015 %	2014 %	2015 %	2014 %
Solar Energy Investments Pte. Ltd. (formerly known as SBI O&M Pte. Ltd.) ⁽²⁾ (Singapore)	Design, engineer, construct, develop, own, operate, maintain and storage of solar photovoltaic energy systems and plants	100	100	-	-
Graess Energy Pte. Ltd. ^{(2),(3)} (Singapore)	Dormant	51	-	49	-

(1) Audited by Jiangsu Welsen Certified Public Accountants Co., Ltd., People's Republic of China.

(2) Audited by BDO LLP, Singapore.

(3) Incorporated during the year.

Significant restriction

Cash and bank balances of approximately US\$2,466,000, equivalent to RMB16,019,000 (2014: US\$4,459,000, equivalent to RMB27,647,000) held with a subsidiary in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

14. INVESTMENT IN ASSOCIATE

	Group	
	2015 US\$'000	2014 US\$'000
Equity shares, at cost	1,800	1,800
Share of post-acquisition profits	1,317	1,133
Reclassified as non-current asset classified as held for sale (Note 19)	(3,117)	-
	<u>-</u>	<u>2,933</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. INVESTMENT IN ASSOCIATE (CONTINUED)

The details of the associate is as follows:

Name of associate (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group	
		2015 %	2014 %
Jiangyin Neptune Marine Appliance Co., Ltd. ⁽¹⁾ (People's Republic of China)	Manufacturing of marine equipment, fittings and boats	-	35

Note:

(1) Audited by Jiangsu Welsen Certified Public Accountants Co., Ltd., People's Republic of China.

Summarised financial information in relation to the associate is presented below:

	2014 US\$'000
Current assets	10,692
Non-current assets	4,793
Current liabilities	(8,719)
Non-current liabilities	-
Net assets	6,766
Group's share of associate's net assets	2,368
Goodwill	565
Carrying value of the Group's investment in an associate	2,933
Revenue for the financial year	18,476
Net profit after income tax, representing total comprehensive income	606
Group's share of associate's profit for the financial year	212

Goodwill has been allocated to the cash-generating unit ("CGU") identified. The carrying amount of CGU identified has been allocated to the "marketing and distribution" segment. The Group tests its CGU for impairment annually, or more frequently when there is an indication that the unit may be impaired.

In the previous financial year, the recoverable amount of the CGU, including goodwill, has been determined based on value-in-use calculations approved by management derived from cash flow projections covering a period of 5 years. The cash flow projections were discounted at a rate of 6.3%, using a growth rate of 7.4% and gross margins of 21%.

Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGU. The growth rates and gross margins are based on historical performance.

At the end of the reporting period, the Group's investment in associate is classified as held for sale as disclosed in Note 19 to the financial statements.

Pursuant to Paragraph B17 of FRS 112 *Disclosure of Interest in Other Entities*, when an entity's interest in an associate is classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the entity is not required to disclose summarised financial information for the associate. Accordingly, no disclosure is made in respect of this.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. INVESTMENT IN JOINT VENTURE

	Company	
	2015 US\$'000	2014 US\$'000
Equity shares, at cost	50	50

The details of the joint venture are as follows:

Name of joint venture (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group	
		2015 %	2014 %
RBV Energy (Singapore) Pte. Ltd. ⁽¹⁾ (Singapore)	Manufacture and supply of equipment for marine/offshore industry	50	50

Note:

(1) Audited by CA Practice PAC, Chartered Accountants, Singapore.

Summarised financial information in relation to the joint venture is presented below:

	2015 US\$'000	2014 US\$'000
Current assets	3,843	4,983
Non-current assets	34	65
Current liabilities	(2,142)	(2,000)
Net assets	1,735	3,048
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	572	1,007
Current financial liabilities (excluding trade and other payables and provisions)	(187)	(585)
Revenue	3,374	12,615
Net profit after income tax, representing total comprehensive income	187	894
<i>Included in the above amounts are:</i>		
Depreciation	31	30
Interest expense	52	129
Income tax (credit)/expense	(2)	178
Dividends from joint venture	750	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

15. INVESTMENT IN JOINT VENTURE (CONTINUED)

During the financial year, the joint venture of the Group declared dividends of US\$750,000 of which US\$500,000 has been received and the remaining US\$250,000 has been recorded in other receivables as disclosed in Note 17 to the financial statements.

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in the joint venture, is as follows:

	2015 US\$'000	2014 US\$'000
Net assets of the joint venture	1,735	3,048
Proportion of the Group interest in RBV Energy (Singapore) Pte. Ltd.	50%	50%
Carrying amount of the Group's interest in RBV Energy (Singapore) Pte. Ltd.	868	1,524

16. INVENTORIES

	Group	
	2015 US\$'000	2014 US\$'000
Raw materials	-	17
Work-in-progress	-	13
	-	30

At the end of the financial year, the Company carried out a review of the realisable values of its inventories and the review led to the recognition of an allowance for obsolete inventories of approximately US\$30,000 (2014: US\$100,000).

The Group's cost of inventories recognised as an expense during the financial year included in "Cost of sales" amounted to US\$Nil (2014: US\$553,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables				
- third parties	1,328	10,524	1,328	5,349
- associate	-	17	-	17
- subsidiary	-	-	-	975
Non-trade receivables				
- third parties	13	66	13	-
- subsidiaries	-	-	6,303	11,140
- associate	21	59	-	-
- joint venture	253	2	253	1
Other recoverable	11	9	-	-
Rental and other deposits	11	26	5	18
Advance payments to suppliers	-	191	-	189
Prepayments	160	123	157	111
Amount due from contract customer (Note 21)	-	54	-	54
Down payment to a third party	1,149	-	1,149	-
	2,946	11,071	9,208	17,854

Trade receivables are non-interest bearing and generally on 30 to 60 days (2014: 30 to 60 days) credit terms.

Trade receivables due from an associate and a subsidiary are unsecured, non-interest bearing and repayable on demand.

The non-trade receivables due from subsidiaries, associate and joint venture comprise advances which are unsecured, non-interest bearing and repayable on demand, except for amounts due from subsidiaries and joint venture of approximately US\$1,712,000 and US\$250,000 respectively (2014: US\$5,262,000 and US\$Nil respectively), which bear interest from 1% to 7% (2014: 1% to 7%) per annum.

Down payment to a third party represents a payment made for a business opportunity, which is secured by a guarantee from a Director, non-interest bearing and repayable on demand.

The Company recognised an impairment loss of US\$4,716,000 (2014: US\$Nil) in the Company's profit or loss subsequent to the assessment performed by the management on the net recoverable amount from the subsidiaries. The assessment was made using a combination of factors including the fair value less costs to sell of the subsidiaries at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

During the year, the Company entered into a Deed of Settlement with a certain customer on outstanding debts in relation to a completed project. The Deed of Settlement agreed for an amount of US\$1,750,000 to be paid to the Company in full and final settlement of all outstanding balances between the Company and the customer, resulting in a net gain of US\$262,000 recognised in profit or loss (Note 5).

At the end of the financial year, management carried out a review on the recoverability of the Group's trade and other receivables which led to a write-off of US\$3,338,000 (Note 7) due from a certain customer as the contract with the customer will be terminated. Subsequent to the financial year end, the contract with the customer was formally terminated with effect from 25 February 2016.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
United States dollar	1,591	10,927	4,800	12,188
Singapore dollar	1,185	116	1,590	1,245
Euro	-	-	18	20
Chinese renminbi	170	28	2,800	4,401
	2,946	11,071	9,208	17,854

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in consolidated statement of cash flows comprise the following:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Cash and bank balances	7,983	17,263	4,708	12,676
Fixed deposits	10,182	737	10,182	737
Cash and cash equivalents in the statement of financial position	18,165	18,000	14,890	13,413
Fixed deposits pledged	(587)	(737)		
Cash and cash equivalents in the consolidated statement of cash flows	17,578	17,263		

Fixed deposits with a financial institution mature on varying periods within 12 months (2014: 12 months) from the end of the financial year with a weighted average interest rate of 1.35% (2014: 0.9%) per annum.

At the end of the financial year, fixed deposits of US\$587,000 (2014: US\$737,000) were pledged as securities for banking facilities granted to the Group and the Company as set out in Note 22 to the financial statements.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
United States dollar	9,238	5,051	8,450	4,900
Singapore dollar	6,497	8,524	6,419	8,490
British pound	21	22	21	22
Chinese renminbi	2,409	4,403	-	1
	18,165	18,000	14,890	13,413

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. ASSETS CLASSIFIED AS HELD FOR SALE

On 18 August 2015, management resolved to dispose its 35% equity interest in its associate, Jiangyin Neptune Marine Appliance Co., Ltd. to the majority shareholder (the "Purchaser") of Jiangyin Neptune Marine Appliance Co., Ltd. for a cash consideration of US\$3,500,000. Accordingly, the Group's investment in associate has been classified as asset held for sale (Note 14) and is presented separately in the statement of financial position for the financial year ended 31 December 2015.

An advance payment amounting to US\$3,000,000 was received during the year and the remaining balance of US\$500,000 will be paid in 5 instalments over 5 years upon approval of the sale by the relevant authorities. The Purchaser will procure Jiangyin Neptune Marine Appliance Co., Ltd. to provide a guarantee in favour of the Company for the remaining US\$500,000.

The disposal was completed on 4 January 2016 and the details of which are disclosed in Note 34 to the financial statements.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables				
– third parties	32	3,055	32	3,004
– subsidiaries	-	-	-	467
– associate	374	1,359	374	1,047
Non-trade payables				
– third parties	87	164	67	239
– subsidiary	-	-	155	94
Accrued operating expenses	751	1,299	827	1,245
Advance payments from customers	148	311	148	129
Advances from a shareholder of an associate (Note 19)	3,000	-	3,000	-
Amount due to contract customers (Note 21)	-	1,942	-	261
	4,392	8,130	4,603	6,486

Trade payables are non-interest bearing and are normally settled between 30 to 60 days (2014: 30 to 60 days) credit term.

Trade payables due to the subsidiaries and associate are unsecured, non-interest bearing and repayable on demand.

Non-trade payables due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

The advances from a shareholder of an associate represents part of the proceeds received in respect of the disposal of that associate (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

20. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
United States dollar	3,843	7,352	4,105	5,814
Singapore dollar	539	741	497	671
Chinese renminbi	10	36	1	1
Others	-	1	-	-
	4,392	8,130	4,603	6,486

21. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Contract costs incurred to-date	-	34,063	-	33,088
Recognised profit less recognised losses to date	-	549	-	(1,795)
Total contract work-in-progress	-	34,612	-	31,293
Progress billings	-	(36,500)	-	(31,500)
	-	(1,888)	-	(207)
Comprising:				
Amount due from contract customer (Note 17)	-	54	-	54
Amount due to contract customers (Note 20)	-	(1,942)	-	(261)

22. BANK BORROWINGS

	Group and Company	
	2015 US\$'000	2014 US\$'000
Bank loan - <i>secured</i>	-	41
Revolving credit - <i>secured</i>	-	550
Trust receipts - <i>secured</i>	-	349
	-	940

In 2014, bank loan was repayable in 36 months commencing from April 2012 and bore an effective interest rate at 5% per annum on monthly rest with monthly instalment of approximately US\$14,000 (equivalent to S\$18,000) per month. The bank loan was classified as current liability as a result of a demand clause. Revolving credit and trust receipts bore interest rate at 2.35% to 3.11% per annum and are repayable on demand. The bank borrowings were secured by fixed deposits of US\$737,000.

During the financial year, the bank borrowings were repaid in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

22. BANK BORROWINGS (CONTINUED)

At the end of the financial year, the Group and the Company have the following banking facilities:

	Group and Company	
	2015	2014
	US\$'000	US\$'000
Banking facilities granted	7,961	18,453
Banking facilities utilised	325	1,845

Bank borrowings are denominated in the following currencies:

	Group and Company	
	2015	2014
	US\$'000	US\$'000
United States dollar	-	899
Singapore dollar	-	41
	-	940

23. DEFERRED TAX LIABILITIES

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
At beginning of financial year	4	23	4	4
Credit to profit or loss	-	(19)	-	-
At end of financial year	4	4	4	4

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the financial year.

	Accelerated tax depreciation US\$'000	Others US\$'000	Total US\$'000
Group			
At 1 January 2014	25	(2)	23
Credit to profit or loss	(19)	-	(19)
At 31 December 2014 and 2015	6	(2)	4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

24. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	US\$'000
Issued and fully paid		
2015		
At beginning and end of financial year	249,680,100	25,253
2014		
At beginning of financial year	177,680,100	11,559
Issuance of shares under performance share plan, net of share issue expenses	10,000,000	918
Issuance of shares pursuant to placement, net of share issue expenses	62,000,000	12,776
At end of financial year	<u>249,680,100</u>	<u>25,253</u>

The Company has one class of ordinary shares which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

In 2014, the Company issued 10,000,000 new shares to Mr Chan Lai Thong, Executive Director and Executive Chairman of the Company (prior to his redesignation to Executive Director and Chief Executive Officer on 18 March 2016), pursuant to the fulfilment of the vesting conditions of the Performance Share Plan ("PSP"). The share issue expenses pertaining to the new shares issued was S\$8,000 (or approximately US\$7,000). The newly issued shares rank pari passu in all respects with the existing share capital.

In 2014, the Company allotted and issued 62,000,000 new placement shares at an issue price of S\$0.2605 per share for cash after deducting share issue expenses pertaining to the new placement shares of S\$18,000 (or approximately US\$14,000). The net proceeds will be used for working capital for existing projects and other strategic alliances, market expansion and such business development plans when opportunities arise. The newly issued shares rank pari passu in all respects with the existing share capital.

25. OTHER RESERVES

		Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Share-based payment reserve	(a)	242	202	242	202
Equity – Non-Controlling Interests ("NCI")	(b)	(35)	(35)	-	-
		<u>207</u>	<u>167</u>	<u>242</u>	<u>202</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

25. OTHER RESERVES (CONTINUED)

(a) Share-based payment reserve

The share-based payment reserve represents equity-settled share options and performance shares granted to employees and certain Directors (Note 24). The reserve is made up of the cumulative value of services received from employees and certain Directors for the issue of share options and performance shares over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options and performance shares.

(b) Equity – NCI

The Equity – NCI is the effect of transaction with non-controlling interests if there is no change in control and the transaction will no longer result in goodwill or gain or loss.

The movements of other reserves of the Group and the Company are presented in the consolidated statement of changes in equity.

26. SHARE-BASED PAYMENT RESERVE

The Company has a share options scheme and a performance share plan for certain employees and Directors of the Company.

The SBI Offshore Employee Share Option Scheme (“ESOS”) was approved and adopted by its members at an Extraordinary General Meeting held on 28 September 2009.

The SBI Offshore Performance Share Plan (“PSP”) was approved and adopted by its members at an Extraordinary General Meeting held on 30 April 2013.

The ESOS and PSP are administered by the Remuneration Committee (the “RC”), comprising Mr Mahtani Bhagwandas, Chairman of the RC, Mr Basil Chan and Mr Ahmad Subri Bin Abdullah.

In exercising its discretion, the RC must act in accordance with any guidelines that may be provided by the Board of Directors (“Board”). The RC shall refer any matter not falling within the scope of its terms of reference to the Board. The RC shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the ESOS and PSP as it thinks fit.

No participants have received 5% or more of the total number of shares other than disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. SHARE-BASED PAYMENT RESERVE (CONTINUED)

ESOS

Options are exercisable at price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Limited ("SGX-ST") for the five market days preceding the date of grant. The RC may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. If the options remain unexercised after the first anniversary of the day granted until the tenth anniversary, the options will expire. Options are forfeited if the employees leave the Company before the options vest.

(a) Options granted

Options granted on 8 January 2013

10,000,000 share options were granted to Mr Chan Lai Thong, Executive Director and Executive Chairman of the Company (prior to his redesignation to Executive Director and Chief Executive Officer on 18 March 2016), at the exercise price of S\$0.10 on 8 January 2013. The options are vested over various vesting periods after the first anniversary, second, third, fourth and fifth anniversary in respect of 20% respectively of the options granted and exercisable until 8 January 2023.

Options granted on 26 December 2013

3,000,000 share options were granted to Mr Giang Sovann, Executive Director of the Company (resigned on 8 October 2014), at the exercise price of S\$0.10 on 26 December 2013. The options are vested over various vesting periods after the second anniversary, third, fourth and fifth anniversary in respect of 25% respectively of the options granted and exercisable until 26 December 2023. The share options granted to Mr Giang Sovann were forfeited as a result of his resignation as Executive Director of the Company on 8 October 2014.

(b) Unissued shares under options

At the end of the financial year, the number of unissued shares under options was as follows:

<u>Date of grant</u>	<u>At beginning of the year</u>	<u>Forfeited/ cancelled</u>	<u>Exercised during the year</u>	<u>At end of the year</u>	<u>Exercise price S\$</u>	<u>Exercise period</u>
8.1.2013	10,000,000	-	-	10,000,000	0.10	8.1.2014 to 8.1.2023

The table below summarises the number of unissued shares under options, their exercise price as at the end of the financial year as well as the movements during the financial year.

	2015		2014	
	<u>Number of options</u>	<u>Exercise price S\$</u>	<u>Number of options</u>	<u>Exercise price S\$</u>
At 1 January	10,000,000	0.10	13,000,000	0.10
Forfeited	-	-	(3,000,000)	0.10
At 31 December	10,000,000	0.10	10,000,000	0.10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. SHARE-BASED PAYMENT RESERVE (CONTINUED)

ESOS (Continued)

There were no option being exercised during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

The fair value of ESOS are estimated using the Black-Scholes Pricing model. The inputs into the model were as follows:

	Granted on 8 January 2013	Granted on 26 December 2013
Exercise price (S\$)	0.10	0.10
Share price (S\$)	0.10	0.129
Expected life of share options (years)	5.5 to 7.5	6 to 7.5
Risk-free interest rate (%)	1.04% to 1.43%	2% to 2.38%
Expected volatility (%)	41.74%	38.98%
Dividend yield (%)	1.63%	1.63%

The expected volatility was determined by reference to the Company's share price at the date of grant. The expected life of the ESOS assumed each installment of the options will be exercised in the middle of the exercisable period.

PSP

The PSP is targeted to incentivise participants in key positions who are able to drive the growth of the Company to excel in their performance and encourage greater dedication and loyalty to the Company.

(a) Eligible participants

- i) Employees
 - confirmed full-time employees who have attained the age of 21 years on or before the date of award; or
 - Executive Directors who are Controlling Shareholders and Executive Directors who are Associates of Controlling Shareholders; and
- ii) Independent Directors and Non-Executive Directors who, in the opinion of the RC, have contributed or will contribute to the success of the Group.

There shall be no restriction on the eligibility of any participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company or the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. SHARE-BASED PAYMENT RESERVE (CONTINUED)

PSP (Continued)

(b) *Maximum allowable allotment*

The aggregate number of shares which may be issued pursuant to PSP granted on any date, when added to the number of new shares issued and/or issuable in respect of all PSP granted and any other share scheme which the Company may implement from time to time, including but not limited to the scheme, will not exceed 15% of the total issued shares in the capital of the Company (excluding treasury shares) on the day preceding the grant date.

The following additional limits must not be exceeded:

- i) The aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under PSP; and
- ii) The number of shares available to each controlling shareholder or his associate must not exceed 10% of the shares available under PSP.

The number of shares to be awarded to the participants in accordance with PSP shall be determined by the RC at its absolute discretion, such discretion shall be exercised taking into account criteria such as the rank and the responsibilities, performance, years of service and potential for future development of the participant.

(c) *Duration*

PSP shall continue in force at the discretion of the RC, subject to a maximum period of 10 years, commencing on the date on which PSP is adopted by the Company in a general meeting, provided always that PSP may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of PSP, any awards made to participants prior to such expiry or termination will continue to remain valid.

There were no performance shares granted under PSP during the financial year.

The table below summarises the number of performance shares that were granted, vested and cancelled during the financial year and outstanding as at the end of the reporting period.

	Number of Shares	
	2015	2014
At 1 January	-	10,000,000
Granted	-	-
Exercised	-	(10,000,000)
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

26. SHARE-BASED PAYMENT RESERVE (CONTINUED)

The total amount recognised in the financial statements for share-based payment transactions with employees is summarised as follows:

	Group and Company 2015 US\$'000	2014 US\$'000
Share-based payment expense		
- ESOS	40	69
- PSP	-	488
	40	557

27. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's foreign operations whose functional currency are different from that of the Group's presentation currency which is United States dollar and is non-distributable.

28. DIVIDENDS

	Group and Company 2015 US\$'000	2014 US\$'000
Final tax exempt dividend declared and paid of S\$0.002 per ordinary share for the financial year ended 31 December 2013	-	288

In 2014, the Company declared and paid a final tax exempt dividend of S\$0.002 per ordinary share of the Company amounting to approximately US\$288,000 (or S\$361,000 equivalent) in respect of the financial year ended 31 December 2013.

The Company did not recommend any dividend in respect of the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. OPERATING LEASE COMMITMENTS

Group and Company as a lessee

At the end of the financial year, the Group and the Company have commitments in respect of non-cancellable operating leases in respect of office premise and other operating facilities as follows:

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Future minimum lease payments payable:				
Within one year	49	108	33	73
After one year but within five years	11	49	6	33
Total	60	157	39	106

The above operating lease commitments are based on existing rental rates at the end of the financial year and the lease of office premise and other operating facilities have remaining lease term of 6 months and 4 years respectively (2014: 18 months and 2 months). Operating lease of office premise has an option to renew for a further period of 3 years at rates to be agreed with the landlord. There are no contingent rental payments and restriction imposed in relation to the lease.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions apply:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) An entity is related to the Group and the Company if any of the following conditions apply (Continued):

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
With subsidiaries				
Advances to a subsidiary	-	-	8	-
Loans to subsidiaries	-	-	1,419	860
Interest on loans to subsidiaries	-	-	167	136
Payment on behalf of subsidiaries	-	-	254	105
Payment on behalf by subsidiaries	-	-	140	-
Purchases from a subsidiary	-	-	208	417
Receipt on behalf by a subsidiary	-	-	-	4,455
Management fee from subsidiaries	-	-	30	1,015
Services rendered from a subsidiary	-	-	32	-
Debts assigned from a subsidiary	-	-	224	-
Sale of plant and equipment by a subsidiary	-	-	8	-
With an associate				
Purchase deposits paid to an associate	-	59	-	-
Purchases from an associate	1,193	1,826	332	1,350
Payment on behalf of an associate	8	-	-	-
With a joint venture				
Payment on behalf of a joint venture	14	18	14	17
Interest received from a joint venture	16	95	16	95
Purchases from a joint venture	-	576	-	576
Sales to a joint venture	-	558	-	558
Dividends from a joint venture	750	-	750	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of the key management personnel included under employee benefits in Note 7 to the financial statements were as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Directors' fees	92	97
Salaries and other short-term benefits	1,041	1,650
Post-employment benefits	22	21
	1,155	1,768
Comprise amounts paid to:		
Directors of the Company	776	1,507
Other key management personnel	379	261
	1,155	1,768

31. CONTINGENT LIABILITIES - UNSECURED

Corporate guarantees

As at 31 December 2015, the Company had given guarantees amounting to US\$3,075,000 (2014: US\$2,556,000) to a bank in respect of banking facilities granted to the joint venture. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the bank if the joint venture to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings.

The Company has not recognised any liability in respect of the guarantees given to a bank for banking facilities granted to the joint venture of which US\$731,000 has been utilised.

The maximum amount the Group could be forced to settle under the financial guarantee is US\$3,075,000 (2014: US\$2,556,000), if the full guaranteed amount is claimed by the counterparty to the guarantee. The earliest period that the guarantee could be called is within 1 year from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, China, Southeast Asia other than Singapore, Europe, United States and others. All these locations are engaged in providing products or services.

The Group has two reportable segments being marketing and distribution and projects segments.

- (i) Marketing and distribution; and
- (ii) Projects

The marketing and distribution segment which included sales of goods and services rendered provides marketing and distribution services of offshore rig equipment for third parties.

The projects segment is derived from contracts specifically negotiated for the construction of a combination of offshore and marine equipment that are closely interrelated or interdependent in terms of their design, technology and function.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These inter-segment transactions are eliminated on consolidation.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. SEGMENT INFORMATION (CONTINUED)

Business segments

2015	Marketing and distribution US\$'000	Projects US\$'000	Unallocated US\$'000	Elimination US\$'000	Consolidated US\$'000
Revenue					
Revenues from external customers	6,862	248	-	-	7,110
Inter-segment revenues	269	-	-	(269)	-
Total revenue	7,131	248	-	(269)	7,110
Results					
Segment results	(1,539)	(3,315)	-	-	(4,854)
Other income	170	261	-	-	431
Finance costs	-	-	(24)	-	(24)
Share of results of an associate	-	-	184	-	184
Share of results of a joint venture	-	-	93	-	93
Loss before income tax	(1,369)	(3,054)	253	-	(4,170)
Income tax credit					54
Loss for the financial year					(4,116)
Non-controlling interests					73
Loss attributable to owners of the parent					(4,043)
Capital expenditure	125	-	-	-	125
Allowance for obsolete inventories	30	-	-	-	30
Depreciation and amortisation expenses	464	-	-	-	464
Gain on disposal of plant and equipment	(5)	-	-	-	(5)
Gain on disposal of intangible assets	(5)	-	-	-	(5)
Trade receivables written off	-	3,338	-	-	3,338
Impairment loss on plant and equipment	228	-	-	-	228
Assets and Liabilities					
Segment assets	26,357	-	3,985	-	30,342
Total assets					30,342
Segment liabilities	4,392	-	-	-	4,392
Deferred tax liabilities	-	-	4	-	4
Total liabilities					4,396

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

2014	Marketing and distribution US\$'000	Projects US\$'000	Unallocated US\$'000	Elimination US\$'000	Consolidated US\$'000
Revenue					
Revenues from external customers	7,770	6,379	-	-	14,149
Inter-segment revenues	1,413	113	-	(1,526)	-
Total revenue	9,183	6,492	-	(1,526)	14,149
Results					
Segment results	114	182	-	-	296
Other income	128	1	-	-	129
Finance costs	-	-	(70)	-	(70)
Share of results of an associate	-	-	212	-	212
Share of results of a joint venture	-	-	447	-	447
Profit before income tax	242	183	589	-	1,014
Income tax expense					(404)
Profit for the financial year					610
Non-controlling interests					-
Profit attributable to owners of the parent					610
Capital expenditure	63	12	-	-	75
Allowance for obsolete inventories	100	-	-	-	100
Depreciation and amortisation expenses	122	349	-	-	471
Loss on disposal of plant and equipment	-	45	-	-	45
Loss on disposal of intangible assets	-	69	-	-	69
Assets and Liabilities					
Segment assets	19,747	15,419	4,457	-	39,623
Total assets					39,623
Segment liabilities	7,361	1,709	-	-	9,070
Current income tax payable	-	-	431	-	431
Deferred tax liabilities	-	-	4	-	4
Total liabilities					9,505

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. SEGMENT INFORMATION (CONTINUED)

Geographical information

Two of the Group's business segments operate in five main geographical areas contributed more than 10% of consolidated revenue and total assets. Revenue is based on the country in which the customer is located. Capital expenditure comprises additions to property, plant and equipment and intangible assets. Segment assets and capital expenditure are shown by the geographical area in which the assets are located.

	Singapore US\$'000	People's Republic of China US\$'000	Southeast Asia other than Singapore US\$'000	United States of America US\$'000	Others US\$'000	Total US\$'000
2015						
Revenue						
Revenue from external customers	2,438	2,358	72	61	87	7,110
Assets						
Segment assets	22,696	7,646	-	-	-	30,342
2014						
Revenue						
Revenue from external customers	5,010	934	1,981	205	3,334	14,149
Assets						
Segment assets	29,257	10,362	-	4	-	39,623

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Location of non-current assets

	Singapore US\$'000	People's Republic of China US\$'000	United States of America US\$'000	Total US\$'000
2015				
Location of non-current assets	<u>1,080</u>	<u>5,034</u>	<u>-</u>	<u>6,114</u>
2014				
Location of non-current assets	<u>1,759</u>	<u>8,763</u>	<u>-</u>	<u>10,522</u>

Non-current assets consist of property, plant and equipment, intangible assets and investment in a joint venture (2014: property, plant and equipment, intangible assets, investment in an associate and investment in a joint venture).

Major customers

The revenue from four major customers of the Group for the financial year is as follows:

	Group	
	2015 US\$'000	2014 US\$'000
Customer A	<u>2,053</u>	2,209
Customer B	<u>2,090</u>	2,298
Customer C	<u>-</u>	3,320
Customer D	<u>2,351</u>	882
	<u>6,494</u>	<u>8,709</u>

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk) and liquidity risk. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors of the Company are responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's and the Company's management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risk.

33.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a 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. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's and the Company's maximum exposure to credit risk.

The Group's and the Company's major classes of financial assets are cash and cash equivalents and trade and other receivables. Cash and cash equivalents are placed with creditworthy financial institutions.

The Group and the Company do not have any significant credit exposure to any single financial institution. However, 86% (2014: 82%) of the Group's and 99% (2014: 97%) of the Company's cash and cash equivalents are placed with 2 (2014: 2) financial institutions.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top 2 (2014: 3) trade receivables from third parties, which accounted for 97% (2014: 86%) and 97% (2014: 72%) of the total trade receivables of the Group and Company, respectively. The Company's non-trade receivables from subsidiaries accounted for 68% (2014: 62%) of the total trade and other receivables.

The maximum amount the Group could be forced to settle under the financial guarantee contract as disclosed in Note 31 to the financial statements, if the full guaranteed amount is claimed by the counterparty. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Trade receivables that are past due but not impaired are substantially with companies with good collection track record with the Group and the Company.

The age analysis of trade receivables that are past due but not impaired is as follows:

	Group		Company	
	Gross receivables 2015 US\$'000	Gross receivables 2014 US\$'000	Gross receivables 2015 US\$'000	Gross receivables 2014 US\$'000
Past due 1 to 2 months	1,160	6,176	1,160	1,149
Past due 2 to 3 months	-	2,938	-	2,938
Past due over 3 months	40	777	40	777

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.2 Market risk

(i) Foreign exchange risk management

Currency risk arises from transactions denominated in currencies other than the functional currency of the entities within the Group. The Group transacts business in various foreign currencies, including Singapore dollar ("SGD"), Chinese Renminbi ("RMB"), Euro ("EUR") and British Pound ("GBP") and hence is exposed to foreign currency risks. The Group does not use any derivative financial instruments to hedge these exposures.

The Group and the Company monitor its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

It is not the Group's and the Company's policy to take speculative positions in foreign currencies. Where appropriate, the Group and the Company will enter into foreign currency forward contracts with their principal bankers to mitigate the foreign currency risks (mainly export sales and import purchases). At the end of the respective financial year, there are no outstanding forward foreign currency contracts.

In relation to the Group's investments in foreign operations where net assets are exposed to currency translation risks, they are not hedged as currency positions in these foreign currencies are considered to be long-term in nature. Differences arising from such translation are recorded under the foreign currency translation reserve.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year were as follows:

	Assets		Liabilities	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Group				
SGD	7,522	8,521	539	782
GBP	21	22	-	-
RMB	2,579	4,431	10	36
Others	-	-	-	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

Company	Assets		Liabilities	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
SGD	7,851	9,623	497	712
GBP	21	22	-	-
EUR	18	20	-	-
RMB	2,800	4,401	1	-
Others	-	-	-	1

Foreign currency sensitivity analysis

The Group is mainly exposed to SGD and RMB. The following table details the Group's and the Company's sensitivity to a 5% (2014: 5%) change in SGD and RMB against the entity's functional currency. This sensitivity analysis assumes an instantaneous 5% (2014: 5%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The effect on profit or loss will have a corresponding effect on the equity.

	Profit or Loss			
	Increase/(Decrease)			
	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
SGD				
Strengthens against USD	349	387	368	446
Weakens against USD	(349)	(387)	(368)	(446)
RMB				
Strengthens against USD	128	220	140	220
Weakens against USD	(128)	(220)	(140)	(220)

(ii) Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to short-term bank deposits and bank borrowings as shown in Notes 18 and 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.2 Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group's and the Company's results are affected by changes in interest rates due to the impact of such changes on interest income and expenses from short-term bank deposits and bank borrowings which are at floating interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

In 2014, the Group's and the Company's bank borrowings of US\$940,000 are at variable rates and denominated in Singapore dollar and United States dollar. If there is a 1% of the interest rates charged on the respective bank borrowings with all other variables including tax rate being held constant, the Group's profit after income tax will be lower or higher by approximately US\$30,000 as a result of higher or lower interest expense on bank borrowings.

33.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounters difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manages the operating cash flows so as to finance the Group's and the Company's operations. As part of its overall prudent liquidity management, the Group and the Company minimises liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintains sufficient levels of cash and cash equivalents to meet their working capital requirements.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay. The table includes both interest and principal cash flows:

Contractual maturity analysis

	Financial liabilities	
	Non-interest bearing	Interest bearing
	US\$'000	US\$'000
Group		
2015		
Within one year	1,244	-
2014		
Within one year	5,877	945

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Financial liabilities	
	Non-interest bearing US\$'000	Interest bearing US\$'000
Company		
2015		
Within one year	1,455	-
2014		
Within one year	6,096	945

The Group's and the Company's operations are financed mainly through equity, accumulated profits, and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. Certain bank loans have repayment on demand clause which gives the lenders an unconditional right to call the loan at any time. As such, these bank borrowings were classified as current liabilities. The interest rates have been disclosed in Note 22 to the financial statements.

Corporate guarantees

	Within one year	
	2015 US\$'000	2014 US\$'000
Group and Company		
Corporate guarantees – utilised	731	-

The above represents the maximum amount that the Group could be forced to settle under the corporate guarantee as disclosed in Note 31 to the financial statements.

33.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.4 Capital management policies and objectives (Continued)

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued share capital, other reserves, foreign translation reserve and accumulated profits.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group and the Company are in compliance with all externally imposed capital requirements which are bank covenants in respect of banking facilities as disclosed in Note 22 to the financial statements for the financial years ended 31 December 2015 and 2014.

33.5 Fair value of financial assets and financial liabilities

The carrying amounts of the cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

33.5 Fair value of financial assets and financial liabilities (Continued)

The carrying amounts of financial assets and financial liabilities recorded at amortised costs, which approximate their fair value, are detailed in the following table.

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Trade and other receivables, excluding prepayments, advance payments to suppliers, non-trade receivables from associate and other recoverable	2,754	10,689	9,051	17,554
Cash and cash equivalents	18,165	18,000	14,890	13,413
Total loans and receivables	20,919	28,689	16,138	30,967
Financial liabilities				
Trade and other payables, excluding advance payments from customers, a shareholder of an associate and amount due to contract customers	1,244	5,877	1,455	6,096
Borrowings	-	940	-	940
Total financial liabilities at amortised cost	1,244	6,817	1,455	7,036

34. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 4 August 2015, the Group announced the acquisition of assets from the Gräss Group. The disclosure required by FRS 103 *Business Combinations* have not been made as the acquisition has not been completed as at the date of this report.

On 18 August 2015, the Company had announced to dispose its 35% equity interest in its associate, Jiangyin Neptune Marine Appliance Co., Ltd. for a cash consideration of US\$3,500,000, as disclosed in Note 19 to the financial statements. On 4 January 2016, the Group completed the disposal of its investment in associate and had recorded a gain of disposal of approximately US\$197,000 associated with the disposal of an associate, which represents the excess of the cash consideration less cost of disposal and taxes as compared to the carrying amount of the investment in the associate at the date of disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

35. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The reclassifications do not have any impact on the Group's financial position or results.

	Group 2014	
	As previously reported US\$'000	As restated US\$'000
<u>Statement of financial position</u>		
Current assets		
Land lease prepayment	-	1,085
Intangible assets	1,157	72
<u>Statement of cash flows</u>		
Operating activities		
Unrealised foreign exchange loss	-	571
Inventories	837	826
Trade and other receivables	(2,635)	(2,890)
Trade and other payables	(506)	(485)
Effect of foreign exchange rate changes in cash and cash equivalents	(111)	(437)

STATISTICS OF SHAREHOLDERS

AS AT 14 MARCH 2016

Total number of issued shares	-	249,680,100
excluding treasury shares		
Number of treasury shares	-	Nil
Class of Shares	-	Ordinary shares
Voting Rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	8	2.37	5,300	0.00
1,001 – 10,000	82	24.26	611,900	0.25
10,001 – 1,000,000	216	63.90	25,299,800	10.13
1,000,001 and above	32	9.47	223,763,100	89.62
Total	338	100.00	249,680,100	100.00

LIST OF TWENTY LARGEST REGISTERED SHAREHOLDERS

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	%
1	CE VENTURES OFFSHORE LTD	29,060,000	11.64
2	TAN WOO THIAN	21,970,000	8.80
3	KGI FRASER SECURITIES PTE LTD	20,000,000	8.01
4	OCBC SECURITIES PRIVATE LIMITED	14,443,200	5.78
5	CHAN LAI THONG	14,140,000	5.66
6	HONG LEONG FINANCE NOMINEES PTE LTD	13,444,000	5.38
7	CITIBANK NOMINEES SINGAPORE PTE LTD	10,306,300	4.13
8	CHEN DAZHI	10,000,000	4.01
9	JADE CHEN JIAYU	9,900,000	3.97
10	HUI CHOON HO	9,521,200	3.81
11	MAYBANK KIM ENG SECURITIES PTE LTD	8,570,000	3.43
12	SBS NOMINEES PTE LTD	7,000,000	2.80
13	MRS CHAU-CHAN SUI YUNG	4,989,100	2.00
14	PANG SHUN PEN	4,000,000	1.60
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,000,000	1.60
16	ANPARASAN S/O KAMACHI	3,755,000	1.50
17	GOH FUQIANG KENNETH	3,487,500	1.40
18	PEH BENG YONG	3,320,000	1.33
19	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	3,261,200	1.31
20	SOH BUN KUANG	2,858,000	1.14
	Total	198,025,500	79.30

STATISTICS OF SHAREHOLDERS

AS AT 14 MARCH 2016

SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2016

(as shown in the Register of Substantial Shareholders)

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	CE Ventures Offshore Ltd	29,060,000	11.64	–	–
2.	Mirzan Bin Mahathir	–	–	29,060,000 ⁽¹⁾	11.64
3.	Tan Woo Thian	21,970,000	8.80	11,700,000 ⁽²⁾	4.69
4.	Pheim Asset Management Sdn Bhd	16,814,000	6.73	–	–
5.	Chan Lai Thong	14,140,000	5.66	6,600,000 ⁽³⁾	2.64
6.	Hui Choon Ho	9,521,200	3.81	20,444,000 ⁽⁴⁾	8.19
7.	Ong Nai Pew	–	–	13,657,300 ⁽⁵⁾	5.47

(1) Mr Mirzan Bin Mahathir has a deemed interest in all the shares held by CE Ventures Offshore Ltd by virtue of his shareholding interest in CE Ventures Offshore Ltd.

(2) 11,700,000 ordinary shares are held in the name of KGI Fraser Securities Pte Ltd.

(3) 6,000,000 ordinary shares are held in the name of Maybank Nominees Pte Ltd and 600,000 ordinary shares held in the name of his spouse, Mdm Tan Lee Buay.

(4) 20,444,000 ordinary shares are held in the name of Hong Leong Finance Limited and Singapura Finance Limited.

(5) 13,657,300 ordinary shares held under nominee accounts in Bank of Singapore, OCBC Securities, Hong Leong Finance and DBS Vickers Securities.

COMPLIANCE WITH RULE 723 OF THE RULES OF CATALIST

As at 14 March 2016, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 34.35% The Company is therefore in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

APPENDIX

DATED 8 APRIL 2016

THIS APPENDIX TO THE ANNUAL REPORT 2015 (AS DEFINED BELOW) (“APPENDIX”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

IF YOU ARE IN DOUBT ABOUT ITS CONTENTS OR THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in the capital of SBI Offshore Limited (the “**Company**”) represented by physical share certificate(s), you should forward the Annual Report 2015 including the Notice of Annual General Meeting (as defined below) and the proxy form and this Appendix immediately to the purchaser or the transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”) for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Appendix, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.



SBI OFFSHORE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 199407121D)

APPENDIX TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

APPENDIX

DATED 8 APRIL 2016

DEFINITION

Except where the context otherwise requires, the following definitions shall apply throughout this Appendix:

“ACRA”	:	Accounting and Corporate Regulatory Authority
“Annual General Meeting”	:	The annual general meeting of the Company to be held on 26 April 2016
“Annual Report 2015”	:	The Company’s annual report for the financial year ended 31 December 2015
“Approval Date”	:	Has the meaning ascribed to it in paragraph 2.2.1(a) of this Appendix
“Average Closing Price”	:	Has the meaning ascribed to it in paragraph 2.2.4(c) of this Appendix
“Board”	:	The Board of Directors of the Company as at the date of this Appendix
“Catalist”	:	The Catalist Board of the SGX-ST
“Catalist Rules”	:	Section B: Rules of Catalist of the Listing Manual of SGX-ST, as amended or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	SBI Offshore Limited
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“Directors”	:	The directors of the Company as at the date of this Appendix
“EPS”	:	Earnings per Share
“FY”	:	Financial year of the Company ended or ending 31 December (as the case may be)
“Group”	:	The Company, its subsidiaries and associated company (where applicable), collectively
“Latest Practicable Date”	:	28 March 2015, being the latest practicable date prior to the printing of this Appendix
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Market Share Purchase”	:	Has the meaning ascribed to it in paragraph 2.2.3(a)(i) of this Appendix
“Notice of Annual General Meeting”	:	The notice of the Annual General Meeting which is set out on pages 133 to 139 of the Annual Report 2015
“NAV”	:	Net asset value

APPENDIX

DATED 8 APRIL 2016

“Off-Market Share Purchase”	:	Has the meaning ascribed to it in paragraph 2.2.3(a)(ii) of this Appendix
“Relevant Period”	:	The period commencing from the date on which the ordinary resolution in relation to the Share Buyback Mandate is passed in a general meeting and expiring on the date the next annual general meeting of the Company is held or is required by law to be held or the date the said mandate is revoked or varied by the Company in a general meeting, whichever is the earlier
“SBI ESOS”	:	SBI Offshore Employee Share Option Scheme
“SBI PSP”	:	SBI Offshore Performance Share Plan
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buyback Mandate”	:	A general mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares within the Relevant Period, in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
“Share Purchases”	:	The purchases or otherwise acquisitions of Shares by the Company pursuant to the terms of the Share Buyback Mandate
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Ordinary shares in the share capital of the Company
“Substantial Shareholder”	:	A person (including a corporation) who holds not less than 5% (directly or indirectly) of the total votes attached to all the voting Shares in the Company
“US\$”	:	United States dollars
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
“Treasury Share”	:	A Share that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled

APPENDIX

DATED 8 APRIL 2016

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA or any statutory modification thereof, as the case may be. The expressions “**subsidiary**” and “**related corporations**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

All discrepancies in the figures included in this Appendix between the amounts listed and their actual values are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

References to “**you**”, “**your**”, and “**yours**” in this Appendix are, as the context so determines, to Shareholders (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST).

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Catalist Rules or any statutory or regulatory modification thereof and not otherwise defined in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act or the Catalist Rules or any statutory or regulatory modification, unless the context otherwise requires.

Any reference to a time of day in this Appendix shall be a reference to Singapore time.

APPENDIX

DATED 8 APRIL 2016

SBI OFFSHORE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 199407121D)

Board of Directors

Mirzan Bin Mahathir	(Non-Executive Non-Independent Chairman)
Chan Lai Thong	(Executive Director and Chief Executive Officer)
Basil Chan	(Lead Independent Director)
Mahtani Bhagwandas	(Independent Director)
Ahmad Subri Bin Abdullah	(Independent Director)

Registered Office:

20 Pioneer Crescent
#09-01 West Park
BizCentral
Singapore 628555

8 April 2016

To: The Shareholders of SBI Offshore Limited

Dear Sir/Madam

THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

The Directors are proposing the adoption of the Share Buyback Mandate at the Annual General Meeting to be held on 26 April 2016 for Shareholders' approval.

The purpose of this Appendix is to provide Shareholders with relevant information pertaining to the proposed adoption of the Share Buyback Mandate and to seek Shareholders' approval for the resolution in respect thereof to be tabled at the Annual General Meeting as set out in the Notice of Annual General Meeting.

2. THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

2.1 Rationale for the Share Buyback Mandate

The rationales for the Company to undertake the purchase or acquisition of its Shares are as follows:

- (a) It may be considered as one of the ways through which the Shareholders' value may be increased by enhancing the return on equity and/or NAV per Share. The more undervalued the Shares are when they are purchased, the greater the effect is on the Shareholders' value. If Shares are undervalued, this may be the most profitable course of action for the Company.
- (b) Buying back shares may help mitigate short term market volatility, offset the effects of short term speculation and bolster Shareholders' confidence.
- (c) Buying back shares provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner.

APPENDIX

DATED 8 APRIL 2016

2.2 Authority and Limits of the Share Buyback Mandate

The authority and limits placed on the Share Purchases under the Share Buyback Mandate are set out below:

2.2.1 Maximum Number of Shares

- (a) Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Buyback Mandate shall not exceed 10% of the total number of issued Shares as at the date of the Annual General Meeting at which approval for the proposed adoption of the Share Buyback Mandate is being sought (the “**Approval Date**”), unless the Company has, at any time during the Relevant Period, effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, in which event the issued ordinary share capital of the Company shall be taken to be the amount of issued ordinary share capital of the Company as altered. For purposes of calculating the percentage of issued Shares, any Shares which are held as Treasury Shares will be disregarded for the purpose of computing the 10% limit.
- (b) **For illustrative purposes only**, on the basis of 249,680,100 issued Shares as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the Annual General Meeting, not more than 24,968,010 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased by the Company pursuant to the Share Buyback Mandate.

2.2.2 Duration of Authority

- (a) Share Purchase may be made, at any time and from time to time, on and from the Approval Date up to the earlier of:
 - (i) the date on which the next annual general meeting of the Company is held or required by law to be held; or
 - (ii) the date on which the Share Purchases are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting..
- (b) The authority conferred on the Directors by the Share Buyback Mandate to purchase Shares may be renewed at the next annual general meeting of the Company and each subsequent annual general meeting of the Company.

2.2.3 Manner of Share Purchases

- (a) Share Purchase may be made by way of:
 - (i) an on-market share purchase (“**Market Share Purchase**”), transacted on the SGX-ST through the ready market and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

APPENDIX

DATED 8 APRIL 2016

- (ii) an off-market share purchase (“**Off-Market Share Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalyst Rules.
- (b) The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Catalyst Rules and the Companies Act, as they consider fit in the best interest of the Company in connection with or in relation to any equal access scheme or schemes. Pursuant to the Companies Act, an Off-Market Share Purchase effected in accordance with an equal access scheme must satisfy all the following conditions:
 - (i) offers under the scheme are to be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
 - (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
 - (iii) the terms of all the offers shall be the same, except that there shall be disregarded:
 - (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
 - (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.
- (c) In addition, the Catalyst Rules provide that, in making an Off-Market Share Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:
 - (i) the terms and conditions of the offer;
 - (ii) the period and procedures for acceptance;
 - (iii) the reasons for the proposed Share Purchase;
 - (iv) the consequences, if any, of Share Purchases that will arise under the Take-over Code or other applicable take-over rules;
 - (v) whether the Share Purchase, if made, could affect the listing of the Shares on the Catalyst;
 - (vi) details of any Share Purchases made by the Company during the previous 12 months (whether Market Share Purchases or Off-Market Share Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases; and
 - (vii) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

APPENDIX

DATED 8 APRIL 2016

2.2.4 Maximum Price

- (a) The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors.
- (b) However, the purchase price to be paid for the Shares pursuant to the Share Buyback Mandate must not exceed:
 - (i) in the case of a Market Share Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and
 - (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price of the Shares,(the “**Maximum Price**”) in either case, excluding related expenses of the Share Purchase.
- (c) For the above purposes, “**Average Closing Price**” means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, before the day on which the Market Share Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Share Purchase; and deemed to be adjusted for any corporate action, in accordance with the Catalist Rules, that occurs after the relevant five-day period.

2.3 Status of Purchased Shares

Under Section 76B of the Companies Act, any Share which is purchased or acquired by the Company shall, unless held as a Treasury Share, be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on cancellation. All Shares purchased or acquired by the Company, unless held as Treasury Shares, will be automatically delisted from the Catalist, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

Certain of the provisions on Treasury Shares under the Companies Act are summarised below:

- (a) Maximum Holdings

The number of Shares held as Treasury Shares shall not at any time exceed 10% of the total number of issued Shares. In the event that the aggregate number of Treasury Shares held by the Company exceeds the aforesaid limit, the Company shall dispose of or cancel the excess Treasury Shares in accordance with Section 76K of the Companies Act within six months from the day the aforesaid limit is first exceeded or such further periods as ACRA may allow.

APPENDIX

DATED 8 APRIL 2016

(b) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings, and for the purposes of the Companies Act, the Company shall be treated as having no right to vote in respect of Treasury Shares and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of the Treasury Shares. However, the allotment of Shares as fully paid bonus shares in respect of Treasury Shares is allowed.

Also, a subdivision or consolidation of any Treasury Share into Treasury Shares of a smaller amount is allowed so long as the total value of the Treasury Shares after the sub-division or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares purchased or acquired by the Company are held as Treasury Shares, the Company may at any time:

- (i) sell the Treasury Shares (or any of them) for cash;
- (ii) transfer the Treasury Shares (or any of them) for the purposes of or pursuant to an employees' share scheme (including but without limitation to the SBI PSP and/or SBI ESOS);
- (iii) transfer the Treasury Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the Treasury Shares (or any of them); or
- (v) sell, transfer or otherwise use the Treasury Shares (or any of them) for such other purposes as may be prescribed by the Minister of Finance of Singapore.

The Shares purchased under the Share Buyback Mandate will be held as Treasury Shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

In addition, under Rule 704(31) of the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of Treasury Shares sold, transferred, cancelled and/or used;

APPENDIX

DATED 8 APRIL 2016

- (d) number of Treasury Shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of Treasury Shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and
- (f) value of the Treasury Shares if they are used for a sale or transfer, or cancelled.

2.4 Source of Funds

The Company may only apply funds for the Share Purchases in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash and in the case of a Market Share Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Companies Act stipulates that any purchases of Shares may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the Share Purchases is made out of profits, such consideration will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. However, where the consideration paid by the Company for the Share Purchases is made out of capital, the amount of profits available for the distribution of cash dividends by the Company will not be reduced.

The Company intends to use internal sources of funds or external borrowings, or a combination of both, to finance its Share Purchases. The Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that the financial position, liquidity and capital adequacy position of the Group would be materially adversely affected.

2.5 Financial Effects

The financial effects on the Company and the Group arising from the Share Purchases will depend on, *inter alia*, whether the Share Purchases are made by way of Market Share Purchases or Off-Market Share Purchases, the price paid for such Shares and whether the Shares are held in treasury or cancelled.

For illustrative purposes only, the financial effects on the Company and the Group arising from the Share Purchases, based on the audited financial statements of the Company and the Group for FY2015, are prepared assuming the following:

- (a) the Share Purchases comprised 24,968,010 Shares (representing the maximum 10% allowed under the Share Buyback Mandate of 249,680,100 issued Shares as at the Latest Practicable Date);
- (b) in the case of Market Share Purchases, the Maximum Price was S\$0.19 (being 5% above the Average Closing Price prior to the Latest Practicable Date) and accordingly, the maximum amount of funds (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses assumed at S\$30,000) required for effecting such Market Share Purchases would amount to approximately S\$4,773,922 or equivalent to approximately US\$3,484,963 (based on the exchange rate of S\$1: US\$0.73);

APPENDIX

DATED 8 APRIL 2016

- (c) in the case of Off-Market Share Purchases, the Maximum Price was S\$0.22 (being 20% above the Average Closing Price prior to the Latest Practicable Date and accordingly, the maximum amount of funds (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses assumed at S\$80,000) required for effecting such Off-Market Share Purchases would amount to approximately S\$5,572,962 or equivalent to approximately US\$4,068,262 (based on the exchange rate of S\$1: US\$0.73);
- (d) the Share Purchases were made out of the Company's capital and profits as the Company has decided that any Share Purchases made under the Share Buyback Mandate for which approval is sought, will be made out of capital;
- (e) the Share Purchases took place on 31 December 2015 and the Shares Purchased were:
 - (i) cancelled; or
 - (ii) held as Treasury Shares; and
- (f) the Share Purchases were financed by internal source of funds.

2.5.1 Market Share Purchases

Assuming that the purchased Shares are cancelled:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2015				
Share capital	25,253	21,790	25,253	21,790
Other reserves	207	207	242	242
Foreign currency translation reserve	383	383	-	-
Treasury shares	-	-	-	-
Accumulated profits/(losses)	176	154	(623)	(645)
Minority interests	(73)	(73)	-	-
Total Shareholders' Funds	25,946	22,461	24,872	21,387
Current assets	24,228	20,743	25,898	22,413
Current liabilities	4,392	4,392	4,603	4,603
Non-current assets	6,114	6,114	3,581	3,581
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	-	-	-	-
Net Asset Value (NAV)	25,946	22,461	24,872	21,387

APPENDIX

DATED 8 APRIL 2016

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
Number of Shares as at 31 December 2015 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2015				
- Basic ('000)	249,680	224,712	249,680	224,712
- Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	10.39	10.00	9.96	9.52
Gearing ⁽³⁾ (times)	-	-	-	-
Current ratio ⁽⁴⁾ (times)	5.52	4.72	5.63	4.87
Basic EPS ⁽⁵⁾ (cents)	(1.62)	(1.81)	(2.09)	(2.33)

Notes:

(1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.

(2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2015.

(3) "Gearing" represents total borrowings divided by shareholders' funds.

(4) "Current ratio" represents current assets divided by current liabilities.

(5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2015.

2.5.2 Market Share Purchases

Assuming that the purchased Shares are held as Treasury Shares:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2015				
Share capital	25,253	25,253	25,253	25,253
Other reserves	207	207	242	242
Foreign currency translation reserve	383	383	-	-
Treasury shares	-	(3,485)	-	(3,485)
Accumulated profits/(losses)	176	176	(623)	(623)
Minority interests	(73)	(73)	-	-
Total Shareholders' Funds	25,946	22,461	24,872	21,387
Current assets	24,228	20,743	25,898	22,413
Current liabilities	4,392	4,392	4,603	4,603
Non-current assets	6,114	6,114	3,581	3,581
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	-	-	-	-
Net Asset Value (NAV)	25,946	22,461	24,872	21,387

APPENDIX

DATED 8 APRIL 2016

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
Number of Shares as at 31 December 2015 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2015				
- Basic ('000)	249,680	224,712	249,680	224,712
- Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	10.39	10.00	9.96	9.52
Gearing ⁽³⁾ (times)	-	-	-	-
Current ratio ⁽⁴⁾ (times)	5.52	4.72	5.63	4.87
Basic EPS ⁽⁵⁾ (cents)	(1.62)	(1.81)	(2.09)	(2.33)

Notes:

(1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.

(2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2015.

(3) "Gearing" represents total borrowings divided by shareholders' funds.

(4) "Current ratio" represents current assets divided by current liabilities.

(5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2015.

2.5.3 Off-Market Share Purchases

Assuming that the purchased Shares are cancelled:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2015				
Share capital	25,253	21,243	25,253	21,243
Other reserves	207	207	242	242
Foreign currency translation reserve	383	383	-	-
Treasury shares	-	-	-	-
Accumulated profits/(losses)	176	118	(623)	(681)
Minority interests	(73)	(73)	-	-
Total Shareholders' Funds	25,946	21,878	24,872	20,804
Current assets	24,228	20,160	25,898	21,830
Current liabilities	4,392	4,392	4,603	4,603
Non-current assets	6,114	6,114	3,581	3,581
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	-	-	-	-
Net Asset Value (NAV)	25,946	21,878	24,872	20,804

APPENDIX

DATED 8 APRIL 2016

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
Number of Shares as at 31 December 2015 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2015				
- Basic ('000)	249,680	224,712	249,680	224,712
- Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	10.39	9.74	9.96	9.26
Gearing ⁽³⁾ (times)	-	-	-	-
Current ratio ⁽⁴⁾ (times)	5.52	4.59	5.63	4.74
Basic EPS ⁽⁵⁾ (cents)	(1.62)	(1.83)	(2.09)	(2.35)

Notes:

(1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.

(2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2015.

(3) "Gearing" represents total borrowings divided by shareholders' funds.

(4) "Current ratio" represents current assets divided by current liabilities.

(5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2015.

2.5.4 Off-Market Share Purchases

Assuming that the purchased Shares are held as Treasury Shares:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2015				
Share capital	25,253	25,253	25,253	25,253
Other reserves	207	207	242	242
Foreign currency translation reserve	383	383	-	-
Treasury shares	-	(4,068)	-	(4,068)
Accumulated profits/(losses)	176	176	(623)	(623)
Minority interests	(73)	(73)	-	-
Total Shareholders' Funds	25,946	21,878	24,872	20,804
Current assets	24,228	20,160	25,898	21,830
Current liabilities	4,392	4,392	4,603	4,603
Non-current assets	6,114	6,114	3,581	3,581
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	-	-	-	-
Net Asset Value (NAV)	25,946	21,878	24,872	20,804

APPENDIX

DATED 8 APRIL 2016

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
Number of Shares as at 31 December 2015 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2015				
- Basic ('000)	249,680	224,712	249,680	224,712
- Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	10.39	9.74	9.96	9.26
Gearing ⁽³⁾ (times)	-	-	-	-
Current ratio ⁽⁴⁾ (times)	5.52	4.59	5.63	4.74
Basic EPS ⁽⁵⁾ (cents)	(1.62)	(1.83)	(2.09)	(2.35)

Notes:

(1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.

(2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2015.

(3) "Gearing" represents total borrowings divided by shareholders' funds

(4) "Current ratio" represents current assets divided by current liabilities.

(5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2015.

The financial effects set out above are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Group and Company for FY2015, and is not necessarily representative of the future performance of the Group and the Company.

It should be noted that although the Share Buyback Mandate would authorise the Company to buy back up to 10% of the total number of issued Shares (excluding Treasury Shares) as at the date that the Share Buyback Mandate is obtained, the Company may not necessarily buy back or be able to buy back 10% of the total number of issued Shares (excluding Treasury Shares) in full. The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a Share Purchase before execution.

2.6 Catalyst Rules

Under the Catalyst Rules, a listed company may purchase shares by way of Market Share Purchases at a price per share which is not more than 5% above the average of the closing market prices of the shares over the last five Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Share Purchases by the Company, referred to in paragraph 2.2.4 above, conforms to this restriction.

APPENDIX

DATED 8 APRIL 2016

The Catalist Rules specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Share Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Share Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement shall include, *inter alia*, details of the date of the purchases of the shares, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, and the cumulative number of shares purchased. Such announcement will be made in the form of Appendix 8D prescribed by the Catalist Rules.

While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any Share Purchases pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Catalist Rules on securities dealings, the Company will not purchase or acquire any Shares through Market Share Purchases during the period of one month immediately preceding the announcement of the Company’s half-yearly and full-year results, as the case may be, and ending on the date of announcement of the relevant results.

2.7 Listing Status on the SGX-ST

The Company is required under Rule 723 of the Catalist Rules to ensure that at least 10% of its issued Shares (excluding Treasury Shares) are in the hands of the public. The “public”, as defined in the Catalist Rules, are persons other than (i) the Directors, chief executive officer, Substantial Shareholders and controlling shareholders of the Company and its subsidiaries, as well as (ii) the associates of persons in (i).

As at the Latest Practicable Date, there were approximately 85,776,600 issued Shares in the hands of the public (as defined above), representing approximately 34.35% of the total number of issued Shares of the Company. Assuming that the Company purchases its Shares through Market Share Purchases up to the full 10% limit pursuant to the Share Buyback Mandate from the public, the number of issued Shares in the hands of the public would be reduced to 60,808,590 Shares, representing approximately 24.35% of the total number of issued Shares of the Company. As at the Latest Practicable Date, the Company did not have any Treasury Shares.

In view of the foregoing, the Company is of the view that there is, at present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Share Purchases up to the full 10% limit pursuant to the Share Buyback Mandate without:

- (a) affecting adversely the listing status of the Shares on the Catalist;
- (b) causing market illiquidity; or
- (c) affecting adversely the orderly trading of Shares.

In undertaking any Off-Market Share Purchase, the Company shall ensure that there will be sufficient number of Shares in public hands.

APPENDIX

DATED 8 APRIL 2016

2.8 Tax Implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of Share Purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.9 Implications of Take-over Code

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder or Shareholders to make a take-over offer under Rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase of Shares by the Company are set out in Appendix 2 ("**TOC Appendix 2**") of the Take-over Code.

In relation to Directors and persons acting in concert with them, Rule 14 of the Take-over Code provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:

- (a) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30% or more; or
- (b) if they together hold between 30% and 50% of the Company's voting rights, their voting rights increase by more than 1% in any period of 6 months.

Under TOC Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert: (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of its directors, their close relatives and related trusts); and (ii) a company, its parent, its subsidiaries and its fellow subsidiaries, any associated companies of the abovementioned companies, and any companies whose associated companies include any of the abovementioned companies. For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test for associated company status.

APPENDIX

DATED 8 APRIL 2016

As at Latest Practicable Date, based on the interest of the Substantial Shareholders recorded in the Register of Substantial Shareholders and the interests of the Directors recorded in the Register of Directors' Shareholdings, the Directors are not aware of any Shareholder and persons acting in concert with him who may become obligated to make a mandatory takeover offer for all the Shares in the event that the Directors exercise the power to buy back 24,968,010 Shares representing the maximum allowed under the Share Buyback Mandate.

Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Buyback Mandate are advised to consult their professional advisers and/or the relevant authorities at the earliest opportunity.

2.10 Share Purchased by the Company

The Company has not undertaken any purchase or acquisition of its Shares in the 12 months preceding the Latest Practicable Date.

2.11 Reporting Requirements

Within thirty (30) days of the passing of a Shareholders' resolution to approve the Share Buyback Mandate, the Directors shall lodge a copy of the relevant Shareholders' resolution with ACRA.

The Directors shall lodge with ACRA a notice of share purchase within thirty (30) days of a Share Purchase. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the Share Purchase, the amount of consideration paid by the Company for the Share Purchase, whether the Shares were purchased out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.

Within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with ACRA the notice of cancellation or disposal of treasury shares in the prescribed form.

3. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act, are as follows:

	As at the Latest Practicable Date ⁽¹⁾			
	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Mirzan Bin Mahathir	–	–	29,060,000 ⁽²⁾	11.64
Chan Lai Thong ⁽⁷⁾	14,140,000	5.66	6,600,000 ⁽³⁾	2.64
Basil Chan	–	–	–	–
Mahtani Bhagwandas	117,000	0.05	–	–
Ahmad Subri Bin Abdullah	–	–	–	–

APPENDIX

DATED 8 APRIL 2016

	As at the Latest Practicable Date ⁽¹⁾			
	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Substantial Shareholders (other than Directors)				
CE Ventures Offshore Ltd	29,060,000	11.64	–	–
Tan Woo Thian	21,970,000	8.80	11,700,000 ⁽⁴⁾	4.69
Pheim Asset Management Sdn Bhd	16,814,000	6.73	–	–
Hui Choon Ho	9,501,200	3.81	20,444,000 ⁽⁵⁾	8.19
Ong Nai Pew	–	–	13,657,300 ⁽⁶⁾	5.47

Notes:

- (1) Based on 249,680,100 issued Shares as at the Latest Practicable Date.
- (2) Mirzan Bin Mahathir has a deemed interest in all the shares held by CE Ventures Offshore Ltd by virtue of his shareholding interest in CE Ventures Offshore Ltd.
- (3) 6,000,000 ordinary shares are held in the name of Maybank Nominees (S) Pte Ltd and Mr Chan Lai Thong is deemed to have an interest in 600,000 shares held by his spouse, Mdm Tan Lee Buay.
- (4) 11,700,000 ordinary shares are held in the name of KGI Fraser Securities Pte Ltd.
- (5) 20,444,000 ordinary shares are held in the name of Hong Leong Finance Limited and Singapura Finance Limited.
- (6) 13,657,300 ordinary shares held under nominee accounts in Bank of Singapore, OCBC Securities, Hong Leong Finance and DBS Vickers Securities.
- (7) Please also refer to page 33 of the Annual Report 2015 on share options granted to Mr Chan Lai Thong.

4. DIRECTORS' RECOMMENDATION

The Directors, having considered, among others, the terms and rationales for the proposed Share Buyback Mandate, are of the view that the proposed adoption of the Share Buyback Mandate is in the best interests of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed adoption of the Share Buyback Mandate as set out in the Notice of Annual General Meeting.

5. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555 on 26 April 2016 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution set out in the Notice of Annual General Meeting.

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Appointment of Proxies

Shareholders who are unable to attend the Annual General Meeting and wish to appoint a proxy to attend and vote at the Annual General Meeting on their behalf will find attached to this Appendix, a proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the Annual General Meeting. The completion and lodgement of the proxy form by a Shareholder does not preclude him from attending and voting in person at the Annual General Meeting if he finds that he is able to do so.

APPENDIX

DATED 8 APRIL 2016

6.2 Depositors

A Depositor will not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the Annual General Meeting.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed adoption of the Share Buyback Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555, during normal business hours from the date of this Appendix up to and including the date of the Annual General Meeting:

- (a) the memorandum and articles of association of the Company; and
- (b) the Annual Report 2015.

Yours faithfully

For and on behalf of the Board of Directors of

SBI Offshore Limited

CHAN LAI THONG

Chief Executive Officer

8 April 2016

NOTICE OF ANNUAL GENERAL MEETING

SBI OFFSHORE LIMITED

(Company Registration No. 199407121D)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of SBI Offshore Limited (the “**Company**”) will be held at 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555 on Tuesday, 26 April 2016 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company (“**Directors**”) retiring pursuant to Article 93 of the Articles of Association of the Company:

Mr Chan Lai Thong **[See Explanatory Note (i)]** **(Resolution 2)**
Mr Mahtani Bhagwandas **[See Explanatory Note (ii)]** **(Resolution 3)**
3. To approve the payment of the Directors’ fees of S\$126,000 for the financial year ended 31 December 2015. **(Resolution 4)**
4. To approve the payment of the Directors’ fees of S\$125,000 for the financial year ending 31 December 2016 to be paid on a quarterly basis in arrears. **(Resolution 5)**
5. To re-appoint Messrs BDO LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly 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 any modifications:

7. Authority to allot and issue shares in the capital of the Company

That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and Rule 806 of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), (“**Rules of Catalist**”), authority be and is hereby given to the Directors to:-

- (a) (i) allot and issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) 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 for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force), issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the Company’s total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the Company’s total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below).
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of 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 Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of convertible securities outstanding or subsisting at the time this Resolution is passed;
 - (ii) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be), were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Directors shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and the Articles of Association for the time being of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (4) (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.

[See Explanatory Note (iii)]

(Resolution 7)

8. Authority to grant options and issue shares under the SBI Offshore Employee Share Option Scheme

That, pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised and empowered to issue Shares to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the SBI Offshore Employee Share Option Scheme (the “**Scheme**”) upon the exercise of such options and in accordance with the Scheme, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Scheme, (including options granted under the Scheme and any other scheme or SBI Offshore Performance Share Plan and any other plan for the time being of the Company), shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full 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 earlier.

[See Explanatory Note (iv)]

(Resolution 8)

9. Authority to allot and issue shares under the SBI Offshore Performance Share Plan

THAT pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to grant awards in accordance with the provisions of the SBI Offshore Performance Share Plan (the “**Plan**”) and to allot and issue such number of fully paid shares from time to time as may be required to be issued pursuant to the vesting of awards under the Plan provided always that the aggregate number of new shares to be allotted and issued pursuant to the Plan (including options granted under the Plan, the Scheme and any other scheme or plan for the time being of the Company) shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full 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 earlier.

[See Explanatory Note (v)]

(Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

10. The proposed adoption of the Share Buyback Mandate (as defined in the Appendix to the Annual Report)

That:

- (a) for the purposes of Section 76C and 76E of the Companies Act and Rules of Catalist, approval be and is hereby given for the proposed adoption of the Share Buyback Mandate and the Directors be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of Market Share Purchases (as defined below) or Off-Market Share Purchases (as defined below)) of up to the Prescribed Limit (as defined below) at the price to be determined by the Directors but not exceeding the Maximum Price (as defined below), in accordance with the terms of the Share Buyback Mandate set out in the Appendix to the Annual Report, whether by way of:
 - (i) an on-market share purchase (each a “**Market Share Purchase**”), transacted on the SGX-ST through the ready market and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) an off-market share purchase (each an “**Off-Market Share Purchase**”) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Rules of Catalist.
- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act.
- (c) the Share Buyback Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until
 - (i) the date on which the next annual general meeting of the Company is held or required by law to be held; or
 - (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in general meeting, whichever is earlier.
- (d) for purposes of this Resolution,

“**Prescribed Limit**” means 10% of the total number of issued Shares as at the date of the AGM, unless the Company has, at any time during the Relevant Period, effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, in which event the issued ordinary share capital of the Company shall be taken to be the amount of issued ordinary share capital of the Company as altered. For purposes of calculating the percentage of issued Shares, any Shares which are held as treasury shares will be disregarded for the purpose of computing the 10% limit;

NOTICE OF ANNUAL GENERAL MEETING

“Relevant Period” means the period commencing from the date on which this Resolution in relation to the Share Buyback Mandate is passed and expiring on the date the next annual general meeting of the Company is held or is required by law to be held or the date the said mandate is revoked or varied by the Company in a general meeting, whichever is the earlier; and

“Maximum Price” in relation to a Share to be purchased, means the purchase price to be paid for the Shares pursuant to the Share Buyback Mandate (excluding related expenses) must not exceed:

- (i) in the case of a Market Share Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and
- (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price of the Shares, where

“Average Closing Price” means the average of the closing market prices of a Share over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the Market Share Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Share Purchase; and deemed to be adjusted for any corporate action, in accordance with the Rules of Catalist, that occurs after the relevant 5-day period;

“Market Day” means a day on which the SGX-ST is open for trading in securities.

- (e) the Directors and each of them be and are hereby authorized and empowered to complete and do all such acts and things as they may consider necessary, desirable or expedient to give effect to this resolution as the Director(s) shall deem fit in the interests of the Company.

[See Explanatory Note (vi)]

(Resolution 10)

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 8 April 2016

Explanatory Notes:

- (i) The detailed information of Mr Chan Lai Thong can be found under the section entitled ‘Board of Directors’ of the Annual Report. Mr Chan Lai Thong, if re-elected, will remain as the Executive Director and Chief Executive Officer of the Company, and a member of the Nominating Committee.
- (ii) The detailed information of Mr Mahtani Bhagwandas can be found under the section entitled ‘Board of Directors’ of the Annual Report. Mr Mahtani Bhagwandas, if re-elected, will remain as the Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee. The Board considers Mr Mahtani Bhagwandas to be independent for the purposes of Rule 704(7) of the Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

- (iii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the AGM until the date of the next annual general meeting, to allot and issue Shares and/or Instruments in the Company. The aggregate number of Shares (including any Shares issued pursuant to Instruments made or granted) which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent (100%) of the Company's total number of issued Shares (excluding treasury shares). For issues of Shares other than on a *pro-rata* basis to all shareholders, the aggregate number of Shares to be issued will not exceed fifty per cent (50%) of Company's total number of issued Shares (excluding treasury shares). This authority will, unless previously revoked or varied at a general meeting, expire at 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 earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any Instruments made or granted under this authority.
- (iv) Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors, from the date of the above AGM until the date of the next annual general meeting to grant options and to allot and issue Shares pursuant to the exercise of such options under the Scheme (including options granted under the Scheme and any other scheme or the Plan and any other plan for the time being of the Company) of up to a number not exceeding in total fifteen per cent (15%) of the total issued Shares (excluding treasury shares) of the Company from time to time.
- (v) Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors, to grant awards and to allot and issue such number of fully paid shares from time to time as may be required to be issued pursuant to the Plan (including options granted under the Plan, the Scheme and any other scheme or plan for the time being of the Company) of up to a number not exceeding in total fifteen per cent (15%) of the total issued Shares (excluding treasury shares) of the Company from time to time.
- (vi) Ordinary Resolution 10, if passed, will permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms set out in the Resolution and the Appendix to the Annual Report. Further details are set out in the Appendix to the Annual Report.

Notes:

1. *A proxy need not be a member of the Company. A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote instead of him.*

Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
2. *A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.*

NOTICE OF ANNUAL GENERAL MEETING

"Relevant intermediary" means:

- (a) *a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;*
 - (b) *a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or*
 - (c) *the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.*
3. *If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.*
4. *The instrument appointing a proxy must be deposited at the registered office of the Company at 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555 not less than forty-eight hours (48) before the time for holding the AGM.*

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SBI OFFSHORE LIMITED

(Company Registration No. 199407121D)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2015 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY. CPF Investors who wish to vote should contact their CPF Approved Nominees.
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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We _____ (Name)

_____ (NRIC/Passport No./Company Registration No.)

of _____ (Address)

being a member/members of SBI Offshore Limited (the "**Company**") hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555 on Tuesday, 26 April 2016, at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions relating to:	No. of votes	No. of votes
		For*	Against*
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015		
2.	Re-election of Mr Chan Lai Thong as a Director of the Company		
3.	Re-election of Mr Mahtani Bhagwandas as a Director of the Company		
4.	Approval for the payment of Directors' fees for the financial year ended 31 December 2015		
5.	Approval for the payment of Directors' fees for the financial year ending 31 December 2016 to be paid on a quarterly basis in arrears		
6.	Re-appointment of Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue shares		
8.	Authority to allot and issue shares under the SBI Offshore Employee Share Option Scheme		
9.	Authority to allot and issue shares under the SBI Offshore Performance Share Plan		
10.	The proposed adoption of the Share Buyback Mandate		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	



Signature(s) of Member(s)
or, Common Seal of Corporate Member

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- a. a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - b. a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - c. the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
 6. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at **20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555**, not less than **48** hours before the time set for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

An Investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2016.



SBI Offshore Limited

Company Registration No. 199407121D
20 Pioneer Crescent #09-01
West Park BizCentral
Singapore 628555
Tel: +65 6848 1033
Fax: +65 6848 1011
www.sbioffshore.com