



SBI Offshore Limited

(Incorporated in the Republic of Singapore on 1 October 1994)
(Company Registration Number: 199407121D)

GENERAL ANNOUNCEMENT – UNAUTHORISED WRITE-OFF IN FY2015

The Board of Directors (the “**Board**”) of SBI Offshore Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that in the course of the Group’s ongoing 2017 financial audit, the Board was alerted by its auditors, BDO LLP, of a difference between the audited 2015 accounts of the Company and those of the Company’s wholly-owned subsidiary, Jiangyin SBI Offshore Equipment Co. Ltd (“**JSBI**”), incorporated in the People’s Republic of China (“**PRC**”).

The difference arose because there was an amount of RMB17,281,625 (equivalent to US\$2,739,242) payable by JSBI to the Company (“**JSBI Payables**”) that was written off in the audited 2015 accounts of JSBI without the authorisation of the Board (“**Unauthorised Write-off**”). Whilst the write-off of RMB17,281,625 was made in the audited PRC financial statements in May 2016 for statutory and tax filing purposes, the write-off was not made or adjusted for in the JSBI’s management accounts to date. Hence, the intercompany balances could be eliminated on consolidation for the Group’s financial statements in 2015 and 2016. The Board is currently in discussion with the auditors to determine if there is any financial impact on the financial results of the Group for the financial year ended 31 December 2017 (“**FY2017**”).

The Board is of the view that as there is no basis for JSBI to write-off the amount payable of RMB17,281,625, it will seek to reverse the written off amount. The Board is consulting its auditors on the appropriate accounting treatment in relation to the said sum of RMB17,281,625, and its financial effect on the accounts of the Group.

The Board is currently in discussions with the auditors who are in the process of conducting the 2017 audit to determine the financial impact if any on the financial results of the Group for the FY2017. Based on a preliminary review, the Board is of the view that the amount of RMB17,281,625 should not be written off. Furthermore, the Board would like to highlight that the accounts of the Company may not be materially misstated. As the intercompany balances were eliminated on consolidation, the financial statements of the Group may not be materially misstated despite the possibility of further provisions for potential tax exposure (as detailed below) which may be required to be recorded at JSBI.

As a result of the above, it appears to the Board that the Company may have incurred certain liabilities and/or losses as a result of the above events, including but not limited to the following estimates:

1. After preliminary consultation with the JSBI tax advisors, there is a potential tax exposure close to RMB2.5 million (equivalent to US\$396,265) in respect of the sum of RMB17,281,625 in the event the China tax bureau imposes a value added tax of 17% on this amount. The tax advisors had explained that as the RMB17,281,625 payable to the Company arose from the receipt of monies by JSBI on behalf of the Company, the Chinese tax bureau might deem the RMB17,281,625 as income of JSBI. The potential tax exposure (excluding tax penalty) was estimated at RMB2.5 million. JSBI has not paid any taxes relating to this amount of RMB17,281,625 to date.

Notwithstanding the Board is of the view that the previously announced financial results of the Company and the Group are not materially misstated, save for the possibility of the contingency liability pursuant to the tax exposure as described in this announcement as well as any further findings from the appointment of an Independent Reviewer to investigate matter(s) that may have given rise to this issue (see later).

To assess the materiality of the potential tax exposure of RMB2.5 million to the Company and the Group, the Directors have compared the relative figures for the potential tax exposure of RMB2.5 million against the following bases of comparison as set out below:

Bases	Relative Figures (%)
Compared with the Group's net tangible assets of US\$20,290,000 for the FY2016.	2.0%
Compared with the Group's total assets of US\$22,247,000 for the FY2016.	1.8%
Compared with the Company's market capitalisation ⁽¹⁾ based on the total number of issued shares excluding treasury shares.	2.3%

Note:

(1) The Company's market capitalisation of approximately S\$22,471,209 is determined by multiplying the issued share capital of the Company of 249,680,100 ordinary shares with the volume weighted average price of such shares transacted on 26 February 2018 of S\$0.09 per share.

Based on the relative figures for the potential tax exposure of RMB2.5million above, the Board is of the view that it is not material, and does not affect the key operations of the Company and the Group. Furthermore the Board is of the opinion that, based *inter-alia* on the current financial position of the Company and the Group, both the Company and the Group will continue to operate as a going concern and accordingly the Directors are of the view that its shares should continue to be traded.

In consultation with the Company's sponsor and Singapore Exchange Securities Trading Limited ("**Exchange**"), the Board will appoint an Independent Reviewer to investigate matter(s) that may have given rise to this issue, *inter-alia* breaches in rules, laws and regulations as well as lapses in control. The appointment of Independent Reviewer is subject to the Exchange being satisfied with the appointment and terms of reference. Details pertaining to the Independent Reviewer *inter-alia*, name of firm and scope of review will be announced in due course.

Further details on the unauthorised write-off will be announced in due course after, *inter alia*, finalisation of the ongoing audit for FY2017 and, where applicable, completion of the review by the Independent Reviewer.

The Company will continue to make announcements as and when appropriate to update shareholders on this matter. Shareholders are advised to exercise caution when dealing with the securities of the Company.

By Order of the Board

Mirzan Bin Mahathir
Executive Non-Independent Chairman

28 February 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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