

SBI OFFSHORE LIMITED

STAYING THE COURSE

ANNUAL REPORT **2018**

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.



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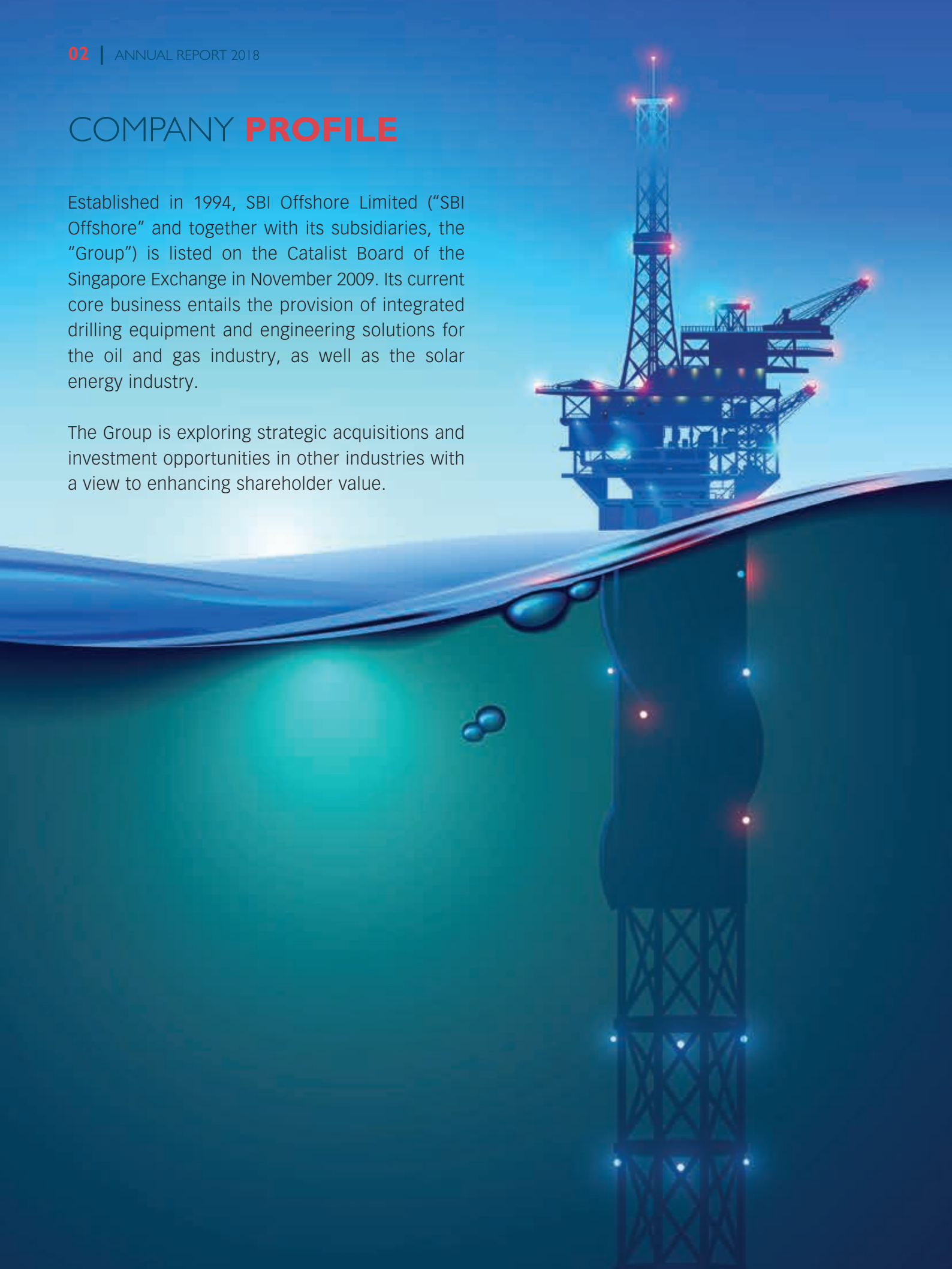
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COMPANY **PROFILE**

Established in 1994, SBI Offshore Limited ("SBI Offshore" and together with its subsidiaries, the "Group") is listed on the Catalist Board of the Singapore Exchange in November 2009. Its current core business entails the provision of integrated drilling equipment and engineering solutions for the oil and gas industry, as well as the solar energy industry.

The Group is exploring strategic acquisitions and investment opportunities in other industries with a view to enhancing shareholder value.



CORPORATE **GOVERNANCE**



Corporate governance refers to structures and processes for the direction and control of companies. Its scope covers the relationships within and among the management, board of directors, controlling shareholders, minority shareholders and other stakeholders. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to external sources of capital.

At SBI Offshore Limited (the "Company", and together with its subsidiaries, the "Group"), the Board of Directors (the "Board") is accountable to shareholders for the Group's performance. The Board is committed to ensuring that good corporate governance is practised not only by directors of the holding company but also by all employees across the entire Group. Even as we strive for excellence in our operations and financial performance, we are dedicated to upholding the highest standards of corporate governance and ethics.

The Board's mission is to create long-term value for all shareholders. It provides leadership and guidance to management on matters of corporate strategy, business directions, acquisitions and investments, risk management and the realisation of corporate objectives. The Board is supported in its tasks by committees that focus on the key areas of corporate governance.

CHAIRMAN'S **STATEMENT**

NOTWITHSTANDING THE CHALLENGES WE ENCOUNTERED IN 2018 AND UP TO THE FIRST QUARTER OF 2019, WE HAVE NOT WAVERED IN OUR RESOLVE TO TURN THE COMPANY AROUND AND RESTORE VALUE TO ALL SHAREHOLDERS.

DEAR SHAREHOLDERS,

I highlighted in our last annual report that the board of directors and management team of SBI Offshore Limited (the "**Company**", and together with its subsidiaries, the "**Group**") were fully committed to turning the Group around and putting it back on a path of sustainable growth.

We spent considerable time and effort in 2018 trying to make this happen. Indeed, we were racing against the clock after the Singapore Exchange Securities Trading Limited ("**SGX-ST**") informed us in July 2018 that we had to demonstrate to the SGX-ST by 28 February 2019 that we have a viable business in order to maintain our listing status.



PROPOSED REVERSE TAKEOVER

After all the effort, I am heartened to say that our goal is finally within reach. On 19 February 2019, we signed a binding term sheet with Mr Chan Kern Miang ("**Mr Chan**") for the proposed acquisition of a group of companies that are marine offshore solutions providers ("**Proposed Acquisition**"). Specifically, these companies are engaged in vessel owning, operating and ship management services in the oil and gas sector.

We are working towards entering into a share sale agreement with Mr Chan to lock in the definitive terms of the Proposed Acquisition, which will constitute a reverse takeover ("**RTO**") of the Company. The Proposed Acquisition is subject to, among other things, the approval of the Company's shareholders and the SGX-ST.

CHAIRMAN'S **STATEMENT**

CASH COMPANY

Notwithstanding the potential new lease of life that this RTO offers, the SGX-ST informed us on 28 February 2019 that the Company would be deemed as a cash company, as defined under Rule 1017 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), as the Company was unable to demonstrate that it currently has a viable business.

Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. We can apply to SGX-ST for a maximum 6-month extension to the 12-month period provided the Company has already signed a definitive agreement to acquire a new business and complete the purchase within the 6-month extension period.

NOTICE OF COMPLIANCE

Even as we were busy charting a path to recovery, we had to contend with several other pressing issues in 2018. Just before the year was over, the Singapore Exchange Regulation Pte Ltd issued a Notice of Compliance on 21 December 2018 instructing us to appoint a special auditor to review several matters in relation to the Group's disposal of a factory located in China's Jiangsu Province (the "**Disposal**"). The special auditor was duly appointed in March 2019. We will update shareholders when there are any material findings.

INDEPENDENT REVIEW OF 2015 WRITE-OFF

Another matter that kept us on our toes in 2018 involved an unauthorised write-off of about RMB17.3 million from the audited 2015 accounts of our subsidiary, Jiangyin SBI Offshore Equipment Co., Ltd.

We engaged KordaMentha Pte Ltd ("**KordaMentha**"), an advisory and investment firm, as an independent reviewer in May 2018 to assess the circumstances that could have led to the unauthorised write-off. KordaMentha will also determine the financial impact of the write-off, identify any lapses or weaknesses in internal controls, breaches in rules, laws and regulations, and make appropriate recommendations. We will make further announcements on any material updates in relation to this review as and when appropriate.

FINANCIAL PERFORMANCE

Notwithstanding the challenges we encountered in 2018 and up to the first quarter of 2019, we have not wavered in our resolve to turn the Company around and restore value to all shareholders.

A number of investors have lamented our slow progress in getting the Company back on its feet. I want to assure all shareholders and potential investors that we are, as succinctly stated on the cover of this Annual Report, staying the course and working hard to make the RTO happen. Only by doing so can we expect a positive and meaningful impact on our future financial results.

For the financial year ended 31 December ("**FY**") 2018, we generated revenue of only US$22,000, down from US$448,000 in FY2017. Sales in FY2018 were mostly ad hoc, derived from the supply, installation and inspection of lifeboat accessories and spare parts.

Administrative and other expenses fell to US$1.9 million in FY2018, from US$5.8 million in FY2017. This was mainly due to lower staff costs, a reduction in depreciation of property, plant and equipment following the completion of the Disposal in March 2018, and an absence of one-off expenses which affected our bottom line in FY2017.

With the substantial decline in expenses, we incurred a smaller net loss of US$1.4 million in FY2018, as compared to US$4.7 million in FY2017. We ended FY2018 with US$15.7 million in cash and cash equivalents, and no bank borrowings. We are in the process of setting up an escrow account to place in

CHAIRMAN'S **STATEMENT**

custody 90% of our cash balance, as required under Catalist Rules, and will update shareholders once this process is completed.

Our net asset value per share was 6.09 US cents as at 31 December 2018, as compared to 6.63 US cents as at 31 December 2017.

ACKNOWLEDGEMENTS

I would like to welcome Mr Ahmad Subri Bin Abdullah to our board of directors as an independent director of the Company. Following his appointment on 10 December 2018, we now have four board members, three of whom are independent directors.

I would also like to thank Mr Mahtani Bhagwandas and Mr Ling Yew Kong, who retired at the conclusion of our last annual general meeting on 25 April 2018, for their contributions to the Company over the years.

I would also like to welcome Ms Chong Wan Ling, who was appointed as the Chief Financial Officer on 23 January 2019, to the Company's management team.

As we forge ahead in 2019 to achieve what we have set out to do, I ask for your continued support on this journey. I am fully aware of the concerns raised by shareholders in recent years. As I had alluded to earlier in this message, I want you to know that my fellow board directors and management team are fully committed to turning the Company around. With your backing, I am hopeful we will not only turn it around but also put it back on a path of sustainable growth.

MIRZAN BIN MAHATHIR
Executive Non-Independent Chairman
3 April 2019



BOARD OF **DIRECTORS**

MR MIRZAN BIN MAHATHIR



MR JAMES KHO CHUNG WAH





MR LAWRENCE KWAN



MR AHMAD SUBRI BIN ABDULLAH

BOARD OF **DIRECTORS**

MR MIRZAN BIN MAHATHIR
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 designated as Non-Executive Non-Independent Chairman on 18 March 2016 and re-designated as Executive Non-Independent Chairman on 9 June 2017.

Mr Mirzan is also the chairman and chief executive officer of Crescent Capital Sdn Bhd. He holds directorships at a number of private and public companies including Petron Corporation and Gets Global Berhad, which are listed on the Philippine Stock Exchange and Bursa Malaysia respectively.

Mr Mirzan has more than 20 years of experience in investments and financial services. He was the executive chairman of Konsortium Logistik Berhad, a company listed on Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) in 1996 and had since been delisted.

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

MR LAWRENCE KWAN
LEAD INDEPENDENT DIRECTOR

Mr Lawrence Kwan was appointed to the Board as Independent Director on 14 September 2016 and as Lead Independent Director on 18 November 2016. He is the Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee.

Mr Kwan has more than 40 years of experience in financial services and professional corporate secretarial services. He currently serves as an independent director of Karin Technology Holdings Limited and company secretary of Marco Polo Marine Ltd.

Mr Kwan is a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom and a Fellow of the Chartered Secretaries Institute of Singapore (CSIS). He is a council member and former chairman of CSIS, which was previously known as the Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA).

Between 2008 and 2014, he was a board member and audit committee member of the Accounting and Corporate Regulatory Authority of Singapore (ACRA).

Mr Kwan graduated from the University of East London with a Master of Business Administration. He is a Graduate member of the Australian Institute of Company Directors and a full member of the Singapore Institute of Directors.

MR JAMES KHO CHUNG WAH
INDEPENDENT DIRECTOR

Mr James Kho Chung Wah was appointed to the Board as Independent Director on 14 September 2016. He is the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and the Nominating Committee.

Mr Kho is the co-founder and chief executive officer of Willan Capital Pte. Ltd. He has over 18 years of experience in investments, investment banking and regulations. He is also currently an independent director of Pollux Properties Ltd and Rich Capital Holdings Limited.

Mr Kho graduated from Nanyang Technological University of Singapore with a Bachelor of Business (Second Upper Honours), majoring in financial analysis with a minor in applied economics. He is a Chartered Financial Analyst.

MR AHMAD SUBRI BIN ABDULLAH
INDEPENDENT DIRECTOR

Mr Ahmad Subri Bin Abdullah was appointed to the Board as Independent Director on 10 December 2018. He is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and the Nominating Committee.

Mr Subri is currently a director and advisor of Emerio (Malaysia) Sdn. Bhd., an NTT Group Company. He is also an independent director of VSTECS Berhad (formerly known as ECS ICT Berhad), a company listed on the Main Market of Bursa Malaysia, Berjaya Sompo Insurance Berhad, Malaysian Life Reinsurance Group Berhad and a number of other public and private companies.

Mr Subri has over 30 years of experience in insurance and financial services. These included more than 20 years as chief executive officer of various companies including Trust International Insurance Berhad, MCIS Insurance Berhad, Mayban Life Assurance Berhad and Malaysia National Insurance Berhad. Mr Subri is a Fellow of the Chartered Insurance Institute (United Kingdom) and a Fellow of the Malaysian Insurance Institute.

KEY **MANAGEMENT**

MS CHONG WAN LING
CHIEF FINANCIAL OFFICER

Ms Chong Wan Ling was appointed as the Chief Financial Officer of the Group on 23 January 2019. She oversees all matters and functions relating to finance, accounting, compliance, reporting and administration. She also assists in the assessment and evaluation of potential mergers and acquisitions of the Group.

Prior to joining the Group, Ms Chong was the group financial controller of Silkroad Nickel Ltd, a company listed on the SGX-ST. Between 2016 and 2018, she was the group financial controller of Far East Mining Pte Ltd. From 2013 to 2016, Ms Chong was the corporate finance manager of Internet Technology Group Pte Ltd. From 2012 to 2013, she was a senior realtor at KF Property Network Pte Ltd before joining CBRE Realty Associates Pte Ltd in 2013. In 2004, Ms Chong joined Japan Land Limited as chief accountant and worked her way up to the role of financial controller in 2011 before she left the company the following year. Ms Chong started her career in Ernst & Young LLP in 1999 until 2003.

Ms Chong is a Chartered Accountant of the Institute of Singapore Chartered Accountants (ISCA). Ms Chong holds a Bachelor of Accountancy degree from Nanyang Technological University.

MR MARK LEONG KEI WEI
CHIEF OPERATING OFFICER

Mr Mark Leong Kei Wei was appointed as the Chief Operating Officer of the Group on 8 November 2017. He assists the Executive Chairman in overall management of the Group, particularly in sourcing for and assisting with the execution of strategic investments.

Prior to joining the Group, Mr Leong was the executive director of a gold mining company in Malaysia. Prior to this in 2012, he was vice president (finance and investment) of a family office, where he managed investments and identified investment opportunities and exit strategies. In 2010, Mr Leong held the dual role of chief development officer and deputy chief executive officer of an ASX-listed group. Between 2002 and 2009, he undertook finance roles in two SGX-listed companies. Before that, he was an auditor with a Big Four firm.

Mr Leong presently also serves as an independent director of two SGX-listed companies. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Chartered Accountant of the Institute of Singapore Chartered Accountants (ISCA) and a Member of the Singapore Institute of Directors (SID).

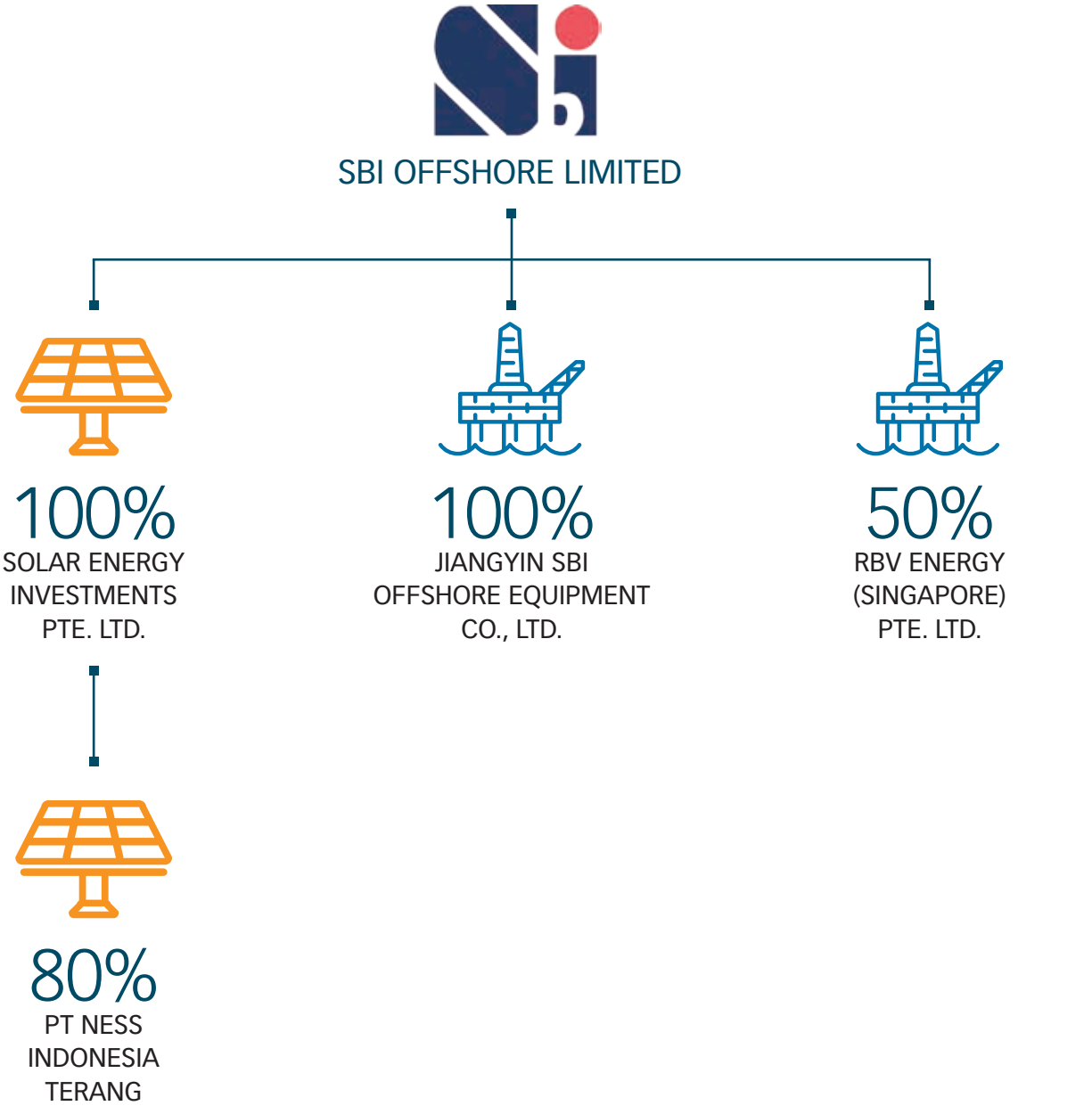
MS GOH YVONNE
FINANCE MANAGER

Ms Goh Yvonne was appointed as the Finance Manager of the Group on 11 September 2017. She joined the Group in 2015 and currently assists the Chief Financial Officer in matters and functions relating to finance, accounting, compliance, reporting and administration.

Between 2010 and 2015, Ms Goh was a senior accounts executive at Leeden National Oxygen Ltd, a welding, gas and safety integration specialist based in Singapore. She previously held accounting roles in various private companies.

Ms Goh is a Chartered Accountant of the Institute of Singapore Chartered Accountants (ISCA).

GROUP **STRUCTURE**



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

MIRZAN BIN MAHATHIR
(Executive Non-Independent Chairman)

LAWRENCE KWAN
(Lead Independent Director)

JAMES KHO CHUNG WAH
(Independent Director)

AHMAD SUBRI BIN ABDULLAH
(Independent Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

JAMES KHO CHUNG WAH
(Chairman)

LAWRENCE KWAN

AHMAD SUBRI BIN ABDULLAH

NOMINATING COMMITTEE

LAWRENCE KWAN
(Chairman)

JAMES KHO CHUNG WAH

AHMAD SUBRI BIN ABDULLAH

REMUNERATION COMMITTEE

AHMAD SUBRI BIN ABDULLAH
(Chairman)

JAMES KHO CHUNG WAH

LAWRENCE KWAN

COMPANY SECRETARY

CHAN LAI YIN, ACS

REGISTERED OFFICE

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Public Accountants and Chartered Accountants
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Partner-in-charge: Adrian Lee Yu-Min
(Appointed since the financial year ended 31 December 2015)

PRINCIPAL BANKERS

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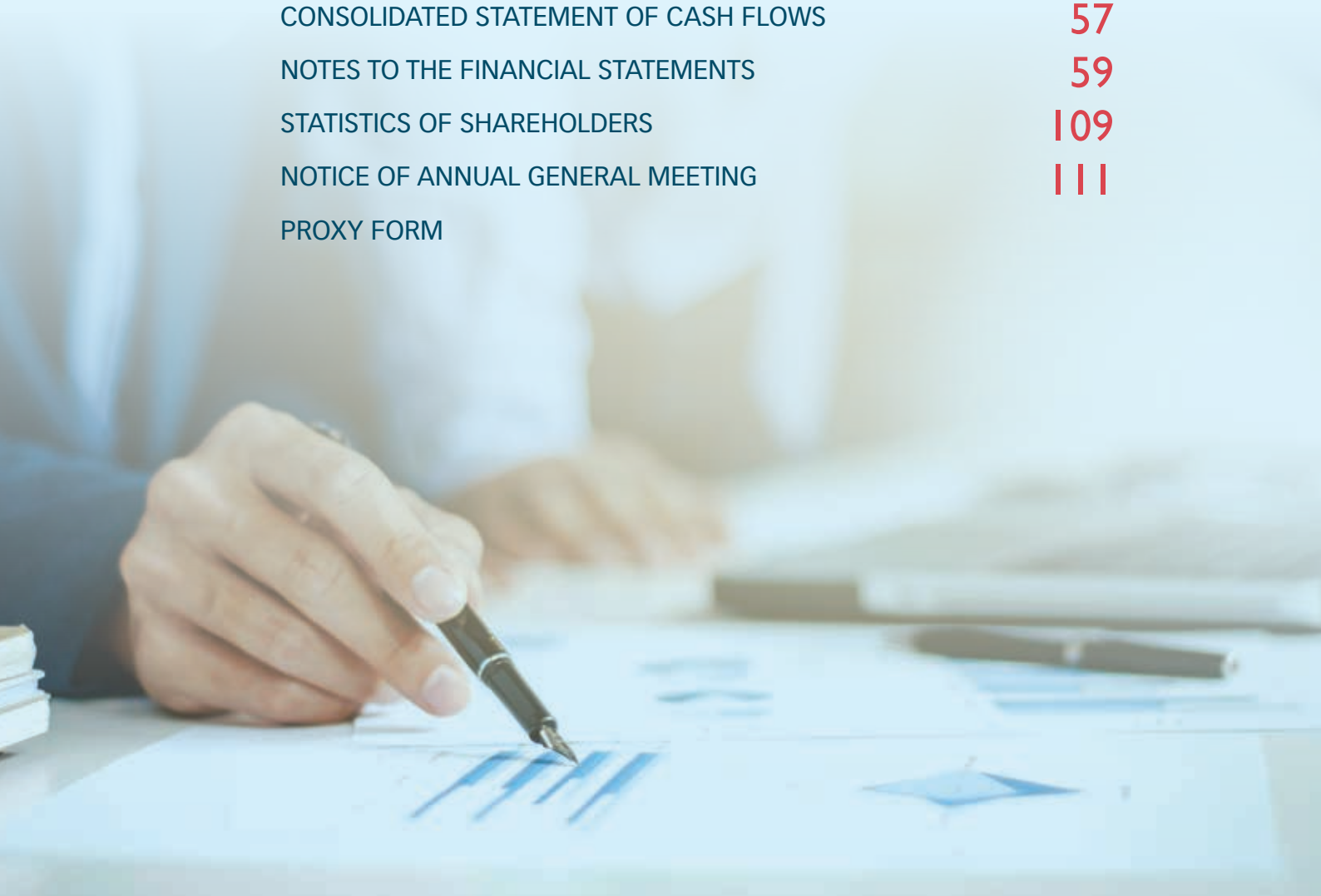
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CORPORATE GOVERNANCE **STATEMENT**

The board of directors (the "**Board**" or "**Directors**") 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 shareholder value and investors' interest.

This Corporate Governance Statement, outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to the principles of the Code of Corporate Governance 2012 ("**Code**") pursuant to Rule 710 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

The new Code of Corporate Governance 2018 was issued on 6 August 2018 ("**Revised Code**"), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code will not affect the Group for FY2018. Accordingly, the Group will only make reference to the Code in reviewing and implementing its corporate governance structures and practices.

The Company has complied with the principles and guidelines as set out in the Code for FY2018, except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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 the management of the Group ("**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. While the Board identifies stakeholder groups, it also recognises that its perceptions affect the Company's reputation. All Directors objectively discharge their duties and responsibilities in the fiduciary interests of the Group.

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:

- 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.

CORPORATE GOVERNANCE **STATEMENT**

The Constitution of the Company ("**Constitution**") provides 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 assist the Board in the execution of its responsibilities, the Board has delegated certain responsibilities to the committees, namely the Audit and Risk Management Committee (the "**ARMC**"), 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. While the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters still lies with the entire Board.

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.

The attendance of the Directors at all Board and Board Committees meetings held during FY2018 as well as the frequency of such meetings, are presented below.

	Board	**ARMC**	**NC**	**RC**
No. of meetings held	**5**	**3**	**2**	**1**
Name of Director	**No. of meetings attended**			
Mirzan Bin Mahathir[1]	5	3*	2	1*
Lawrence Kwan[2]	5	3*	2	1
James Kho Chung Wah[3]	5	3	2	1*
Mahtani Bhagwandas[4]	2	1	1*	1
Ling Yew Kong[5]	2	1	2*	1
Ahmad Subri Bin Abdullah[6]	–	–	–	–

**By invitation*

Notes:

(1) Mr Mirzan Bin Mahathir was appointed as a member of the ARMC and RC with effect from 20 July 2018 and subsequently relinquished his position as a member of the ARMC, NC and RC with effect from 10 December 2018.

(2) Mr Lawrence Kwan was appointed as a member of the ARMC with effect from 20 July 2018.

(3) Mr James Kho Chung Wah was appointed as Chairman of the RC with effect from 20 July 2018 and subsequently relinquished his position as Chairman of the RC with effect from 10 December 2018.

(4) Mr Mahtani Bhagwandas retired as Independent Director at the conclusion of the annual general meeting of the Company held on 25 April 2018 and ceased as Chairman of the RC and a member of the ARMC with effect from the same day.

(5) Mr Ling Yew Kong retired as Independent Director at the conclusion of the annual general meeting of the Company held on 25 April 2018 and ceased as a member of the ARMC and the RC with effect from the same day.

(6) Mr Ahmad Subri Bin Abdullah was appointed as an Independent Director, Chairman of the RC, as well as a member of the ARMC and the NC with effect from 10 December 2018.

CORPORATE GOVERNANCE **STATEMENT**

The proceedings and resolutions discussed at each Board and Board Committee meeting are minuted and signed by the Chairman of the Board or Chairman of the relevant Board Committees. 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). Matters arising from each meeting will be followed up and reported to the Board.

During FY2018, the Directors have been actively exploring strategic business and investment opportunities in other industries while they continue to assess and monitor developments in the offshore and marine, and solar energy businesses. Board meetings were held to deliberate on potential targets with a view to enhance shareholder value in the long-term.

All newly appointed Directors will undergo an orientation programme whereby 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. Training will also be provided for first-time directors in areas such as accounting, legal and industry-specific knowledge where appropriate. The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed. Mr Ahmad Subri Bin Abdullah who was appointed to the Board on 10 December 2018 had been issued with a formal letter of appointment as Director. He was briefed by the Executive Non-Independent Chairman on the Company's matters since his resignation as a Director on 16 August 2017.

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. Regular training, particularly on risk management, corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, will be arranged and funded by the Company for all Directors, from time to time. During FY2018, Directors are provided with briefings and updates on (i) the developments in financial reporting and governance standards by the Company's external auditors, BDO LLP; (ii) updates on amendments to the Catalist Rules and the Code by the continuing sponsor of the Company; and (iii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committees meetings, so as to enable them to make well-informed decisions and to properly discharge their duties as Board or Board Committees members.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises one (1) Executive Non-Independent Chairman and three (3) Independent Directors, and the composition of the Board and the Board Committees are as follows:

		Board Committees Membership		
Name of Director	**Designation**	**ARMC**	**NC**	**RC**
Mirzan Bin Mahathir	Executive Non-Independent Chairman	–	–	–
Lawrence Kwan	Lead Independent Director	Member	Chairman	Member
James Kho Chung Wah	Independent Director	Chairman	Member	Member
Ahmad Subri Bin Abdullah	Independent Director	Member	Member	Chairman

CORPORATE GOVERNANCE **STATEMENT**

There is presently an independent element on the Board, given that more than half of the Board are Independent Directors. The criteria for independence are determined based on the definition as provided in the Code. The Board considers an "independent" Director as one who has no relationship with the Company, 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 in carrying out the functions as an independent director with a view to the best interests of the Company and the Group. With three (3) of the Directors deemed to be independent, the Board is able to exercise judgement on corporate affairs and provide Management with a diverse and objective perspective on issues. No individual or small group of individuals dominate the Board's decision making.

The Board currently comprises four (4) Directors, three (3) of whom are Independent Directors. Accordingly, the Board has satisfied the requirement for independent directors to make up at least half of the Board where the chairman of the board and the chief executive officer (or equivalent) is the same person (Guideline 2.2 of the Code).

For FY2018, 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 as well as whether the Directors fell under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. Currently, none of the Independent Directors has served on the Board for more than nine (9) years from the date of his first appointment. None of the Independent Directors has been employed by the Company or any of its related corporations for the current or any of the past three (3) financial years. None of the Independent Directors has an immediate family who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the RC of the Company.

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 is of the view that there is an appropriate balance in the Board when it comes to the Board's decision making. The Board, with the concurrence of the NC, considers its current size and composition to be adequate for effective decision making based on the current activities of the Company which includes continuing to actively explore strategic businesses and investment opportunities (within and beyond the offshore oil & gas sector) with the view to chart a clear path for corporate recovery in order to restore and enhance shareholder value. The Board believes that the experience, skills and expertise of the Board members, 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.

A description of the background of each Director, including directorships he presently holds and those held over the preceding three (3) years in other listed companies are set out in Principle 4 below.

Non-Executive Directors had discussions without the presence of Management in FY2018. The Non-Executive Directors constructively challenge and review performance of Management based on agreed goals and objectives at the meeting and the Management provided update on business development at every Board meeting.

CORPORATE GOVERNANCE **STATEMENT**

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman of the Company is Mr Mirzan Bin Mahathir ("**Mr Mirzan**") who is the Executive Non-Independent Director of the Company ("**Chairman**"). As the Company does not have a Chief Executive Officer ("**CEO**"), Mr Mark Leong Kei Wei was appointed as the Chief Operating Officer ("**COO**") of the Company, to assist the Chairman in the overall management and daily business directions of the Company in particular seeking and assisting with strategic investment opportunities.

The COO is responsible for the conduct of the Group's daily business directions and operational decisions while the Chairman's roles include:

a. to lead the Board to ensure its effectiveness on all aspects of its role;
b. to schedule meetings that enable the Board to perform its duties responsibly;
c. to review meeting agenda;
d. to exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
e. to ensure effective communication with shareholders;
f. to assist in ensuring compliance with the Group's guidelines on corporate governance;
g. to promote a culture of openness and debate at the Board;
h. to facilitate the effective contribution of Non-Executive Directors in particular; and
i. to ensure Directors receive complete, adequate and timely information.

In view that the Chairman is an Executive Non-Independent Director, the Company has appointed Mr Lawrence Kwan as the Lead Independent Director who will avail himself to address shareholders' concerns and in circumstances where contact through the normal channel of the Chairman, or the Chief Financial Officer ("**CFO**") has failed to resolve their concerns or for which such contact is inappropriate, as well as act as a counterbalance in the decision making process. The Lead Independent Director shall represent the Independent Directors in responding to shareholders' questions and comments that are directed to the Independent Director as a group.

The Independent Directors had discussions in the absence of the Executive Non-Independent Director in FY2018, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following members, all of whom including the Chairman of the NC, are Independent Directors:

Lawrence Kwan – Chairman
James Kho Chung Wah – Member
Ahmad Subri Bin Abdullah – Member

CORPORATE GOVERNANCE **STATEMENT**

The NC has its written terms of reference, setting out their duties and responsibilities, which include the following:

a. 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;
b. to evaluate and assess the effectiveness of the Board as a whole and its Board Committees;
c. to evaluate the effectiveness and contribution of each Director to the Board;
d. to review training and professional development programs for the Board; and
e. to review (and subsequently recommend for approval by the Board) the succession plans for Directors, in particular, for the Chairman of the Board and the CEO, according to the business needs and operations requirement.

The NC had considered and the Board had concurred with the NC's guideline that the maximum number of listed company board representations a Director may hold is five (5). 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 a Director who serves on multiple boards. The NC is satisfied that sufficient time and attention had been given by each Director to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2018. There is no alternate director appointed to the Board.

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. 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.

In reviewing the re-election and re-appointment of incumbent Directors, the NC considered criteria such as each Director's overall contribution and performance, the effort in carrying out his duties, attendance, preparedness and participation in Board and Board Committees meetings. In FY2018, the NC is satisfied that each Director under review has been adequately carrying out his duties as a Director of the Company.

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.

The Company's Constitution provides that newly appointed Director(s) is 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 (3) years. In accordance with Rule 720(4) of the Catalist Rules, all Directors need to submit themselves for re-nomination and re-appointment at least once every three (3) years. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM. The NC has recommended, and the Board has agreed that at the forthcoming AGM, Mr Lawrence Kwan will be retiring pursuant to Article 93 of the Company's Constitution, whereas Mr Ahmad Subri Bin Abdullah will retire pursuant to Article 99 of the Company's Constitution. Both Mr Lawrence Kwan and Mr Ahmad Subri Bin Abdullah have offered themselves for re-election. Each member of the NC shall abstain from voting, approving or making a recommendation on any resolutions of the NC in which he has a conflict of interest in the subject matter under consideration. Please refer to the pages 32 to 40 of this Corporate Governance Statement for the requisite information on Mr Lawrence Kwan and Mr Ahmad Subri Bin Abdullah, required pursuant to Rule 720(5) of the Catalist Rules.

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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.

Other than the key information regarding the Directors set out below, information pertaining to the Directors' interests in shares, options and other convertible securities (if any) are set out in the "Directors' Statement" section of this Annual Report, and information in relation to the background, principal commitments, academic and professional qualifications of the Directors are set out in the "Board of Directors" section of this Annual Report.

PARTICULARS OF DIRECTORS

Name of Director	Date of first appointment as a Director	Date of last re-election	Board appointment	Board Committees as chairman or member	Directorship/ chairmanship both present and those held over the preceding three years in other listed companies
Mirzan Bin Mahathir	29 October 2014	25 April 2017	Executive Non-Independent Chairman	None	Present directorship or chairmanship 1. Petron Corporation (Listed on Philippine Stock Exchange) 2. Gets Global Berhad (Listed on Bursa Malaysia) Past directorship or chairmanship None
Lawrence Kwan	14 September 2016	25 April 2017 (to be re-elected at the forthcoming AGM)	Lead Independent Director	Chairman of NC, Member of ARMC and RC	Present directorship or chairmanship Karin Technology Holdings Limited Past directorship or chairmanship None
James Kho Chung Wah	14 September 2016	25 April 2017	Independent Director	Chairman of ARMC, Member of NC and RC	Present directorship or chairmanship 1. Pollux Properties Ltd 2. Rich Capital Holdings Limited Past directorship or chairmanship 1. Serrano Limited (Resigned on 16 January 2018) 2. China Environment Ltd. (Resigned on 28 December 2018)

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Name of Director	Date of first appointment as a Director	Date of last re-election	Board appointment	Board Committees as chairman or member	Directorship/ chairmanship both present and those held over the preceding three years in other listed companies
Ahmad Subri Bin Abdullah[1]	10 December 2018	– (to be re-elected at the forthcoming AGM)	Independent Director	Chairman of RC, Member of ARMC and NC	Present directorship or chairmanship VSTECS Berhad (formerly known as ECS ICT Berhad) (Listed on Bursa Malaysia) Past directorship or chairmanship None

Note:

(1) Mr Ahmad Subri Bin Abdullah was an Independent Director of the Company from 10 January 2013 to 16 August 2017. He was subsequently re-appointed as a Director of the Company on 10 December 2018.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC is responsible for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board, 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 shareholder value. The Board has conducted an assessment of the functions and effectiveness of the Board as a whole. The assessment of the contribution by each Director, 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 Board composition and size, 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. For FY2018, 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 Chairman. 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 FY2018.

CORPORATE GOVERNANCE **STATEMENT**

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is provided with complete, adequate and timely information to enable them to fulfil 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 such as budget, 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 the Company's Constitution, 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.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members, all of whom, including the Chairman of the RC, are independent and non-executive Directors:

Ahmad Subri Bin Abdullah – Chairman
James Kho Chung Wah – Member
Lawrence Kwan – 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 shareholder 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 Employee Share Option Scheme or any long-term incentive scheme.

CORPORATE GOVERNANCE **STATEMENT**

No Director will be involved in determining his own remuneration. 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 FY2018. The RC reviews the Company's obligations arising from termination of contracts of service of Executive Director and key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with the aim to be fair and avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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 any 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 Independent Directors are not over-compensated to the extent that their independence may be compromised. The Directors' fees are endorsed by the RC and recommended by the Board for shareholders' approval at the AGM. Directors' fees of S$115,000 for the financial year ended 31 December 2018 (to be paid quarterly in arrears) had been approved by shareholders at an extraordinary general meeting held on 4 October 2018. Directors' fees of S$130,000 for the financial year ending 31 December 2019 (to be paid quarterly in arrears) have been recommended by the Board and will be subject to the approval of shareholders at the forthcoming AGM. This allows the Company to better manage its cash flow and have a positive view of fees payable to Independent Directors for services rendered especially where a director resigns during the year. 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 Mirzan on 30 November 2017 for a period of five (5) years. 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 Mirzan.

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's performance and contribution towards the 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. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Director owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

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.

CORPORATE GOVERNANCE **STATEMENT**

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration packages of Directors and key management personnel of the Group for FY2018 are as follows:

	Salary %	Bonus %	Fees %	Total %
Directors				
S$250,000 – S$500,000				
Mirzan Bin Mahathir	100	–	–	100
Below S$250,000				
Lawrence Kwan	–	–	100	100
James Kho Chung Wah	–	–	100	100
Mahtani Bhagwandas(1)	–	–	100	100
Ling Yew Kong(2)	–	–	100	100
Ahmad Subri Bin Abdullah(3)	–	–	100	100
Key Management Personnel				
Below S$250,000				
Mark Leong Kei Wei	100	–	–	100
Goh Yvonne	100	–	–	100

Notes:

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

(1) Retired on 25 April 2018

(2) Retired on 25 April 2018

(3) Appointed on 10 December 2018

As at the end of FY2018, the Company has two (2) key management personnel (who is not the Director or CEO of the Company). Ms. Chong Wan Ling was appointed as CFO on 23 January 2019. The above remuneration has been pro-rated according to their date of appointment or date of resignation (where applicable).

There was no employee who was immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2018.

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 FY2018.

Given the profile and interest among investors, disclosure of the remuneration of individual Director and key management personnel is disadvantageous to the Company. 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.

To maintain confidentiality and prevent poaching of staff in the Company, the Company will not be disclosing the aggregate remuneration paid to the key management personnel of the Group in this report.

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Employee share option scheme

The SBI Offshore Employee Share Option Scheme (the "**ESOS**") was established on 28 September 2009. The RC administers the ESOS based on the rules of the ESOS, and determines participation eligibility, option offers and share allocation and attends to matters that may be required in connection with the ESOS. As the proposed resolution to grant the Directors the authority to allot and issue shares under the ESOS was not passed at the AGM of the Company on 25 April 2018, no share option was granted under the ESOS in FY2018.

Information on the options granted under the share option scheme to participants as required under Rule 851 of the Catalist Rules is as follows:

Name of participant	Options granted in FY2018	Aggregate options granted since commencement of scheme to the end of FY2018	Aggregate options lapsed since commencement of scheme to the end of FY2018	Aggregate options outstanding as at end of FY2018
Chan Lai Thong	Nil	10,000,000	2,000,000	8,000,000

Please refer to the "Directors' Statement" section of this Annual Report for further details of the ESOS.

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 2018, awards comprising an aggregate of 10,000,000 shares have been granted. During FY2014, 10,000,000 performance shares granted to Mr Chan Lai Thong were vested upon achievement of certain performance targets over the performance period.

As the proposed resolution to grant the Directors the authority to allot and issue shares under the PSP was not passed at the AGM of the Company on 25 April 2018, no share award was granted under the PSP in FY2018.

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

Name of participant	Awards granted during FY2018	Aggregate awards granted since commencement of PSP to the end of FY2018	Aggregate awards vested since commencement of scheme to the end of FY2018	Aggregate awards outstanding as at end of FY2018
Chan Lai Thong	Nil	10,000,000	10,000,000	Nil

Please refer to the "Directors' Statement" section of this Annual Report for further details of the PSP.

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ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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 steps to ensure compliance with regulatory requirements.

On 30 September 2018, the Company announced that the SGX-ST issued directives to the Company to provide (i) monthly valuation of assets and utilisation of cash commencing from the month of August 2018; and (ii) quarterly update of business plans and developments commencing from the quarter ended 30 September 2018 ("**Monthly Valuation of Assets and Utilisation of Cash**"). Accordingly, the Company had published the aforementioned Monthly Valuation of Assets and Utilisation of Cash on the SGXNet since the month of August 2018.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group has in place a system of risk management and internal controls to safeguard shareholders' investment and the Group's assets. The Board receives business update from the Management at every Board meeting and reviews the Group's businesses and operational activities to identify areas of significant risks, and implement appropriate measures to control and mitigate these risks. The Management reviews significant control policies and procedures, and highlights all significant matters to the Board.

The Board believes that, in the absence of any evidence to the contrary, the system of risk management and internal controls maintained by the Management in FY2018 was 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, reviews the effectiveness and adequacy of the Group's risk management framework and internal controls at least annually, with the assistance of the external and internal auditors, to ensure that effective and adequate risk management and internal controls are in place. These include assessment of the key risks relating to financial, operational, compliance and information technology controls.

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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 is satisfied that the Group's risk management and internal controls (addressing financial, operational, compliance and information technology controls) and risk management systems were adequate and effective in FY2018. The ARMC concurred with the Board's comments on the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

The Board has received assurance in writing from the Chairman 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 FY2018.

AUDIT AND RISK MANAGEMENT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARMC comprises the following members, all of whom, including the Chairman are independent and non-executive Directors:

James Kho Chung Wah – Chairman

Lawrence Kwan – Member

Ahmad Subri Bin Abdullah – Member

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

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 and objectivity of the external auditors annually, recommend the appointment of the external auditors and their level of audit fees and terms of engagement;
- 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 and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and effectiveness of the internal audit function to ensure effective and adequate 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;
- review interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules; and
- assist the Board to review and consider sustainability strategies and sustainability reporting to support sustainable growth of the business.

CORPORATE GOVERNANCE **STATEMENT**

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. The ARMC had met with the external auditors and internal auditors without the presence of Management in FY2018 to discuss matters that may not have been specifically addressed in the formal part of the meeting and allows the external auditors and internal auditors to provide comments, often confidential, to the ARMC.

The ARMC is authorised by the Board, and 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 when necessary. The ARMC has reasonable resources to enable it to discharge its functions properly.

Annually, the ARMC will conduct a review on the scope and quality of the audits, and the independence and objectivity of the external auditors, as well as the non-audit fees paid to them. There was non-audit services provided by external auditors. 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. Details of the audit and non-audit fees are set out on page 76 of this Annual Report. The aggregate amount of fees paid or payable by the Group to the External Auditors for FY2018 amounted to US$53,000 for audit services and US$4,000 for non-audit services. The ARMC has undertaken a review of all non-audit services provided by the external auditors and they would not, in the opinion of the ARMC, affect the independence and objectivity of the external auditors. The ARMC has recommended to the Board, the re-appointment of Messrs BDO LLP as the External Auditors at the forthcoming AGM. The Company confirms that Rule 712 of the Catalist Rules have been complied with.

The Board and ARMC are satisfied that the appointment of different auditors for its foreign subsidiaries would not compromise the standard and effectiveness of the audit of the Group. The Company confirms that Rule 715 of the Catalist Rules have been complied with.

The ARMC reviewed all audit findings and recommendations presented by the internal auditors and the External Auditors. Significant issues were discussed during the meetings in FY2018. The key audit matters presented by the External Auditors were reviewed by the ARMC. The ARMC received updates on changes in accounting standards from the External Auditors periodically. During FY2018, the ARMC was updated on the key changes to the accounting and financial reporting standards by the External Auditors. The ARMC members have expertise, experience and are members of relevant professional organisations to keep them abreast of changes in accounting standards, Catalist Rules and other regulations which could have impact on the Group's business and financial statements. While there may be issues which have a direct impact on financial statements, the ARMC will meet together, whenever possible, to inquire on the subject matter, challenge information and be professionally sceptical.

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 the Company's corporate website at http://sbioffshore.com/investor-relations/code-of-conduct-and-ethics/.

No former partner of director of the Company's existing External Auditors has acted as a member of the ARMC.

CORPORATE GOVERNANCE **STATEMENT**

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company had appointed the public accounting firm, Nexia TS Risk Advisory Pte Ltd (the "**Internal Auditors**") as the internal auditors to review the adequacy and integrity of the Group's internal control system. The Internal Auditors meets 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 scopes of the internal audit are:

- 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 have unfettered access to all of the Group's documents, records, properties and personnel, 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 resourced, and has appropriate standing within the Group to discharge its duties effectively in FY2018. The internal audit function is independent of the activities it audits.

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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 Constitution.

Shareholders are informed of the general meetings of the Company through announcements released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. Shareholders are also informed of the poll voting procedures at the general meetings. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in and vote at the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy form sent in advance.

CORPORATE GOVERNANCE **STATEMENT**

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders, investors and public. 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 FY2018 as the Company intends to conserve its cash for the proposed acquisition of the entire issued and paid-up share capital of a group of companies held by Mr Chan Kern Miang (the "**Proposed Acquisition**"). Please refer to the Company's announcement released on 20 February 2019 on the Proposed Acquisition for further information.

To promote a better understanding of shareholders' views, the Board encourages shareholders to express their views and ask the Board or the Management questions regarding the Group during the Company's general meetings. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views and address shareholders' concerns at general meetings.

The Company is committed to engage in regular and effective communication with its shareholders and ensures that all shareholders should be equally informed of all major developments of the Group which would likely materially affect the price or value of the Company's shares to facilitate the shareholders to exercise their ownership rights. Contacts with the Company can be made through the contact details listed on the Company's website at http://www.sbioffshore.com.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Constitution 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. The Company's Constitution currently does not have any provision to allow for absentia voting at shareholders' meetings. As the authentication of shareholder's identity information and other related security issues remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

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 and the percentages of votes voted in favour and against each resolution will be announced via SGXNet after the general meetings on the same day. 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 (1) 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 its 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 mandate from shareholders for IPTs pursuant to Rule 920 of the Catalist Rules.

During FY2018, the aggregate value of transactions entered by the Group with LegalStandard LLP for the provision of legal services was less than S$100,000. Mr Mahtani Bhagwandas, an Independent Director of the Company who had retired on 25 April 2018, is a partner of LegalStandard LLP.

The aggregate value of the IPTs above S$100,000 entered into during FY2018 is as follows:

Name of interested person	Aggregate value of all interested person transactions during FY2018 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Tan Woo Thian	131	NIL

Mr Tan Woo Thian ("**Mr Tan**") is a controlling shareholder of the Company. The Company had, on 1 July 2018, engaged Mr Tan as Chief Business Development Officer of the Company on a contract basis for a period of six (6) months up to 31 December 2018.

MATERIAL CONTRACTS

Save as disclosed above in the section entitled "Interested Person Transactions" and the service agreement entered into between the Executive Non-Independent Chairman and the Company, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interest of the controlling shareholder or any Director, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2017.

CORPORATE GOVERNANCE **STATEMENT**

NON-SPONSOR FEES

With effect from 4 September 2018, ZICO Capital Pte. Ltd. ("**ZICO Capital**") was appointed as the Company's continuing sponsor in place of Asian Corporate Advisors Pte. Ltd. ("**ACA**").

With reference to Rule 1204(21) of the Catalist Rules, there was no non-sponsor fees paid to ACA and ZICO Capital in FY2018.

USE OF PROCEEDS

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). The use of the net proceeds from the issuance of placement shares was as follows:

Purpose	Allocation of net proceeds (as disclosed in the announcement dated 23 September 2014) S$'000	Net proceeds utilised as at 31 January 2019 (as announced on 1 March 2019) S$'000	Net proceeds utilised from 1 February 2019 to 28 February 2019 S$'000	Balance of net proceeds as at 28 February 2019 S$'000
1) New market expansion, new business development plans and new projects	11,306	2,513	–	8,793
2) Working capital and funding for existing projects	4,845	4,621	114[(1)]	110
Total	16,151	7,134	114	8,903

Note:

(1) Comprised payments of day-to-day running expenses such as trade related and general and administrative expenses.

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

CORPORATE GOVERNANCE **STATEMENT**

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr Lawrence Kwan and Mr Ahmad Subri Bin Abdullah, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	**Mr Lawrence Kwan ("Mr Kwan")**	**Mr Ahmad Subri Bin Abdullah ("Mr Subri")**
Date of first appointment	14 September 2016	10 December 2018
Date of last re-appointment (if applicable)	25 April 2017	Not applicable
Age	71	69
Country of principal residence	Singapore	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Kwan as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Kwan's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Subri as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Subri's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	No	No
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Lead Independent Non-Executive Director, Chairman of Nominating Committee, Member of Audit and Risk Management Committee and Remuneration Committee.	Independent Non-Executive Director, Chairman of the Remuneration Committee, Member of Audit and Risk Management Committee and Nominating Committee.
Professional qualifications	– Fellow of the Institute of Chartered Secretaries and Administrators (United Kingdom) – Fellow of the Chartered Secretaries Institute of Singapore (CSIS)	– Fellow of the Chartered Insurance Institute (United Kingdom) – Fellow of the Malaysian Insurance Institute

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	**Mr Kwan**	**Mr Subri**
Working experience and occupation(s) during the past 10 years	2006 – Present Act Management Services Pte Ltd, Consultant 2007 – 2011 Tricor Evatthouse Corporate Services, Associate Director 2013 – 2015 HIM Governance Pte Ltd, Associate Director	April 2016 – Present Emerio (Malaysia) Sdn Bhd, Director and Advisor January 2007 – Present A.Subri Advisors Sole Proprietor, Principal Officer February 2014 – April 2016 Emerio (Malaysia) Sdn Bhd, Managing Director January 2004 – December 2012 The IA Group Malaysia, Management Consultant December 2006 – Early 2013 Asia Capital Reinsurance Group Pte Ltd, Advisor and Consultant
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)		

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	**Mr Kwan**	**Mr Subri**
Past (for the last 5 years)	**Past Directorship:** Other Companies – Please refer to Appendix A	**Past Directorship:** – SBI Offshore Limited
Present	**Present Directorship:** Other Companies – Please refer to Appendix B	**Present Directorship:** Other Companies – VSTECS Berhad (formerly known as ECS ICT Berhad) – Berjaya Sompo Insurance Berhad – Malaysian Life Reinsurance Group Berhad – Pheim Unit Trust Berhad – Pheim Asset Management Sdn Bhd – KDU Management Development Centre Sdn Bhd – Emerio (Malaysia) Sdn Bhd – Agensi Pekerjaan Globesoft Services Sdn Bhd – Gaushala Sdn Bhd – TimeWaver SEA Sdn Bhd – Innoitus Malaysia Sdn Bhd
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Mr Kwan	Mr Subri
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Mr Kwan	Mr Subri
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Mr Kwan	Mr Subri
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	Yes In 2016, when Mr Subri was a Director of the Company, the Board was made aware that there were two (2) sets of agreements purportedly entered into in connection with each of the acquisition and disposal of 35% equity interest in Jiangyin Neptune Marine Appliance Co., Ltd ("NPT Transactions") and their contents differ, especially with regard to the sale and purchase consideration (the "Allegation"). The Board formed a Special Investigation Committee to look into the aforementioned Allegation and engaged PricewaterhouseCoopers LLP to review the circumstances surrounding the NPT Transactions. In September 2016, the Company lodged a report with the Commercial Affairs Department of the Singapore Police Force ("CAD") in relation to a possible breach of securities laws or other offences, or other potential breaches involving the NPT Transactions. In March 2018, CAD informed the Company that they have completed their inquiry into the matters raised in the police report and after considering the facts and circumstances of the case, CAD is of the view that there is insufficient evidence to prove that a criminal offence had been committed in Singapore and that no further action will be taken.

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Mr Kwan	Mr Subri
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	Mr Kwan is currently a director of Karin Technology Holdings Limited.	Mr Subri was a Director of the Company from 10 January 2013 to 16 August 2017.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.		

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Mr Kwan	Mr Subri
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.

Appendix A

Mr Kwan – Details of Past Directorship (for the last 5 years)

From	To	Company Name
2008	2014	Accounting & Corporate Regulatory Authority of Singapore
2009	2014	Firstlink Investments Corporation Limited
2010	2014	Glopeak Land Pte Ltd
2010	2014	Singatronics Investment Pte Ltd
2010	2014	Firstlink Energy Pte Ltd
2010	2014	Glopeak Properties and Hotels Pte Ltd
2010	2014	Global Payment Solutions Pte Ltd
2010	2014	Exquisite Concierge Pte Ltd
2010	2014	Firstlink Capital Pte Ltd
2010	2014	Firstlink Investment Advisory Pte Ltd
2011	2015	Effective Measure Singapore Pte Ltd
2012	2015	Tao Investments Corporate Pte Ltd
2013	2015	Campus Online Services Pte Ltd
2013	2014	Keluarga International Pte Ltd
2014	2014	Amma Pte Ltd
2014	2015	Grabcar Pte Ltd
2013	2015	Grabtaxi Pte Ltd
2013	2016	Choice Turbine-Singapore Pte Ltd
2013	2015	7Sense Pte Ltd
2012	2015	Adconion Pte Ltd
2012	2014	Research Science Pte Ltd
2012	2018	Riskcare Pte Ltd
2012	2018	Actinon Pte Ltd
2012	2018	Bray Controls Southeast Asia Pte Ltd
2013	2018	Reliance Big Entertainment (SG) PL
2012	2018	Anval International Pte Ltd

CORPORATE GOVERNANCE **STATEMENT**

From	To	Company Name
2015	2017	Mazdean Pte Ltd
2016	2018	Anergy Pte Ltd
2014	2019	Top Iron Pte Ltd
2015	2019	Sinova Medical Technologies Pte Ltd

Appendix B

Mr Kwan – Details of Present Directorship

No.	Company Name
1	Nelson Marine Pte. Ltd
2	iSURVEY PL
3	Vinmar Overseas (SG) Pte Ltd
4	SailPoint Technologies Pte Ltd
5	Prometheus Advisory Pte Ltd
6	Singfert Pte Ltd
7	Reliance Natural Resources (SG) PL
8	052462 Pte Ltd
9	Tennant Packaging Corporation SG Pte Ltd
10	Extractive Capital Pte. Ltd.
11	Afriscot Commodities Pte Ltd
12	Petra Consulting Pte Ltd
13	Petrus Oil and Gas International Trade Pte Ltd
14	Dragonfly Pte. Ltd.
15	Hunter Bay Technologies Pte. Ltd.
16	EOS IT Management Solutions (SG) Pte. Ltd.
17	Rebound Singapore Pte. Ltd.
18	Peak Scientific Singapore Private Limited
19	Emakina Asia Pte. Ltd.
20	Emakina.sg Pte. Ltd.
21	Magna Tyres Singapore Pte. Ltd.
22	Centre for Corporate Management & Development Pte Ltd
23	Karin Technology Holdings Limited

DIRECTORS' **STATEMENT**

The Directors of SBI Offshore Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

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 (International) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, 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 in office at the date of this statement are as follows:

Mirzan Bin Mahathir
Lawrence Kwan
James Kho Chung Wah
Ahmad Subri Bin Abdullah (Appointed on 10 December 2018)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of 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 statement.

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:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Company:				
Mirzan Bin Mahathir[1]	–	–	46,162,900	46,736,000

Note:

(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.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interest as at 21 January 2019 in the shares of the Company have not changed from those disclosed as at 31 December 2018.

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. Ahmad Subri Bin Abdullah, Chairman of the RC, Mr. James Kho Chung Wah and Mr. Lawrence Kwan.

In exercising its discretion, the RC must act in accordance with any guidelines that may be provided by the Board of Directors (the "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.

ESOS

Options are exercisable at price based on the average of the last done prices for the shares of the Company on the 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.

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

ESOS (Continued)

a) Options granted

Options granted on 8 January 2013

10,000,000 share options were granted to Mr. Chan Lai Thong, former Executive Director and Chief Executive Officer, 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.

On 21 August 2017, the Company announced the cessation of Mr. Chan Lai Thong as Chief Executive Officer with effect from 16 August 2017. This resulted in the forfeiture of 2,000,000 unvested share options in view that the vesting condition was not satisfied.

b) Unissued shares under options

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

Date of grant	At beginning of the year	Forfeited	Exercised during the year	At end of the year	Exercise price S$	Exercise period
8.1.2013	8,000,000	–	–	8,000,000	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.

	2018		2017	
	Number of options	Exercise price S$	Number of options	Exercise price S$
At 1 January	**8,000,000**	**0.10**	10,000,000	0.10
Forfeited	**–**	**0.10**	(2,000,000)	0.10
At 31 December	**8,000,000**	**0.10**	8,000,000	0.10

c) Options termination

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the employees in the Group.

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, no options have been granted to directors under the ESOS.

DIRECTORS' **STATEMENT**

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

ESOS (Continued)

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.

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 and subsidiary holdings) 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.

DIRECTORS' **STATEMENT**

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

PSP (Continued)

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 2018, awards comprising an aggregate of 10,000,000 shares have been granted. In 2014, 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.

There were no unissued shares under PSP as at the end of the financial year.

6. AUDIT AND RISK MANAGEMENT COMMITTEE

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

James Kho Chung Wah (Chairman)
Lawrence Kwan
Ahmad Subri Bin Abdullah

The ARMC performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance 2012. In performing its functions, the ARMC reviewed the audit plans and the overall scope of examination by the external auditor of the Company. The ARMC also reviewed the independence of the external auditor of the Company and the nature and extent of the non-audit services provided by the external auditor.

The ARMC 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 ARMC 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 ARMC also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The ARMC is satisfied with the independence and objectivity of the external auditor and has recommended to the Board the nomination of BDO LLP, for re-appointment as auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' **STATEMENT**

7. INDEPENDENT AUDITOR

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Mirzan Bin Mahathir
Director

James Kho Chung Wah
Director

Singapore
3 April 2019

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SBI Offshore Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 52 to 108, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

1 Disposal of leasehold property and related land lease prepayment ("Property") held by a China subsidiary, Jiangyin SBI Offshore Equipment Co., Ltd. ("JSBI")

Key Audit Matter

As disclosed in Note 17 to the financial statements, the disposal of the Property was completed during the financial year and the Group received cash proceeds of RMB15,129,000 (equivalent to US$2,273,000), net of commission, relevant taxes and transaction fee of RMB2,871,000 (equivalent to US$439,000).

We draw your attention to Note 30 to the financial statements where it is disclosed that the Company received a Notice of Compliance dated 21 December 2018 (the "Notice") from the Singapore Exchange Regulation Pte Ltd ("SGX RegCo") and a special auditor was appointed on 21 March 2019 to investigate several matters in relation to the disposal of the Property. As at the date of these financial statements, the special audit is ongoing and has not been concluded.

We have determined this to be a key audit matter as the disposal of the Property is a significant transaction completed during the financial year.

Related Disclosures

Refer to Note 17 and Note 30 to the financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Recomputed management's calculation for the loss on disposal of Property by comparing the overall net cash proceeds against the carrying value of the Property and checked the receipt of cash proceeds by JSBI against bank advice;
- Read management and the Board's responses to the queries raised by SGX RegCo as announced on 20 December 2018;
- Held discussions with the Board, management and component auditors of JSBI to understand their assessment of the matters raised in the Notice. In this regard, management and the Board have assessed that the disposal of the Property has been appropriately accounted for as the disposal was made to a third party on a commercial basis and the consideration of RMB18 million was arrived on a willing buyer willing seller basis;
- Assessed the reasonableness of management's judgements on the requirements of SFRS(I)s to evaluate whether provision should be made for possible breaches of rules, laws and regulations. In this regard, no provision has been made as the special audit is ongoing and has not been concluded and it is premature to ascertain if there are any potential penalties and legal implications prior to the conclusion of the special audit; and
- Assessed the adequacy of the related disclosure notes to the financial statements.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Emphasis of Matter

We draw attention to Note 29 to the financial statements which indicates that the Board has appointed an independent reviewer in May 2018 to undertake a review of the matter(s) that may have given rise to the unauthorised write-off in 2015 relating to a receivable of RMB17.3 million from JSBI to the Company. As of the date of these financial statements, the review by the independent reviewer is ongoing and has not been concluded.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Lee Yu-Min.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
3 April 2019

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Revenue	4	**22**	448
Cost of sales		**(14)**	(433)
Gross profit		**8**	15
Other items of income			
Interest income		**250**	177
Other income	5	**239**	921
Other items of expense			
Administrative and other expenses		**(1,892)**	(5,772)
Loss before income tax	6	**(1,395)**	(4,659)
Income tax expense	7	**–**	(24)
Loss for the financial year		**(1,395)**	(4,683)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations, net of tax		**55**	23
Reclassification to profit or loss from foreign currency translation reserve, arising from disposal of a foreign subsidiary		**–**	19
Total comprehensive income for the financial year		**(1,340)**	(4,641)
Loss attributable to:			
Owners of the parent		**(1,395)**	(4,679)
Non-controlling interests		**–**	(4)
		(1,395)	(4,683)
Total comprehensive income attributable to:			
Owners of the parent		**(1,340)**	(4,637)
Non-controlling interests		**–**	(4)
		(1,340)	(4,641)
Loss per share (US cents)	8		
– Basic		**(0.56)**	(1.87)
– Diluted		**(0.56)**	(1.87)

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Note	Group 31 December 2018 US$'000	Group 31 December 2017 US$'000	Group 1 January 2017 US$'000	Company 31 December 2018 US$'000	Company 31 December 2017 US$'000	Company 1 January 2017 US$'000
Non-current assets							
Property, plant and equipment	9	**1**	6	3,577	**–**	5	23
Land lease prepayment	10	**–**	–	921	**–**	–	–
Intangible assets	11	**5**	17	20	**5**	17	9
Investments in subsidiaries	12	**–**	–	–	**–**	–	2,839
Investment in a joint venture	13	**–**	–	–	**–**	–	–
Total non-current assets		**6**	23	4,518	**5**	22	2,871
Current assets							
Inventories	14	**–**	–	459	**–**	–	459
Trade and other receivables	15	**194**	469	999	**2,878**	3,562	5,406
Cash and cash equivalents	16	**15,725**	14,722	16,271	**12,627**	13,880	15,277
		15,919	15,191	17,729	**15,505**	17,442	21,142
Non-current assets held for sale	17	**–**	2,299	–	**–**	–	–
Total current assets		**15,919**	17,490	17,729	**15,505**	17,442	21,142
Total assets		**15,925**	17,513	22,247	**15,510**	17,464	24,013
Current liabilities							
Trade and other payables	18	**713**	961	977	**337**	777	1,149
Current income tax payable		**–**	–	35	**–**	–	35
Total current liabilities		**713**	961	1,012	**337**	777	1,184
Net current assets		**15,206**	16,529	16,717	**15,168**	16,665	19,958
Non-current liability							
Deferred tax liabilities	19	**4**	4	4	**4**	4	4
Net assets		**15,208**	16,548	21,231	**15,169**	16,683	22,825
Equity, reserves and non-controlling interests							
Share capital	20	**25,253**	25,253	25,253	**25,253**	25,253	25,253
Other reserves	21	**174**	56	230	**223**	223	265
Foreign currency translation reserve	23	**328**	273	231	**–**	–	–
Accumulated losses		**(10,547)**	(9,034)	(4,355)	**(10,307)**	(8,793)	(2,693)
Equity attributable to owners of the parent		**15,208**	16,548	21,359	**15,169**	16,683	22,825
Non-controlling interests		**–**	–	(128)	**–**	–	–
Total equity		**15,208**	16,548	21,231	**15,169**	16,683	22,825

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital US$'000	Share-based payment reserve US$'000	Equity non-controlling interests US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Equity attributable to owners of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Group									
Balance at 1 January 2018		**25,253**	**223**	**(167)**	**273**	**(9,034)**	**16,548**	**–**	**16,548**
Total comprehensive income for the financial year									
Loss for the financial year		**–**	**–**	**–**	**–**	**(1,395)**	**(1,395)**	**–**	**(1,395)**
Other comprehensive income									
Exchange differences arising from translation of foreign operations		**–**	**–**	**–**	**55**	**–**	**55**	**–**	**55**
Total		**–**	**–**	**–**	**55**	**(1,395)**	**(1,340)**	**–**	**(1,340)**
Transactions with owners of the parent recognised directly in equity									
Strike off of a subsidiary	12	**–**	**–**	**118**	**–**	**(118)**	**–**	**–**	**–**
Total transactions with owners of the parent		**–**	**–**	**118**	**–**	**(118)**	**–**	**–**	**–**
Balance at 31 December 2018		**25,253**	**223**	**(49)**	**328**	**(10,547)**	**15,208**	**–**	**15,208**

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

	Note	Share capital US$'000	Share-based payment reserve US$'000	Equity non-controlling interests US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Equity attributable to owners of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Group									
Balance at 1 January 2017		25,253	265	(35)	231	(4,355)	21,359	(128)	21,231
Total comprehensive income for the financial year									
Loss for the financial year		–	–	–	–	(4,679)	(4,679)	(4)	(4,683)
Other comprehensive income									
Exchange differences arising from translation of foreign operations		–	–	–	23	–	23	–	23
Reclassification to profit or loss from foreign currency translation reserve, arising from disposal of a foreign subsidiary		–	–	–	19	–	19	–	19
Total		–	–	–	42	(4,679)	(4,637)	(4)	(4,641)
Transactions with owners of the parent recognised directly in equity									
Reversal of employee share-based payment	22	–	(42)	–	–	–	(42)	–	(42)
Effects of waiver of amount due from non-controlling interests in subsidiaries		–	–	(132)	–	–	(132)	132	–
Total transactions with owners of the parent		–	(42)	(132)	–	–	(174)	132	(42)
Balance at 31 December 2017		25,253	223	(167)	273	(9,034)	16,548	–	16,548

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Company					
Balance at 1 January 2018		**25,253**	**223**	**(8,793)**	**16,683**
Loss for the financial year, representing total comprehensive income for the financial year		**–**	**–**	**(1,514)**	**(1,514)**
Balance at 31 December 2018		**25,253**	**223**	**(10,307)**	**15,169**
Balance at 1 January 2017		25,253	265	(2,693)	22,825
Loss for the financial year, representing total comprehensive income for the financial year		–	–	(6,100)	(6,100)
Transactions with owners of the parent recognised directly in equity					
Reversal of employee share-based payment	22	–	(42)	–	(42)
Balance at 31 December 2017		25,253	223	(8,793)	16,683

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 US$'000	2017 US$'000
Operating activities			
Loss before income tax		**(1,395)**	(4,659)
Adjustments for:			
Amortisation of intangible assets	11	**12**	13
Amortisation of land lease prepayment	10	**–**	20
Reversal of overprovision of withholding tax	5	**–**	(35)
Reversal of overprovision of liabilities relating to PwC invoices	5	**(36)**	–
Depreciation of property, plant and equipment	9	**5**	207
Loss on disposal of plant and equipment		**–**	1
Loss on disposal of a subsidiary	12	**–**	24
Loss on disposal of non-current assets held for sale	17	**4**	–
Unrealised foreign exchange loss/(gain)		**276**	(597)
Write-down of inventories	14	**–**	460
Gain on disposal of inventory sold as scrap	5	**–**	(27)
Reversal of impairment loss on trade and other receivables	15	**(5)**	(73)
Impairment loss on trade and other receivables	15	**–**	10
Impairment loss on non-current assets held for sale	17	**–**	2,182
Provision for tax-related liabilities	18	**–**	373
Interest income		**(250)**	(177)
Dividend income	5	**(100)**	–
Share-based payment credited	22	**–**	(42)
Waiver of debts granted to a joint venture	25	**–**	16
Operating cash flows before working capital changes		**(1,489)**	(2,304)
Working capital changes:			
Inventories		**–**	26
Trade and other receivables		**(47)**	785
Trade and other payables		**112**	(618)
Cash used in operations		**(1,424)**	(2,111)
Interest income		**250**	177
Income tax paid	7	**–**	(24)
Net cash used in operating activities		**(1,174)**	(1,958)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 US$'000	2017 US$'000
Investing activities			
Purchase of property, plant and equipment	9	**–**	(2)
Purchase of intangible assets	11	**–**	(10)
Proceeds from disposal of non-current assets held for sale	17	**2,273**	–
Dividend received from a joint venture	5	**100**	–
Disposal of subsidiary, net of cash disposed	12	**–**	(27)
Net cash from/(used in) investing activities		**2,373**	(39)
Financing activity			
Decrease in pledged fixed deposits		**125**	446
Net cash from financing activity		**125**	446
Net change in cash and cash equivalents		**1,324**	(1,551)
Cash and cash equivalents at beginning of financial year		**14,580**	15,683
Effect of foreign exchange rate changes on cash and cash equivalents		**(196)**	448
Cash and cash equivalents at end of financial year	16	**15,708**	14,580

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 ("SGX-ST") 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 12 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 2018 were authorised for issue by the Board of Directors on 3 April 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I). The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have not been restated as there were no significant financial impact on transition from FRS to SFRS(I).

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in United States dollar ("US$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The consolidated financial statements are rounded to the nearest thousand ("US$'000") as indicated.

The Group's revenue has decreased to US$22,000, recorded a loss before tax of US$1,395,000 and generated negative operating cash flows of US$1,174,000 for the financial year ended 31 December 2018, and that the Group has significantly reduced its offshore and marine activities. In addition, as disclosed in Note 31 to the financial statements, the Company would be deemed as a cash company as defined under Rule 1017 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules") as the Company was unable to demonstrate that it currently has a viable business.

Notwithstanding the above, management is of the opinion that the use of going concern basis to prepare the Group's financial statements is appropriate and that there are no material uncertainties related to these conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

Management has considered that the Group can meet its debt obligations for the ensuing twelve months, based on cash flow forecasts which was prepared by management and approved by the Board. The cash flows were derived from the financial budget for the financial year ending 31 December 2019 where it indicates that the Group has sufficient cash and cash equivalents to support the Group's continuing operations, and pay its debts as and when they fall due. Management is also actively exploring new business opportunities including a proposed acquisition as disclosed in Note 31 to the financial statements so as to demonstrate that the Company has a viable business.

The preparation of financial statements in compliance with SFRS(I) 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. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group has adopted all the new and revised SFRS(I) that are relevant to its operations and effective for the current financial year. The adoption of these new/revised SFRS(I) did not result in changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

SFRS(I) and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group and the Company were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
SFRS(I) 16	:	Leases	1 January 2019
SFRS(I) INT 23	:	Uncertainty over Income Tax Treatments	1 January 2019

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

Management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT 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.

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 its involvement with 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

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 the Group.

Non-controlling interests

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

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 (i.e. transactions with owners). 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 parent.

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 SFRS(I) 9 *Financial Instruments* 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 and joint venture are carried at cost, less any impairment loss that has been recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

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 transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* 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.

2.4 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers include fixed amounts and the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Sales of goods

The Group's performance obligations are satisfied when the controls of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within a credit term of 30 to 60 days.

Revenue is recognised at a point in time when control of the products are transferred to customers.

Interest income

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

Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

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 reporting date 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

2.8 Income tax

Income tax expense comprise current tax expense and deferred tax expense.

Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period.

Current income tax expenses 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 is 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 interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

Deferred tax (Continued)

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.

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 taxation 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 rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated 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 retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currency transactions and translation (Continued)

Exchange differences arising on the settlement of monetary items and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in equity.

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.

2.10 Dividends

Dividends to the Company's equity holders are recognised when the dividends are declared and approved for payment.

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 losses, 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 2018

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 to 20

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 45 years.

2.13 Intangible assets

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 2018

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).

2.15 Joint venture

Joint venture is 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 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 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 joint venture and distributions received are adjusted against the carrying amount of the investments.

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

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

Investment in a joint venture is 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of non-financial assets (Continued)

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

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

Accounting policy for financial assets prior to 1 January 2018

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 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 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

Trade and other payables

Trade and other payables (excluding advance payments from 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.

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.

2.18 Non-current assets 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 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated costs to be incurred in marketing, selling and distribution. Obsolete, slow-moving and defective inventories are written down to its net realisable value.

2.20 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.

2.21 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.

2.22 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or the Company.

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 2018

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

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Impairment of investments in subsidiaries

The Group and the Company follow the guidance of SFRS(I) 1-36 *Impairment of Assets* in determining whether an investment 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 investments is less than their carrying amount and the financial health of and near-term business outlook for the investment, 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) Expected credit loss on financial assets measured at amortised cost

The Group assesses on forward-looking basis the expected credit losses ("ECLs") associated with its financial assets measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the differences between cash flows due to the entity in accordance with the contract and the cash flows that the Group expect to receive).

ECLs are discounted at the effective interest rate of the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of debtor and default or significant delay in payments.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group uses a provision matrix to measure ECLs. In measuring the ECLs, assets are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomics factors affecting the ability of the customers to settle the receivables.

The carrying amounts of trade and other receivables are disclosed in Note 15 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Write down of inventories

Inventory is valued at the lower of actual cost and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Market price is generally the inventory's selling price quoted from the market of similar items. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories is disclosed in Note 14 to the financial statements.

(iii) Provision for tax liabilities and penalties

The Group has exposure to potential tax-related liabilities and penalties in relation to the Write-off and Notice of Compliance as described in Note 29 and Note 30, respectively to the financial statements. The Group recognised the provision of tax-related liabilities and penalties based on their best estimates of the likely circumstances. When the Group has established a present or constructive obligation and a reliable estimate can be made of the amount of the obligation, a provision of tax-related liabilities and penalties will be made.

4. REVENUE

	Group	
	2018 US$'000	2017 US$'000
Revenue from sale of goods recognised at point in time	**22**	448

5. OTHER INCOME

	Group	
	2018 US$'000	2017 US$'000
Reversal of impairment loss on amount due from a joint venture (Note 15)	**–**	73
Distribution received from a joint venture (Note 14)	**–**	66
Foreign exchange gain, net	**–**	632
Gain on disposal of inventory sold as scrap	**–**	27
Reversal of overprovision of withholding tax	**–**	35
Reversal of overprovision of liabilities relating to PwC invoices (Note 28)	**36**	–
Compensation received from a joint venturer (Note 13)	**100**	–
Dividend received from a joint venture (Note 13)	**100**	–
Miscellaneous income	**3**	88
	239	921

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. LOSS BEFORE INCOME TAX

This is arrived at after charging the following:

	Group	
	2018 US$'000	2017 US$'000
Administrative and other expenses		
Audit fees		
– auditors of the Company	**53**	48
– other auditors	**5**	4
Non-audit fees		
– auditors of the Company	**4**	1
– other auditors	**8**	–
Write-down of inventories	**–**	460
Amortisation of land lease prepayment	**–**	20
Amortisation of intangible assets	**12**	13
Directors' fees	**80**	161
Professional fees	**208**	456
Depreciation of property, plant and equipment	**5**	207
Foreign exchange loss, net	**283**	–
Loss on disposal of plant and equipment	**–**	1
Loss on disposal of non-current assets held for sale	**4**	–
Loss on disposal of a subsidiary	**–**	24
Operating lease expenses	**68**	120
Transportation and travelling	**11**	72
Provision for tax-related liabilities	**–**	373
Loss allowance on other receivables	**–**	10
Impairment loss on non-current assets held for sale	**–**	2,182

The loss before income tax also includes the following:

	Group	
	2018 US$'000	2017 US$'000
Employee benefits		
Salaries, bonuses and allowances	**715**	1,005
Defined contribution plans	**41**	85
Share-based payment credited	**–**	(42)
Other employee benefits	**46**	42
	802	1,090

Employee benefits are included in the "Administrative and other expenses" in the consolidated statement of comprehensive income.

Employee benefits include key management personnel remuneration as disclosed in Note 25 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

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7. INCOME TAX EXPENSE

	Group	
	2018 US$'000	2017 US$'000
Current income tax		
– current year	–	–
– under provision in prior years	–	24
Total income tax expense	–	24

Domestic income tax is calculated at 17% (2017: 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% (2017: 17%) to loss before income tax as a result of the following differences:

	Group	
	2018 US$'000	2017 US$'000
Loss before income tax	**(1,395)**	(4,659)
Income tax calculated using tax rate of 17% (2017: 17%)	**(237)**	(792)
Effect of different tax rate in other countries	**(6)**	(263)
Tax effect of non-allowable items	**86**	695
Tax effect of income not subject to tax	**(23)**	(133)
Unrecognised deferred tax assets	**180**	493
Under provision of current income tax in prior years	**–**	24
	–	24

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

	Group	
	2018 US$'000	2017 US$'000
At beginning of the year	**8,934**	7,131
Adjustments	**(244)**	(778)
Arising during the year	**3,304**	2,588
Currency translation adjustment	**23**	(7)
At end of the year	**12,017**	8,934

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INCOME TAX EXPENSE (CONTINUED)

	Group	
	2018 US$'000	2017 US$'000
Deferred tax assets not recognised in respect of the above unutilised tax losses carry forward	**2,332**	1,636

The deferred tax assets have 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 ("PRC") 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	
	2018 US$'000	2017 US$'000
PRC		
Year		
2019	**590**	581
2020	**–**	–
2021	**225**	222
2022	**425**	659
2023	**2,365**	–
	3,605	1,462

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

8. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the Group's loss attributable to equity holders of the Company by the actual number of ordinary shares in issue during the financial year.

Diluted loss per share

For the purpose of calculating diluted loss per share, loss 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.

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 SBI Offshore Employee Share Option Scheme ("ESOS") (Note 22) have not been included in the calculation of diluted loss per share because they are anti-dilutive.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. LOSS PER SHARE (CONTINUED)

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

	Group	
	2018 US$'000	**2017 US$'000**
Loss attributable to the owners of the parent	**(1,395)**	(4,679)

	Number of shares	**Number of shares**
Actual number of ordinary shares for basic and diluted loss per share ('000)	**249,680**	249,680
Basic loss per share (US cents)	**(0.56)**	(1.87)
Diluted loss per share (US cents)	**(0.56)**	(1.87)

9. PROPERTY, PLANT AND EQUIPMENT

Group	**Computers US$'000**	**Furniture and fittings US$'000**	**Office equipment US$'000**	**Renovation US$'000**	**Total US$'000**
Cost					
Balance at 1 January 2018	**67**	**19**	**24**	**216**	**326**
Disposals/write-off	**–**	**–**	**(2)**	**–**	**(2)**
Balance at 31 December 2018	**67**	**19**	**22**	**216**	**324**
Accumulated depreciation and impairment losses					
Balance at 1 January 2018	**64**	**19**	**22**	**215**	**320**
Depreciation for the financial year	**3**	**–**	**1**	**1**	**5**
Disposals/write-off	**–**	**–**	**(2)**	**–**	**(2)**
Balance at 31 December 2018	**67**	**19**	**21**	**216**	**323**
Net carrying amount					
At 31 December 2018	**–**	**–**	**1**	**–**	**1**

9. 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 2017	4,649	109	30	29	604	15	480	5,916
Additions	–	1	–	1	–	–	–	2
Disposals/write-off	–	(42)	(11)	(6)	(401)	(15)	(388)	(863)
Disposal of a subsidiary (Note 12)	–	(1)	–	–	–	–	–	(1)
Reclassified as non-current assets held for sale (Note 17)	(4,793)	–	–	–	–	–	(65)	(4,858)
Currency realignment	144	–	–	–	13	–	(27)	130
Balance at 31 December 2017	–	67	19	24	216	–	–	326
Accumulated depreciation and impairment losses								
Balance at 1 January 2017	1,159	99	29	26	591	12	423	2,339
Depreciation for the financial year	166	7	1	2	13	2	16	207
Disposals/write-off	–	(42)	(11)	(6)	(401)	(14)	(388)	(862)
Reclassified as non-current assets held for sale (Note 17)	(1,359)	–	–	–	–	–	(22)	(1,381)
Currency realignment	34	–	–	–	12	–	(29)	17
Balance at 31 December 2017	–	64	19	22	215	–	–	320
Net carrying amount								
At 1 January 2017	3,490	10	1	3	13	3	57	3,577
At 31 December 2017	–	3	–	2	1	–	–	6

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Total US$'000
Cost					
Balance at 1 January 2018	**62**	**19**	**22**	**214**	**317**
Disposals/write-off	**–**	**–**	**(2)**	**–**	**(2)**
Balance at 31 December 2018	**62**	**19**	**20**	**214**	**315**
Accumulated depreciation					
Balance at 1 January 2018	**59**	**19**	**20**	**214**	**312**
Depreciation for the financial year	**3**	**–**	**2**	**–**	**5**
Disposals/write-off	**–**	**–**	**(2)**	**–**	**(2)**
Balance at 31 December 2018	**62**	**19**	**20**	**214**	**315**
Net carrying amount					
At 31 December 2018	**–**	**–**	**–**	**–**	**–**

Company	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Motor vehicles US$'000	Total US$'000
Cost						
Balance at 1 January 2017	100	19	22	214	8	363
Additions	4	–	3	–	–	7
Disposals/write-off	(42)	–	(3)	–	(8)	(53)
Balance at 31 December 2017	62	19	22	214	–	317
Accumulated depreciation						
Balance at 1 January 2017	94	18	21	202	5	340
Depreciation for the financial year	7	1	2	12	2	24
Disposals/write-off	(42)	–	(3)	–	(7)	(52)
Balance at 31 December 2017	59	19	20	214	–	312
Net carrying amount						
At 1 January 2017	6	1	1	12	3	23
At 31 December 2017	3	–	2	–	–	5

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. LAND LEASE PREPAYMENT

	Group US$'000
Cost	
At 1 January 2017	**1,074**
Reclassified as non-current assets held for sale (Note 17)	**(1,107)**
Currency realignment	**33**
At 31 December 2017 and 31 December 2018	**–**
Accumulated amortisation	
At 1 January 2017	**153**
Amortisation for the financial year	**20**
Reclassified as non-current assets held for sale (Note 17)	**(178)**
Currency realignment	**5**
At 31 December 2017 and 31 December 2018	**–**
Net carrying amount	
At 1 January 2017	**921**
At 31 December 2017 and 31 December 2018	**–**

Land lease prepayment represents land use rights held by a subsidiary in the PRC.

The amortisation charged for the year has been included in the "Administrative and other expenses" of the consolidated statement of comprehensive income.

11. INTANGIBLE ASSETS

	Group US$'000	Company US$'000
Computer software		
Cost		
At 1 January 2017	137	117
Additions	10	20
At 31 December 2017 and 31 December 2018	147	137
Accumulated amortisation		
At 1 January 2017	117	108
Amortisation for the financial year	13	12
At 31 December 2017	130	120
Amortisation for the financial year	12	12
At 31 December 2018	142	132
Net carrying amount		
At 1 January 2017	20	9
At 31 December 2017	17	17
At 31 December 2018	5	5

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. INTANGIBLE ASSETS (CONTINUED)

The amortisation charged for the year has been included in the "Administrative and other expenses" of the consolidated statement of comprehensive income.

12. INVESTMENTS IN SUBSIDIARIES

	Company		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Unquoted equity shares, at cost	**6,001**	6,001	6,001
Allowance for impairment losses	**(6,001)**	(6,001)	(3,162)
	–	–	2,839

Movement in the allowance for impairment losses are as follows:

	Company		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Balance at beginning of financial year	**6,001**	3,162	2,630
Allowance made during the year	**–**	2,839	532
Balance at end of financial year	**6,001**	6,001	3,162

In the prior financial year, management performed an impairment assessment for its significant subsidiaries which had either suffered losses or were inactive.

The recoverable amount of the investment in Jiangyin SBI Offshore Equipment Co., Ltd. ("JSBI") 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 the recoverable amounts of the non-current assets of the subsidiary which are represented by the fair value of leasehold property and related land use rights recorded as land lease prepayment and cash held by the subsidiary; and

(ii) the fair value of the current assets and liabilities are determined by management to approximate their carrying amounts due to short-term maturity.

In prior year, the Company's carrying amount of the investment in this subsidiary was determined to exceed its recoverable amount and consequently an impairment loss of US$2,839,000 (1 January 2017: US$532,000) was recognised in profit or loss.

Based on the management's impairment assessment as at 31 December 2018, the recoverable amount of JSBI was US$Nil as the net cash proceeds from the sale of the JSBI's leasehold property and related land lease prepayment (Note 17) would be used to repay the amount due to the Company which is repayable on demand.

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 interest held by non-controlling interests		
		31 December		1 January	31 December		1 January
		2018	2017	2017	2018	2017	2017
		%	%	%	%	%	%
Jiangyin SBI Offshore Equipment Co., Ltd.[1] (People's Republic of China)	Manufacturing of offshore rig equipment	**100**	100	100	**–**	–	–
Neptune Life-Saving Pte. Ltd.[2] (Singapore)	Marketing, distribution and servicing of offshore and marine equipment	**–**	–	100	**–**	–	–
Solar Energy Investments Pte. Ltd.[3] (Singapore)	Design, engineer, construct, develop, own, operate, maintain and storage of solar photovoltaic energy systems and plants	**100**	100	100	**–**	–	–
Solar Africa Investments (Pty) Ltd[4] (South Africa)	Develop, own, operate and maintain solar photovoltaic energy systems and plants	**–**	–	100	**–**	–	–
Graess Energy Pte. Ltd.[5] (Singapore)	Dormant	**–**	51	51	**–**	49	49
PT Ness Indonesia Terang[6] (Indonesia)	Dormant	**80**	80	80	**20**	20	20

Note:
(1) Audited by Jiangsu Welsen Certified Public Accountants Co., Ltd., People's Republic of China.
(2) Struck off on 9 March 2017.
(3) Audited by BDO LLP, Singapore.
(4) Disposed on 13 October 2017.
(5) Struck off on 8 March 2018.
(6) In the process of liquidation.

NOTES TO THE **FINANCIAL STATEMENTS**

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12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restriction

Cash and bank balances of approximately US$3,078,000, equivalent to RMB21,176,000 (2017: US$813,000, equivalent to RMB5,300,000) held with a subsidiary in the PRC 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.

Disposal of a subsidiary

In prior year, the Group disposed of its entire interest in Solar Africa Investments (Pty) Ltd, a subsidiary of Solar Energy Investments Pte. Ltd., for a cash consideration of US$1.

The effects of the disposal as at the date of disposal were:

	Carrying amount US$'000
Plant and equipment	1
Cash and cash equivalents	27
Trade and other receivables	16
Total assets	44
Trade and other payables	(39)
Total liability	(39)
Net identifiable assets disposed of	5

The effects of disposal on cash flows are as follows:

	2017 US$'000
Net identifiable assets disposed (as above)	5
Reclassification of currency translation reserve on disposal	19
	24
Loss on disposal	(24)
Cash proceed from disposal	–
Less: Cash and cash equivalents disposed	(27)
Net cash outflow on disposal	(27)

Strike off of a subsidiary

On 8 March 2018, Graess Energy Pte. Ltd., a 51% owned subsidiary of the Company, had been struck off from the register and dissolved pursuant to Section 344A of the Act. This resulted in a transfer of US$118,000 arising from the waiver of amount due from non-controlling interests in subsidiary made in the prior financial year, from other reserves to the accumulated losses of the Group.

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13. INVESTMENT IN A JOINT VENTURE

	Group			Company		
	31 December		1 January	31 December		1 January
	2018 US$'000	2017 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2017 US$'000
Equity shares, at cost				**50**	50	50
Allowance for impairment losses				**(50)**	(50)	(50)
				–	–	–
At beginning of financial year	**–**	–	868			
Share of results, net of tax	**–**	–	(30)			
Dividend received	**–**	–	(823)			
Allowance for impairment losses	**–**	–	(15)			
At end of financial year	**–**	–	–			

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		
		31 December		1 January
		2018 %	2017 %	2017 %
RBV Energy (Singapore) Pte. Ltd.[1] (Singapore)	Manufacture and supply of equipment for marine/offshore industry	**50**	50	50

Note:
(1) In the process of liquidation.

The Group has not recognised losses relating to the joint venture where its share of losses exceed the Group's carrying amount of its investment in the joint venture. The Group's cumulative share of unrecognised losses were US$89,000 (2017: US$30,000) of which US$59,000 (2017: US$30,000) was the share of the current year's losses. The Group has no obligation in respect of those losses.

On 26 July 2016, the Company entered into a Settlement Agreement with the joint venturer and the joint venture. The Company and the joint venturer mutually agreed to terminate the joint venture agreement and the joint venture will be struck off or liquidated upon resolution of all liabilities and obligations.

During the financial year, the Company received dividend income of US$100,000 from the joint venture in relation to the reinstatement of an one tier tax exempt final dividend for the financial year ended 31 December 2014. The Company also received a compensation of US$100,000 from the joint venturer, RBV Energy Limited in relation to manifold contracts that were transferred from the joint venture in the prior financial year.

NOTES TO THE **FINANCIAL STATEMENTS**

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14. INVENTORIES

	Group and Company		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Finished goods	**–**	–	459

In the prior financial year, the Company carried out a review of the net realisable values of its inventories and the review led to the recognition of a write-down on inventories of approximately US$460,000 (1 January 2017: US$364,000).

In 2017, the joint venture transferred inventories amounting to US$66,000 to the Company as distribution of assets.

15. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade receivables						
– third parties	**15**	185	381	**15**	185	381
Other receivables						
– third parties	**97**	87	28	**80**	49	12
– subsidiaries	**–**	–	–	**3,766**	5,036	4,719
– a joint venture	**–**	–	323	**–**	–	323
– a former director	**–**	–	432	**–**	–	432
– other recoverable	**22**	23	22	**–**	–	–
– rental and other deposits	**38**	3	19	**38**	3	15
– prepayments	**27**	181	117	**27**	18	113
	184	294	941	**3,911**	5,106	5,614
Loss allowance						
– third parties	**(5)**	(10)	–	**–**	–	–
– subsidiaries	**–**	–	–	**(1,048)**	(1,729)	(266)
– a joint venture	**–**	–	(323)	**–**	–	(323)
Total trade and other receivables	**194**	469	999	**2,878**	3,562	5,406

Trade receivables are non-interest bearing and generally on 30 days (2017: 30 days) credit terms.

The non-trade receivables due from subsidiaries comprise advances, which are unsecured, non-interest bearing and repayable on demand. In prior year, the amounts due from subsidiaries of approximately US$753,000 (1 January 2017: US$517,000) bore interest from 4.5% to 6.25% per annum.

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15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables from subsidiaries

As at 31 December 2018, the net amount less allowance due from a China subsidiary, JSBI, to the Company amounted to US$2.72 million (2017: US$3.15 million) of which included an amount of RMB17.3 million (equivalent to US$2.51 million) (2017: US$2.65 million) that was written off in the audited 2015 financial statements of JSBI for the PRC statutory and tax filing purposes as disclosed in Note 29 to the financial statements.

As at 31 December 2018, the carrying amount of the amount due from JSBI of US$2.72 million is supported by cash and interest receivable of US$3.09 million held by JSBI less potential tax-related liabilities of US$0.37 million (Note 18).

As at 31 December 2017, the carrying amount of the amount due from JSBI of US$3.15 million is supported by the net assets of JSBI represented by leasehold property and related land lease prepayment classified as non-current assets held for sale of US$2.3 million and cash of US$0.81 million held by JSBI.

Other receivables from a former director

In 2016, the Company filed a Writ of Summons against a former director to demand payment for the remaining balance of US$432,000 of a down payment made for a business opportunity which was secured by a guarantee from the former director. During the prior financial year ended 31 December 2017, the Company received payment from the former director.

The exposure to credit risk for trade receivables at each reporting date is as follows:

	Group and Company		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
By geographical areas			
Singapore	**15**	185	296
China	**–**	–	85
	15	185	381

As at 31 December 2018, trade receivables due from third parties are considered to be of low credit risk. The lifetime expected credit loss provisions for the Group's and the Company's trade receivables are not significant.

Movements in the loss allowance for other receivables are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	**10**	323	–	**1,729**	589	4,716
Allowances charged to profit or loss	**–**	10	323	**288**	1,729	589
Reversal	**(5)**	(73)	–	**(1)**	(99)	–
Written off	**–**	(250)	–	**(968)**	(490)	(4,716)
At 31 December	**5**	10	323	**1,048**	1,729	589

During the financial year, the Group has recognised a loss allowance of US$Nil (2017: US$10,000) (1 January 2017: US$323,000) in profit or loss under "Administrative and other expenses" subsequent to the assessment performed by the management on the net recoverable amount due from the third parties.

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15. TRADE AND OTHER RECEIVABLES (CONTINUED)

For other receivables from subsidiaries, the Board has taken into account information that is available internally about these subsidiaries' past, current and expected operating performance and cash flow position. The Board monitors and assesses at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The amount due from subsidiaries has been measured based on lifetime expected credit loss model and loss allowance of US$288,000 (2017: US$1,729,000) (1 January 2017: US$589,000) is recognised in profit or loss under "Administrative and other expenses".

The Group and the Company made reversal of loss allowance amounting to US$5,000 (2017: US$73,000) and US$1,000 (2017: US$99,000) respectively due to recovery of balances.

The allowances made in the current financial year by the Group and the Company amounting to US$Nil (2017: US$250,000) (1 January 2017: US$Nil) and US$968,000 (2017: US$490,000) (1 January 2017: US$4,716,000) respectively had been written off as they are deemed irrecoverable.

Trade and other receivables are denominated in the following currencies:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018 US$'000	2017 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2017 US$'000
United States dollar	**69**	206	488	**1,191**	1,453	2,010
Singapore dollar	**91**	59	487	**91**	80	806
Chinese renminbi	**34**	204	22	**1,596**	2,029	2,590
Others	**–**	–	2	**–**	–	–
	194	469	999	**2,878**	3,562	5,406

16. CASH AND CASH EQUIVALENTS

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

	Group			Company		
	31 December		1 January	31 December		1 January
	2018 US$'000	2017 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2017 US$'000
Cash and bank balances	**831**	748	3,593	**713**	672	3,319
Fixed deposits	**14,894**	13,974	12,678	**11,914**	13,208	11,958
Cash and cash equivalents in the statement of financial position	**15,725**	14,722	16,271	**12,627**	13,880	15,277
Fixed deposits pledged	**(17)**	(142)	(588)			
Cash and cash equivalents as per consolidated statement of cash flows	**15,708**	14,580	15,683			

Fixed deposits with financial institutions mature on varying periods within 12 months (2017: 12 months) from the end of the financial year with a weighted average interest rate of 2.03% (2017: 1.37%) per annum.

For the purpose of presenting the statement of cash flows, cash and cash equivalents include fixed deposits with an average maturity of more than 3 months, as there are no significant costs or penalties in converting these fixed deposits into liquid cash before maturity.

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16. CASH AND CASH EQUIVALENTS (CONTINUED)

At the end of the current financial year, fixed deposits of US$17,000 (2017: US$142,000) were pledged as securities for banking facilities granted to the Group and the Company.

Cash and cash equivalents are denominated in the following currencies:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018 US$'000	2017 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2017 US$'000
United States dollar	**10,135**	9,658	9,914	**10,126**	9,649	9,888
Singapore dollar	**2,520**	4,260	5,404	**2,501**	4,231	5,372
Chinese renminbi	**3,070**	804	892	**–**	–	–
South African rand	**–**	–	44	**–**	–	–
British pound	**–**	–	17	**–**	–	17
	15,725	14,722	16,271	**12,627**	13,880	15,277

17. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2018 US$'000	2017 US$'000
At beginning of financial year	**2,299**	–
Reclassified from property, plant and equipment (Note 9)	**–**	3,477
Reclassified from land lease prepayment (Note 10)	**–**	929
Disposal	**(2,259)**	–
Impairment losses	**–**	(2,182)
Currency realignment	**(40)**	75
At end of financial year	**–**	2,299

On 27 December 2017, the Company's wholly-owned subsidiary, JSBI entered into a sale and purchase agreement with a third party, for the sale of a leasehold property and the related land lease prepayment for a cash consideration of RMB18,000,000 (equivalent to US$2,712,000).

Accordingly, in the prior financial year, the leasehold property (Note 9) and the related land lease prepayment (Note 10) have been classified as non-current assets held for sale and an impairment loss of US$2,182,000 was recognised in the profit or loss to reduce the assets' carrying amount to fair value less costs to sell.

The costs to sell includes a 5% commission amounting to RMB900,000 (equivalent to US$142,000) to a referral, an offshore company owned by Mr. Tan Woo Thian who is then a substantial shareholder of the Company. The commission was paid during the financial year upon completion of the sale of assets.

During the financial year, the sale of these assets was completed and the Group received cash proceeds of RMB15,129,000 (equivalent to US$2,273,000), net of commission, relevant taxes and transaction fee of RMB2,871,000 (equivalent to US$439,000).

The Group also incurred legal fees of RMB165,000 (equivalent to US$18,000) which was paid in the prior financial year. Accordingly, the loss on disposal of approximately RMB26,000 (equivalent to US$4,000) was recognised by the Group in "Administrative and other expenses".

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18. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade payables						
– third parties	**–**	–	476	**–**	–	468
Non-trade payables						
– third parties	**24**	170	130	**20**	160	109
– a subsidiary	**–**	–	–	**–**	128	118
Accrued operating expenses	**689**	791	353	**317**	489	436
Advance payments from customers	**–**	–	18	**–**	–	18
Total trade and other payables	**713**	961	977	**337**	777	1,149

Trade payables are non-interest bearing and are normally settled between 30 to 60 days (2017: 30 to 60 days) credit term.

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

As at 31 December 2018, the Company made a provision of US$110,000 (2017: US$146,000) based on invoices received from PwC as the terms of engagement provided that the Company would be liable for any costs incurred by PwC in the event that third parties commenced proceedings against PwC in relation to the services it rendered to the Company as disclosed in Note 28 to the financial statements. During the current financial year, a provision of US$36,000 was reversed based on a statement of account received from PwC.

As at 31 December 2018, the Group recognised a provision of RMB2.5 million (equivalent to US$365,000) (2017: US$373,000) for potential tax-related liabilities in relation to the Write-off as disclosed in Note 29 to the financial statements.

Trade and other payables are denominated in the following currencies:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States dollar	**–**	87	617	**–**	214	831
Singapore dollar	**340**	322	332	**337**	425	317
Chinese renminbi	**373**	552	21	**–**	138	–
Others	**–**	–	7	**–**	–	1
	713	961	977	**337**	777	1,149

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. DEFERRED TAX LIABILITIES

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
At beginning and 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 2017, 31 December 2017 and 2018	6	(2)	4

20. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	US$'000
Issued and fully paid		
2018		
At beginning and end of financial year	**249,680,100**	**25,253**
2017		
At beginning and end of financial year	249,680,100	25,253

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.

21. OTHER RESERVES

		Group			Company		
		31 December		1 January	31 December		1 January
		2018 US$'000	2017 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2017 US$'000
Share-based payment reserve	(a)	**223**	223	265	**223**	223	265
Equity – Non-controlling interests ("NCI")	(b)	**(49)**	(167)	(35)	**–**	–	–
		174	56	230	**223**	223	265

NOTES TO THE **FINANCIAL STATEMENTS**

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21. **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 22). 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 from the grant dates of equity-settled share options and performance shares to be awarded upon satisfaction of terms and conditions specified in the SBI Offshore Performance Share Plan ("PSP").

(b) Equity – NCI

The Equity – NCI represents:

- the differences between the considerations paid to acquire the remaining equity interest in the share capital of a subsidiary in prior years; or
- the effects of waiver of amount due from non-controlling interests in subsidiaries.

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

22. **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 ESOS was approved and adopted by its members at an Extraordinary General Meeting held on 28 September 2009.

The 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. Ahmad Subri Bin Abdullah, Chairman of the RC, Mr. James Kho Chung Wah and Mr. Lawrence Kwan.

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.

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22. 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 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, former Executive Director and Chief Executive Officer, 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.

On 21 August 2017, the Company announced the cessation of Mr. Chan Lai Thong as Chief Executive Officer with effect from 16 August 2017. This resulted in the forfeiture of 2,000,000 unvested share options in view that the vesting condition was not satisfied.

(b) Unissued shares under options

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

Date of grant	At beginning of the year	Forfeited	Exercised during the year	At end of the year	Exercise price S$	Exercise period
8.1.2013	8,000,000	–	–	8,000,000	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.

	2018		2017	
	Number of options	Exercise price S$	Number of options	Exercise price S$
At 1 January	**8,000,000**	**0.10**	10,000,000	0.10
Forfeited	**–**	**0.10**	(2,000,000)	0.10
At 31 December	**8,000,000**	**0.10**	8,000,000	0.10

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22. SHARE-BASED PAYMENT RESERVE (CONTINUED)

ESOS (Continued)

(c) Options termination

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the employees in the Group.

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.

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

	Group and Company	
	2018	2017
	US$'000	US$'000
Share-based payment credited – ESOS	–	(42)

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.

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22. 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 and subsidiary holdings) 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.

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

There were no unissued shares under PSP as at the end of the financial year.

23. 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 is different from that of the Group's presentation currency which is United States dollar and is non-distributable.

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24. 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 office equipment as follows:

	Group and Company		
	31 December		1 January
	2018 US$'000	2017 US$'000	2017 US$'000
Future minimum lease payments payable:			
Within one year	**34**	71	34
After one year but within five years	**–**	35	7
Total	**34**	106	41

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 office equipment have remaining lease term of 5.5 months and 1 year respectively (2017: 1.5 years and 2 years). Operating lease of office premise has an option to renew for a further of 1 years at rates to be agreed with the landlord. There are no contingent rental payments and restriction imposed in relation to the lease.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

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	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
With subsidiaries				
Loans to subsidiaries	**–**	–	**–**	311
Interest on loans to subsidiaries	**–**	–	**–**	43
Payment on behalf of subsidiaries	**–**	–	**3**	173
Payment on behalf by a subsidiary	**–**	–	**1**	19
Waiver of debts to subsidiaries	**–**	–	**968**	382
Purchase of plant and equipment from a subsidiary	**–**	–	**–**	17
With a joint venture				
Dividend from a joint venture	**100**	–	**100**	–
Waiver of debts granted to a joint venture	**–**	16	**–**	16

NOTES TO THE **FINANCIAL STATEMENTS**

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25. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of the key management personnel included under employee benefits in Note 6 to the financial statements was as follows:

	Group	
	2018 US$'000	**2017 US$'000**
Directors' fees	**80**	161
Salaries and other short-term benefits	**385**	501
Post-employment benefits	**20**	23
	485	685
Comprise amounts paid to:		
Directors of the Company	**295**	487
Other key management personnel	**190**	198
	485	685

26. 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, PRC, and United States of America. All these locations are engaged in providing products.

The Group has only one business segment which is the marketing and distribution segment. This segment includes sales of goods of lifeboat accessories and spare parts to third parties.

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 operating 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 as 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.

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26. SEGMENT INFORMATION (CONTINUED)

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

Intersegment 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.

Geographical information

The Group's operations in three 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. Segment assets are shown by the geographical area in which the assets are located.

	Singapore US$'000	PRC US$'000	United States of America US$'000	Total US$'000
2018				
Revenue				
Revenue from external customers	**17**	**–**	**5**	**22**
Assets				
Segment assets	**12,812**	**3,113**	**–**	**15,925**
2017				
Revenue				
Revenue from external customers	419	2	27	448
Assets				
Segment assets	14,197	3,316	–	17,513

Major customers

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

	Group	
	2018 US$'000	2017 US$'000
Customer A	**17**	5
Customer B	**–**	411
Customer C	**5**	27
	22	443

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27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities expose it to credit risks, market risk (foreign exchange risks) and liquidity risk. The Group'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 is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The 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.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

27.1 Credit risks

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 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, 100% (2017: 100%) of the Group's and 100% (2017: 100%) of the Company's cash and cash equivalents are placed with 3 (2017: 3) and 2 (2017: 2) financial institutions respectively.

Bank deposits are mainly deposits with banks with high credit ratings assigned by international credit rating agencies. Impairment of cash and cash equivalents has been measured based on 12-month expected credit loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by counterparties.

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 1 (2017: 1) trade receivable from a third party, which accounted for 100% (2017: 85%) of the total trade receivables of the Group and the Company. The Company's non-trade receivables from subsidiaries accounted for 94% (2017: 93%) of the total trade and other receivables.

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

27.1 Credit risks (Continued)

Previous accounting policy for impairment of trade and other receivables

Significant financial difficulties of the customer and default or significant delay in payments are objective evidence that the financial assets are impaired. The carrying amount of these assets is reduced through the use of an allowance account and the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively measured, the previously recognised impairment loss is reversed to the extent that the carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods. The amount of reversal is recognised in the profit and loss account.

Third party customers that are neither past due nor impaired are substantially companies with good track records with the Group. Bank deposits are mainly transacted with banks of high credit ratings assigned by international credit rating agencies.

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

	Group		Company	
	Gross receivables 31 December 2017 US$'000	Gross receivables 1 January 2017 US$'000	Gross receivables 31 December 2017 US$'000	Gross receivables 1 January 2017 US$'000
Past due 1 to 2 months	–	269	–	269
Past due over 2 to 3 months	79	–	79	–
Past due over 3 months	79	85	79	85

27.2 Market risks

(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") and Chinese renminbi ("RMB"), 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.

NOTES TO THE **FINANCIAL STATEMENTS**

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

27.2 Market risks (Continued)

(i) Foreign exchange risk management (Continued)

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		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
SGD	**2,573**	4,305	5,866	**340**	322	332
RMB	**3,104**	2,874	3,504	**8**	167	21
Others	**–**	–	63	**–**	–	7
Company						
SGD	**2,554**	4,297	6,157	**337**	425	317
RMB	**1,596**	2,029	2,590	**–**	138	–
Others	**–**	–	17	**–**	–	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 2% (2017: 2%) change in SGD and RMB against the entity's functional currency. This sensitivity analysis assumes an instantaneous 2% (2017: 2%) 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.

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

27.2 Market risks (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis (Continued)

	Profit or Loss Increase/(decrease)					
	← Group			Company →		
	31 December		1 January	31 December		1 January
	2018 US$'000	2017 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2017 US$'000
SGD						
Strengthens against USD	**45**	80	111	**44**	77	117
Weakens against USD	**(45)**	(80)	(111)	**(44)**	(77)	(117)
RMB						
Strengthens against USD	**62**	54	70	**32**	38	52
Weakens against USD	**(62)**	(54)	(70)	**(32)**	(38)	(52)

(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 as shown in Note 16 to the financial statements.

The Group's and the Company's results are not significantly affected by the changes in interest rates as the short-term bank deposits are at fixed 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.

27.3 Liquidity risks

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

The Group and the Company actively manage 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 minimise 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.

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

27.3 Liquidity risks (Continued)

As at 31 December 2018 and 31 December 2017, the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments was within the next 12 months. Therefore, the management considers the Group's and the Company's undiscounted cash flows of its financial instruments, based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay, would approximate their carrying amount of cash and cash equivalents, trade and other receivables and payables.

27.4 Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as going concern and to maintain an optimal capital structure so as to maximise shareholder 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 2017.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued share capital and reserves.

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 in respect of bank facilities for the financial years ended 31 December 2018 and 2017.

27.5 Fair value of financial assets and financial liabilities

The carrying amounts of the cash and cash equivalents, trade and other 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 2018

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

27.5 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		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
Trade and other receivables, excluding prepayments and other recoverable	**131**	265	860	**2,837**	3,544	5,293
Cash and cash equivalents	**15,725**	14,722	16,271	**12,627**	13,880	15,277
Total financial assets at amortised cost	**15,856**	14,987	17,131	**15,464**	17,424	20,570
Financial liabilities						
Trade and other payables, excluding advance payments from customers, tax-related liabilities representing total financial liabilities at amortised cost	**348**	576	959	**337**	777	1,131

28. LIABILITIES AND POTENTIAL CLAIMS IN CONNECTION WITH PWC'S REVIEW OF THE ACQUISITION AND DISPOSAL OF AN ASSOCIATE – JIANGYIN NEPTUNE MARINE APPLIANCE CO., LTD. ("NPT TRANSACTIONS")

In connection with the review of the NPT Transactions by PricewaterhouseCoopers LLP ("PwC") and the release of PwC's findings in the financial year ended 31 December 2016, Mr. Tan Woo Thian ("Mr. Tan") has commenced legal proceedings against PwC in the High Court of Singapore (the "Suit"). Under the terms of engagement between the Company and PwC, the Company would be liable for any costs incurred by PwC in the event that third parties commenced proceedings against PwC in relation to the services it rendered to the Company. As at 31 December 2018, the Company had recognised liabilities as disclosed in Note 18 to the financial statements for the costs incurred by PwC in defending itself in the Suit.

In addition, there is a potential claim by the Company against PwC in respect of a dispute with the fees charged by PwC. The Company is seeking legal advice for the fees charged by PwC.

As at the date of these financial statements, the Suit and clarification of the fees charged by PwC are ongoing.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. UPDATE ON RECEIVABLE OF RMB17.3 MILLION FROM A CHINA SUBSIDIARY, JIANGYIN SBI OFFSHORE EQUIPMENT CO., LTD. ("JSBI") AND RECOVERABILITY OF THE SAID AMOUNT

As announced by the Company on 28 February 2018, the Board was made aware by its auditors of a difference between the audited 2015 accounts of the Company and those of the Company's wholly-owned subsidiary, JSBI, incorporated in the PRC.

Based on the Board's review, the difference arose because there was an amount of RMB17.3 million (equivalent to US$2.65 million) payable by JSBI to the Company ("JSBI Payables") that was written off in the audited 2015 PRC financial statements of JSBI for statutory and tax filing purposes without the authorisation of the Board (the "Write-off"). Whilst the Write-off was made in the audited PRC financial statements, the Write-off was not made or adjusted for in the JSBI's accounting records to date. Hence, the intercompany balances could be and were eliminated on consolidation for the Group's financial statements in 2015 and 2016.

The Board has determined that there is no basis for the unauthorised Write-off as there were no records of minutes or Board resolutions passed to approve the Write-off and the Board will seek to reverse the written off amount.

After consultation with the PRC tax advisors, should the written off amount be reversed in JSBI's audited financial statements, the PRC tax authorities might deem the RMB17.3 million as income of JSBI and impose a value added tax ("VAT") of 17% (approximately RMB2.5 million on the VAT exclusive amount of RMB14.8 million) as the RMB17.3 million arose from the receipts of monies by JSBI on behalf of the Company.

Accordingly, a provision of RMB2.5 million (equivalent to US$373,000) for potential tax-related liabilities has been recorded in the Group's financial statements for the year ended 31 December 2017. The Board has assessed and determined that no further provision is required for the financial year ended 31 December 2018 based on their consultation with the PRC tax advisors.

Based on management and the Board's assessment, save for the provisions for potential tax exposure and possibility of further provisions for potential tax penalties and legal implications (as detailed below under "Contingent liabilities") which may be required to be recorded at JSBI or the Company:

- The Write-off had not resulted in any material direct financial loss to the Group and the Company;
- The Group's financial statements for the current and prior financial years are not materially misstated as the intercompany balances were eliminated on consolidation; and
- The amount receivable from JSBI of RMB17.3 million recognised in the Company's financial statements are recoverable and supported by the recoverable amounts of JSBI's net assets comprising mainly cash held by JSBI, arising from the net cash proceeds received from the sale of the leasehold property and related land lease prepayment to a third party as disclosed in Note 17 to the financial statements.

Contingent liabilities

As announced by the Company on 25 May 2018, in consultation with the Company's sponsor and SGX-ST, the Board has appointed KordaMentha Pte Ltd as the independent reviewer ("Independent Reviewer") to undertake a review of the matter(s) that may have given rise to the unauthorised Write-off in 2015, *inter-alia*, breaches in rules, laws and regulations as well as lapses in control. The scope of the independent review will include *inter-alia* reviewing the nature and circumstances of the unauthorised Write-off in 2015, assessing the financial impact, identifying any lapses or weaknesses in internal control, breaches in rules, laws and regulations, and making the appropriate recommendations.

As at the date of these financial statements, no provision has been made for potential tax penalties and legal implications as the review by the Independent Reviewer is ongoing and has not been concluded.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. NOTICE OF COMPLIANCE ISSUED BY SINGAPORE EXCHANGE REGULATION PTE LTD ("SGX REGCO") IN RELATION TO THE DISPOSAL OF LEASEHOLD PROPERTY AND RELATED LAND LEASE PREPAYMENT ("PROPERTY") HELD BY JSBI

On 20 December 2018, the Company announced the queries raised by the SGX RegCo and the corresponding responses by the Company in relation to the disposal of the Property as disclosed in Note 17 to the financial statements.

On 21 December 2018, the Company announced that it received a Notice of Compliance from the SGX RegCo which requires the Company to appoint a special auditor with relevant expertise in property valuation in the PRC to investigate into the disposal of the Property.

On 21 March 2019, the Company announced that, in consultation with the Company's sponsor and the SGX RegCo, the Board has appointed RSM Corporate Advisory Pte Ltd as the special auditor (the "Special Auditor") to investigate into, among others, the following:

(a) background and circumstances which led to the acquisition and the subsequent disposal of the Property;

(b) whether the disposal price of the Property was marked to comparable market transactions at the time of disposal;

(c) facts and circumstances that could explain for the significant drop in value of the Property given the difference in valuation prices ascribed by Suzhou Welsen Assets Appraisal Co., Ltd ("Suzhou Welsen") in its report of 2017 vis-à-vis the past valuation reports issued by Wuxi Dsinfo Real Estate & Land Appraisal Consulting Co., Ltd ("Wuxi Dsinfo");

(d) background checks on the reputation and track records of Suzhou Welsen and Wuxi Dsinfo;

(e) chronology of events, facts and circumstances surrounding:

  (i) the appointment of Suzhou Welsen;

  (ii) the negotiation of the disposal of the Property; and

  (iii) the scope of due diligence performed on the purchaser and the disposal of the Property;

(f) review of the Company's internal processes relating to:

  (i) the appointment of professional advisors; and

  (ii) the acquisitions and disposals, and make recommendations on improvements to any control lapses identified; and

(g) whether there is any potential breach of listing rules, laws or regulations governing the Company and its personnel.

The Special Auditor will report their findings directly and strictly to SGX RegCo and the Company's sponsor.

Based on management and the Board's assessment, save for the provisions for potential penalties and legal implications (as detailed below under "Contingent Liabilities") which may be required to be recorded, the disposal of the Property has been appropriately accounted for as the disposal was made to a third party on a commercial basis and the consideration of RMB18 million was arrived on a willing buyer willing seller basis.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. NOTICE OF COMPLIANCE ISSUED BY SINGAPORE EXCHANGE REGULATION PTE LTD ("SGX REGCO") IN RELATION TO THE DISPOSAL OF LEASEHOLD PROPERTY AND RELATED LAND LEASE PREPAYMENT ("PROPERTY") HELD BY JSBI (CONTINUED)

Contingent liabilities

As at the date of these financial statements, in respect of potential penalties and legal implications, no provision has been made as the special audit is ongoing and has not been concluded and it is premature to ascertain if there are any potential penalties and legal implications prior to the conclusion of the special audit.

31. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 20 February 2019, the Company announced that it had, on 19 February 2019, entered into a binding term sheet with Mr. Chan Kern Miang (the "Vendor") in relation to the proposed acquisition by the Company of the entire issued and paid-up share capital of (i) Berlitz Offshore Limited, (ii) Berlitz Marine Pte. Ltd., (iii) Berlitz Continental Pte. Ltd., (iv) Berlitz Services Pte. Ltd., (v) Bes Sincere Pte. Ltd., (vi) Bes Savvy Pte. Ltd., (vii) Bes Solar Pte. Ltd., (viii) Bes Sparkle Pte. Ltd., (ix) Bes Regent Pte. Ltd., (x) Bes Power Pte. Ltd., and (xi) Blue Ocean Services K Co Ltd (the "Proposed Acquisition").

The Proposed Acquisition, if successfully completed, will constitute a reverse takeover of the Company as defined under Chapter 10 of the Catalist Rules. In accordance with Chapter 10 of the Catalist Rules, the Proposed Acquisition will subject to, amongst others, the approval of the shareholders of the Company ("Shareholders") at an extraordinary general meeting to be convened pursuant to Rule 1015 of the Catalist Rules.

On 1 March 2019, the Company announced that SGX-ST informed the Company that it would be deemed as a cash company as defined under Rule 1017 of the Catalist Rules as the Company was unable to demonstrate that it currently has a viable business. Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The Company can apply to SGX-ST for a maximum 6-month extension to the 12-month period provided the Company has already signed a definitive agreement to acquire a new business and complete the purchase within the 6-month extension period.

In compliance with Rule 1017(1)(a), the Company must place 90% of its cash and cash equivalents in an escrow account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Monetary Authority of Singapore. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of the new business, except for payment of expenses incurred in a reverse takeover approved by Shareholders and *pro-rata* distributions to Shareholders. As at the date of these financial statements, the Company is in the process of setting up the escrow account.

STATISTICS OF **SHAREHOLDERS**

AS AT 18 MARCH 2019

Total number of issued shares excluding treasury shares and subsidiary holdings	:	249,680,100
Issued and paid-up share capital	:	US$25,253,034
Number of treasury shares	:	Nil
Number of subsidiary holdings held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	12	3.21	5,400	0.00
1,001 – 10,000	76	20.32	564,000	0.23
10,001 – 1,000,000	254	67.91	32,201,200	12.90
1,000,001 and above	32	8.56	216,909,500	86.87
	374	100.00	249,680,100	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS

(as shown in the Register of Members)

No.	Name	No. of shares	%
1	CE VENTURES OFFSHORE LTD	46,736,000	18.72
2	CITIBANK NOMINEES SINGAPORE PTE LTD	42,597,200	17.06
3	HUI CHOON HO	19,774,200	7.92
4	NG KIM MOY	10,197,200	4.08
5	JADE CHEN JIAYU	9,900,000	3.97
6	VIJAY KUMAR S/O SREEKUMAR PILLAI	7,118,600	2.85
7	GOH JU POH PAUL	7,051,300	2.82
8	PHILLIP SECURITIES PTE LTD	6,840,800	2.74
9	OCBC SECURITIES PRIVATE LTD	5,797,700	2.32
10	TAN LEE BUAY (CHEN LIMEI)	5,256,900	2.11
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,928,800	1.97
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,050,000	1.62
13	PANG SHUN PEN	4,000,000	1.60
14	ANPARASAN S/O KAMACHI	3,755,000	1.50
15	SONG FEIFEI	3,650,900	1.46
16	DBS NOMINEES PTE LTD	3,521,100	1.41
17	PEH BENG YONG	3,448,900	1.38
18	ADAM TEO HAN CHIAT	3,160,000	1.27
19	MRS CHAU-CHAN SUI YUNG	3,128,600	1.25
20	SARINDERJIT KAUR	2,500,000	1.00
	TOTAL	**197,413,200**	**79.05**

STATISTICS OF **SHAREHOLDERS**

AS AT 18 MARCH 2019

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2019

(as shown in the Register of Substantial Shareholders)

		Direct interest		Deemed interest	
No.	Name	No. of shares	%	No. of shares	%
1	Mirzan Bin Mahathir	–	–	46,736,000[1]	18.72
2	CE Ventures Offshore Ltd	45,832,900[2]	18.36	–	–
3	Tan Woo Thian	–	–	41,361,000[3]	16.57
4	Hui Choon Ho	19,564,200[4]	7.84	–	–

(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) As per the Register of Members, the shares held by CE Ventures Offshore Ltd is 46,736,000.

(3) Mr Tan Woo Thian is deemed interested in the shares held in the account of Bank of Singapore for Inkwell Investment of which Mr Tan Woo Thian is the beneficial owner. As per the Register of Members, these shares are held under Citibank Nominees Singapore Pte Ltd.

(4) As per the Register of Members, the shares held by Mr Hui Choon Ho is 19,774,200.

COMPLIANCE WITH RULE 723 OF THE LISTING MANUAL SECTION B: RULES OF CATALIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

As at 18 March 2019, based on the Register of Members and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 52.83%. 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.

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 Friday, 26 April 2019 at 11.00 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 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Lawrence Kwan who is retiring by rotation pursuant to Article 93 of the Constitution of the Company. **[See Explanatory Note (i)]** **(Resolution 2)**

3. To re-elect Mr Ahmad Subri Bin Abdullah who is retiring pursuant to Article 99 of the Constitution of the Company. **[See Explanatory Note (ii)]** **(Resolution 3)**

4. To approve the payment of the Directors' fees of S$130,000 for the financial year ending 31 December 2019 to be paid on a quarterly basis in arrears (2018: S$115,000). **(Resolution 4)**

5. To re-appoint Messrs BDO LLP as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

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**"), ("**Catalist Rules**"), 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

(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

NOTICE OF **ANNUAL GENERAL MEETING**

(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 and subsidiary holdings) (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 and subsidiary holdings) (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 total number of issued Shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares; and

(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 Catalist Rules 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 Constitution for the time being of the Company,

(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 6)**

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to grant options and to allot 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 and subsidiary holdings) 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 7)**

9. Authority to grant awards and 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 and subsidiary holdings) 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 8)**

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 11 April 2019

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

(i) The detailed information of Mr Lawrence Kwan can be found under the sections entitled 'Board of Directors' and 'Corporate Governance Statement' of the Annual Report. Mr Lawrence Kwan, if re-elected, will remain as Lead Independent Director, Chairman of the Nominating Committee ("NC") and a member of the Audit and Risk Management Committee ("ARMC") and the Remuneration Committee ("RC"). The Board considers Mr Lawrence Kwan to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Lawrence Kwan and the other Directors and the Company or its 10% shareholders.

(ii) The detailed information of Mr Ahmad Subri Bin Abdullah ("Mr Subri") can be found under the sections entitled 'Board of Directors' and 'Corporate Governance Statement' of the Annual Report. Mr Subri, if re-elected, will remain as Chairman of the RC as well as a member of the ARMC and the NC. The Board considers Mr Subri to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Subri and the other Directors and the Company or its 10% shareholders.

(iii) The Ordinary Resolution 6 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 and subsidiary holdings). 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 and subsidiary holdings). 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 7 proposed in item 8 above, if passed, will empower the Directors of the Company, 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 and subsidiary holdings) of the Company from time to time.

(v) Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company, 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 and subsidiary holdings) of the Company from time to time.

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 (2) proxies to attend and vote instead of him.*

   Where a member appoints two (2) 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.*

   "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.

NOTICE OF ANNUAL GENERAL MEETING

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 (48) hours before the time for holding the AGM.*

This Notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Notice.

This Notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Notice, including the correctness of any of the statements or opinions made or reports contained in this Notice.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.

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SBI OFFSHORE LIMITED

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

PROXY FORM

Personal data privacy

By submitting an instrument appointing a proxy and/or representative, the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

IMPORTANT:

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/ SRS Operators if they have any queries regarding their appointment as proxies.
3. 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 11 April 2019.

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 Friday, 26 April 2019, at 11.00 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 For*	No. of Votes Against*
1.	Adoption of Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon		
2.	Re-election of Mr Lawrence Kwan as a Director of the Company		
3.	Re-election of Mr Ahmad Subri Bin Abdullah as a Director of the Company		
4.	Approval for the payment of Directors' fees for the financial year ending 31 December 2019 to be paid on a quarterly basis in arrears		
5.	Re-appointment of Messrs BDO LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration		
6.	Authority to allot and issue shares		
7.	Authority to grant options and to allot and issue shares under the SBI Offshore Employee Share Option Scheme		
8.	Authority to grant awards and to allot and issue shares under the SBI Offshore Performance Share Plan		

* 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 _____ 2019

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 (2) proxies to attend and vote in his stead.

2. Where a member appoints more than one (1) 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.

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SBI OFFSHORE LIMITED

Company Registration No. 199407121D

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

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