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

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1. UPDATE ON THE NPT TRANSACTIONS – INTERIM FINDINGS ON NPT
2. FINDINGS ON LAU YOKE MUN

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*Capitalised terms used herein, unless otherwise defined, shall have the definitions ascribed to them in the SGXNet announcements dated 10 September 2016, 15 September 2016 and 21 November 2016, entitled "Update on the NPT Transactions", "Lodgement of Report with Commercial Affairs Department in relation to PwC report on the findings to date on the NPT Transactions" and "Update on the NPT Transactions – Appointment of UniLegal LLC as the Legal Advisor" respectively (collectively, the "**Announcements"**) and the letter to shareholders dated 1 September 2016 and the supplemental letter to shareholders dated 10 September 2016 (collectively, the **"Letters to Shareholders"**).*

The Board of Directors (the "**Board**") of SBI Offshore Limited (the "**Company**" or "**SBI**") refers to the Announcements and the Letters to Shareholders and wishes to announce that the Company has on 23 February 2017 received a progress update titled "Fourth Report by UniLegal LLC to Special Investigation Committee ("**SIC**") of SBI Offshore Limited (the "**Company**" or "**SBI**")" by UniLegal LLC ("**UniLegal**"), the lawyers appointed to advise the SIC, in relation to:

A. Interim Findings relating to the acquisition and disposal of a 35% stake (the "**35% Stake**") in Jiangyin Neptune Marine Appliance Co. Ltd ("**NPT**"); and
B. Findings relating to Lau Yoke Mun ("**Mr. Lau**").

The key findings are as follows:

(A) INTERIM FINDINGS RELATING TO NPT

1. Based on advice of People's Republic of China ("**PRC**") lawyers received recently, it appears that as a matter of PRC laws, the following Equity Transfer Agreements ("**ETAs**" and, each, an "**ETA**") are the ones recognised for PRC legal purposes as these were the ETAs submitted for approval to Jiangyin Bureau of Foreign Trade and Economic Co-operation (now known as Jiangyin Ministry of Commerce ("**MOFCOM**")) and lodged with Jiangyin Administration for Industry & Commerce ("**AIC**"):

   (a) as regards the acquisition by SBI of the 35% Stake, the ETA dated 20 October 2008 for a purchase consideration of US$350,000 (the "**Dated Acquisition ETA**"); and

   (b) as regards the disposal by SBI of the 35% Stake, the ETA dated 8 December 2015 for a sale consideration of US$1.75 million (the "**Second Disposal ETA**").

2. These contrast with:

   (a) as regards the acquisition by SBI, the ETA (dated only as 2008) for US$1.75 million (the "**Undated Acquisition ETA**") which the Company had announced on 4 November 2009 and which was stated as the relevant ETA in the Prospectus dated 4 November 2009 (the "**Prospectus**") of the Company which was issued at the time of the listing of the shares in the Company; and

   (b) as regards the disposal by SBI, the ETA dated 18 August 2015 for US$3.5 million which the Company had announced on 18 August 2015 (the "**First Disposal ETA**").

3. The PRC lawyers state at the moment that the Company will not be exposed to any obligation in the PRC purely because of the existence of the two sets of acquisition ETAs and disposal ETAs. However, the Company may face potential tax levy risk arising from the difference of prices. The figures have not crystallised yet and the Company has not made a provision for its potential tax liabilities and penalties. This is amplified at paragraph A.6(f) below, and a note has been made at Note 10 to the FY2016 Results Announcement.

4. To different extents, Mr. Tan Woo Thian ("**Mr. Tan**") and Mr. Hui Choon Ho ("**Mr. Hui**") have not answered pertinent and material questions posed to and requests made of each of them; a number of these responses are necessary to come to a more definitive assessment of their actions and inactions which may result in legal liabilities which might be enforced against each of them. UniLegal has advised the SIC to compel Mr. Tan and Mr. Hui to answer the unanswered questions by way of legal proceedings, including taking Interrogatories Before Action based in the main on proposed causes of action for breach of director's duties.

5. Based on available information, UniLegal has advised that there are several instances of breaches and possible breaches of duties and obligations to SBI, as well as of statutory obligations, by each of Mr. Tan and Mr. Hui, both of whom were former Directors, former CEOs and current shareholders of SBI. These include:

   (a) as against Mr. Tan, the information available points to a clear case of breach of director's duties in relation to the disposal ETAs. Mr. Tan raised the issue of signing the Second Disposal ETA for US$1.75 million at an Audit Committee Meeting and Board Meeting of the Company on 11 November 2015. He also explained the tax position on the acquisition that no tax was payable in the PRC and discussed the tax implications for the Company arising out of the First Disposal ETA and proposed Second Disposal ETA. Mr. Tan was specifically instructed not to sign the Second Disposal ETA because the Board had already agreed to the First Disposal ETA for US$3.5 million and it would not be consistent with the Announcement by the Company. Further the Company had to comply with the tax requirements in the PRC as regards the First Disposal ETA. Mr. Tan nevertheless went ahead and signed the Second Disposal ETA on 8 December 2015 without the sanction of the Board and in breach of his director's duties;

   (b) as against Mr. Hui and Mr. Tan on the acquisition ETAs, there appears to be a cause of action for breach of directors' duties as well as of providing misleading information to the Board and in relation to statements made in the Prospectus dated 4 November 2009 of SBI issued in connection with its listing on SGX; and

   (c) as against Mr Hui, when the Board approved the Undated Acquisition Agreement on 3 March 2009 for US$1.75 million, Mr. Hui did not inform the Board of the existence of the Dated Acquisition Agreement for US$350,000 and he know or ought to have known that it was registered with the PRC authorities. This conclusion is based on the following documents sighted.

      - Shareholders and Board Resolution dated 20 Oct 2008: Mr. Hui was appointed as a director of NPT following the acquisition of NPT;
      - Dated Acquisition ETA of 20 Oct 2008: agreement for a consideration price of US$350,000, signed by Mr. Hui and others;
      - Minutes of meeting dated 11 Nov 2008: Mr. Hui and Mr. Tan, on behalf of SBI Offshore, offered to buy Mr. Chen's 35% stake in NPT for US$1.75 million;
      - Supplementary Agreement JV contract with NPT dated 16 Jan 2009: SBI (represented by Mr. Hui) and Mr. Chen had signed an ETA for US$1.75 million for the 35% stake in NPT; and
      - lodgement of the Dated Acquisition ETA with PRC authorities with approval obtained on 25 Feb 2009

6. In addressing each of the 7 matters specifically raised regarding the NPT transaction as announced by the Company on 21 November 2016, in summary the respective position based on information thus far available to date is as follows:

   (a) To uncover the <u>reasons</u> behind the existence of the 2 sets of agreements (being the Undated Acquisition ETA and Dated Acquisition ETA) for the acquisition of 35% equity interest in NPT and 2 sets of agreements (being the First Disposal ETA and the Second Disposal ETA) for the disposal of 35% equity interest in NPT.

   The reasons have not been uncovered to date principally because Mr. Hui and Mr. Tan have refused to answer questions posed to them and to co-operate. So far, no cogent explanation has been forthcoming. As mentioned, UniLegal has recommended legal proceedings to compel them, including taking Interrogatories Before Action against Mr. Hui and Mr. Tan.

(b) To uncover the <u>reasons</u> behind lodging a particular set of agreements with the People's Republic of China ("PRC") tax authority and to establish who lodged the respective agreements with the PRC tax authority.

The PRC lawyers have advised the lodgement obligations with the PRC tax authority are as follows:

(i) the obligation of lodging a particular set of equity transfer agreement with the relevant PRC tax authority, as well as to bear and pay the tax, lies with the vendor of the equity; and

(ii) the obligation to deduct withholding tax and to declare the withholding to the PRC tax authority lies with the purchaser of the equity.

As mentioned, based on the checks made, in relation to the acquisition, the Dated Acquisition ETA was lodged. As answers to this question have not been forthcoming, so far it has not been established <u>who</u> lodged the Dated Acquisition ETA with the PRC authority.

Also as mentioned, the PRC lawyers have advised that in relation to the disposal, the Second Disposal ETA was lodged, and as vendor SBI had the obligation to lodge the correct disposal ETA with the PRC tax authority. Notably, Mr. Tan, who at the relevant time was the Director of SBI who was delegated the task of seeing through the disposal ETA and at the same time also a Director of NPT, ought to know the requirement to lodge the correct disposal ETA; accordingly, he should be held to account for the lodgement and held responsible for the breach of director's duties flowing from the wrongful lodgement.

(c) To ascertain the set of agreements that is legally binding and which set of documents should be recognised by the Company.

The general legal principle is that the validity of shares in a foreign company will be governed by the laws of the land where the shares are situated. As stated above, the PRC lawyers have given their legal opinion that under PRC law, the Dated Acquisition ETA (for US$350,000) and the Second Disposal ETA (for US$1.75 million) are the valid acquisition ETA and disposal ETA respectively. However, as this touches on a complex area of conflict of laws principles, the Company is taking steps to confirm definitively before determining whether to recognise formally the Dated Acquisition ETA and the Second Disposal ETA. Prior to the investigations, the Company has been recognising the Undated Acquisition ETA for US$1.75 million and the First Disposal ETA for US$3.5 million in their accounts as valid.

(d) To ascertain the amount paid by the Company in 2008 or 2009 for the acquisition of 35% equity interest in NPT from the bank statements of the Company and the approving parties within the Company for such payment made.

Based on SBI's accounting records and investigation by its management, the amount paid by the Company in 2008 and 2009 for the acquisition of the 35% Stake was US$1.75 million. This appears to have been done by way of a journal entry in the Company's books passed on 31 May 2009, in which the acquisition consideration of US$1.75 million appears to have been accounted for by way of reclassifying an amount that was due from NPT to the Company to an investment by the Company in NPT. On this basis, it appears that there was no evidence of any cash payment by the Company for the acquisition of the 35% Stake in NPT. This method of payment was supported by a Supplementary Agreement dated 16 January 2009 amongst Jiangyin Vanguard Boating Co. Ltd., Mr. Chen and the Company.

No bank remittances were made in relation to such journal entries and therefore there are no relevant bank statements. The journal entry was signed off and authorised on 1 July 2009 by the former Finance Manager, Ms Cynthia Tan Seow Chee.

(e) To ascertain the party liable under the PRC laws for the correct payment of withholding tax or any other liabilities for the acquisition and the disposal of NPT.

Based on PRC lawyers' advice, the obligation to make payment of the relevant tax lies with the respective vendor of the equity. The buyer concerned is however obliged to withhold and declare to the PRC tax authority the amounts withheld.

On the acquisition ETA, the vendor Mr Chen is responsible to pay the tax. However the buyer, in this case the Company, has the obligation as a withholding tax agent to declare such taxes

to the local authorities. The PRC lawyers are unable to check the records with the tax authorities whether any tax was paid or payable. There appears to be no capital gains on the sum of US$350,000. Since in fact the Company has paid a total of US$1.75 million (as opposed to US$350,000 as reported under the Dated Acquisition ETA), it appears that the Company had the obligation to withhold tax on the profit to be made by Mr. Chen (being 10% of US$1.4 million = US$140,000). The PRC lawyers have advised that there are no detailed rules on how a non-resident withholding agent declares tax and the obligation to pay capital gains tax remains with Mr. Chen. It is uncertain at the moment if the Company remains exposed for this amount or any difference between what has been paid and this amount. In this regard, UniLegal has noted that Mr. Hui had been a Director of NPT as well as of the Company at the relevant time.

On the disposal ETA, the Company as vendor has the obligation to pay the tax. Wanjia, as the buyer, has acted as the withholding tax agent. Again, since the disposal ETA which was lodged was the Second Disposal Agreement (i.e. for US$1.75 million) but the Company has in effect contracted to sell at US$3.5 million (the Company has received US$3.32 million after giving a discount for early settlement), it is possible that the Company may need to bear the tax based on its sale price of US$3.5 million.

At this juncture, the PRC lawyers are unable to crystallise the tax position without further approaches to the PRC tax authority. In this regard, the Company will take steps towards determining the final tax obligations. The Company faces tax liabilities in the PRC, a range of which (including penalties) is set out below.

(f) To ascertain the amount of (contingent) liabilities that may arise or have arisen as a result of the existence of these 2 sets of agreements and the lodgement of 1 particular set with the PRC tax authority.

As mentioned, the Company has not made a provision for its potential tax liabilities and penalties. The PRC lawyers advise that the amount are as follows:

(i) 50,000 yuan tax fine,
(ii) US$33,519.50 being a charge for late payment and accruing on a daily basis at a rate of 0.05% of the amount of tax in arrears; and
(iii) penalty of between not less than fifty percent but not more than five times the amount of tax it fails to pay or underpays.

The Company is of the view that it is still premature to make an assessment on whether the potential tax liabilities and penalties have a material adverse impact on the financial performance of the Company because the tax liabilities and penalties have not crystallised yet.

(g) To ascertain the circumstances surrounding the preparation of the offer document dated 4 November 2009 in light of the discovery of these 2 sets of agreements now and if there are any breaches of the Securities and Futures Act (Cap 289 of Singapore) ("SFA") and/or the Listing Manual Section B: Rules of Catalist ("Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST").

In seeking information and documents from the professionals involved at the time of the IPO/Placement in 2009, it has been uncovered that there was reference to the Dated Acquisition ETA in a Legal Due Diligence Report of 26 October 2009 on NPT by a PRC law firm, K-Bright Law Firm. This appears to be different from the disclosure in the IPO Prospectus. UniLegal have not been able to resolve the apparent difference with the Professionals involved in the IPO yet.

Prior to the IPO, Mr. Hui as lead director in verification meetings nevertheless verified the correct ETA as the Undated Acquisition ETA. Mr. Hui has not responded to questions posed to him by UniLegal. Mr. Tan has recently responded that he is reviewing the PwC report and will be responding to questions posed to him by UniLegal.

It is still premature to ascertain if the Company has committed any breaches of Sections 253 (criminal liability for false and/or misleading statements) and/or 254 (civil liability for false and/or misleading statements) of the Securities and Futures Act (Cap 289) ("SFA") and/or the Catalist Rules as to whether it has made misleading statements on both the acquisition ETA and disposal ETA. The conflict between what is considered valid under PRC laws and the Announcements made in Singapore have not been resolved to date. At the appropriate stage,

if at all, the Company may have to consider potential defences available to it under Section 255 of the SFA. Part of the defence may include showing that all enquiries that were reasonable in the circumstances were made and its belief on reasonable grounds that the statements were not false or misleading.

7. UniLegal have recommended to the Board and the SIC to do the following:

   (i) to crystallise the tax position in the PRC so that the loss to the Company can be ascertained;

   (ii) commence proceedings against Mr. Hui and Mr. Tan for breach of directors' duties and seek Interrogatories Before Action to have all unanswered questions answered as a precursor to the main action; and

   (iii) that the Company consider whether any Announcements or corrective Announcements need be made in relation to the NPT transactions after resolving any apparent difference with the Professionals involved in the IPO as stated in paragraph A.6(g) above and/or after intended court proceedings or at any time the Company considers it appropriate.

(B) FINDINGS RELATING TO MR. LAU'S CONDUCT AS A SERVICE PROVIDER AND SUITABILITY AS DIRECTOR OF SBI

1. Mr. Lau, an ex-employee of SBI, was appointed as a service provider to Solar Energy Investments Pte Ltd ("**SEI**"), a wholly owned subsidiary of the Company, on a six (6) month contract from 28 March 2016 to 30 September 2016. He was designated Vice-President (Finance & Corporate) of SEI. SEI in turn owns 100% of Solar Africa Investments Pty Ltd ("**SAI**") which is incorporated in South Africa ("**SA**"). Mr. Lau was to help set up the operations of SAI in SA.

2. The Company's position is that Mr. Lau failed to provide services after 26 July 2016 and was removed by SAI as a director on 14 December 2016.

3. The Company has made known their detailed position in their letters to Mr. Lau of 19 August 2016 and 29 August 2016. Mr. Lau has taken up the issue of his removal with Companies and Intellectual Property Commission ("CIPC") in South Africa. CIPC approved the removal on 15 December 2016. By approving the removal, the process at CIPC effectively came to an end. Based on the position taken by the Company in their said letters and UniLegal's advice, the Company has made a determination that Mr. Lau is **not suitable** to be a director of the Company.

4. Based on UniLegal's advice, the Company has good cause under the law to take legal proceedings against Mr Lau on the matters mentioned below.

5. Based on correspondences, minutes of board meetings and findings in South Africa and Singapore, the following items of the scope of works have been ascertained as follows:

   (a) to ascertain whether Mr. Lau had indeed misplaced the bank tokens or lied to the board that he had misplaced the bank tokens;

   Mr. Lau admitted in an email of 18 July 2016 to Mr. Hui, Mr. Tan and a shareholder of the Company, Mr Thomas Goh Khoon Lim (none of whom, at the material time, were directors of the Company, SEI or SAI) that he had acted on the instructions of Mr. Hui by stating that he had informed the management of the Company that he had misplaced the bank tokens and that he was still figuring out where he left it. Mr. Hui explained to the board on 2 August 2016 that he advised Mr. Lau to return the bank tokens and to cancel the bank tokens so no one could have access to the money in SAI's bank account. Mr. Lau also explained to the Board on 2 August 2016 that he had returned the bank tokens to the bank. However, it has been confirmed that he did not return the bank tokens to the bank. The bank also confirmed they did not receive the bank tokens from Mr. Lau. The Company has ascertained that Mr. Lau's assertion of misplacing the bank tokens was premeditated in order to prevent the Company from using the tokens. Mr. Lau therefore had not told the truth in relation to misplacing the bank tokens.

(b) to ascertain if the list expenses submitted by Mr. Lau (together with supporting documents) on expenses incurred by SAI during his appointment as a service provider is complete;

The Company has ascertained that the list of expenses submitted by Mr. Lau of expenses incurred by SAI during his appointment as a service provider is not complete. There were no supporting documents, nor were the expenses approved.

(c) to ascertain if Mr. Lau has failed to provide a proper accounting reconciliation for his cash advance of USD$10,000;

The Company has ascertained that Mr. Lau has failed to provide a proper accounting reconciliation for his cash advance of US$10,000. Mr. Lau only provided a spreadsheet on 7 July 2016 without any supporting documents for ZAR40,212.38 (S$3,622) and ZAR31,901.68 (S$2,871). There was no further accounting of the balance US$10,000 (S$13,508) advanced.

(d) to provide an independent opinion on whether it is reasonably sufficient for the Group Chief Financial Officer to rely on Mr. Lau's submission to prepare the balance sheet and profit & loss statement for SAI for consolidation with the Group accounts in light of the scale of SAI's operations then (and if not, how the Group's half year accounts – HY2016 as announced on 13 August 2016 were prepared);

Submissions by Mr. Lau were incomplete. He did not prepare the Profit and Loss and balance sheet of SAI as promised by him. Therefore it is not reasonably sufficient for the Group's Chief Financial Officer to rely on Mr. Lau's submission to prepare the balance sheet and profit and loss statement of SAI for consolidation with the Group accounts for the six months period ended 30 June 2016. As the amounts were not significant and material in respect of the Group accounts, the Group has nevertheless been able to prepare the same.

(e) to ascertain if Mr. Lau had removed the files and SAI's petty cash of ZAR10,000 (S$995);

A finding has been made that Mr. Lau did indeed remove the files of SAI and petty cash of ZAR40,000. In addition, Mr. Lau also removed the cheque book of SAI and subsequently cancelled the unused cheques.

(f) to establish clearly if Mr. Lau had committed a legal offence or other regulations;

The Country Manager of SAI had made a police report to the South African Police Service at Sandton on 18 October 2016, amongst other things:

(i) that funds of the Company to the value of ZAR40,000 had been misappropriated by Mr. Lau having allegedly made out cash cheques to the value of ZAR40,000 and then cashing these cheques at Standard Bank, without accounting to the Company for this money;

(ii) that Mr. Lau allegedly took the Companies cheque book and bank security tokens and refused to return the same to the company in a timely manner by stating that he had "lost" them.

The Company and SAI are awaiting the progress on the police report.

(g) to ascertain if there is any loss of assets to the Company arising from Mr. Lau's conduct as the service provider. If so, to determine the quantum of loss.

SEI had the contract with Mr. Lau. Further he was a director of SAI. Causes of action for losses will accrue to SEI and SAI. Mr. Lau has not fully accounted for the US$10,000 cash advanced to him by SEI in early May 2016. Mr Lau went absent without official permission since 26 July 2016 and SEI have withheld payments to him since July 2016. Save for the above, both SEI and SAI are still evaluating the losses occasioned to them from Mr. Lau's conduct.

By Order of the Board

Amy Soh Wai Ling
Chief Financial Officer

10 March 2017

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

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

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