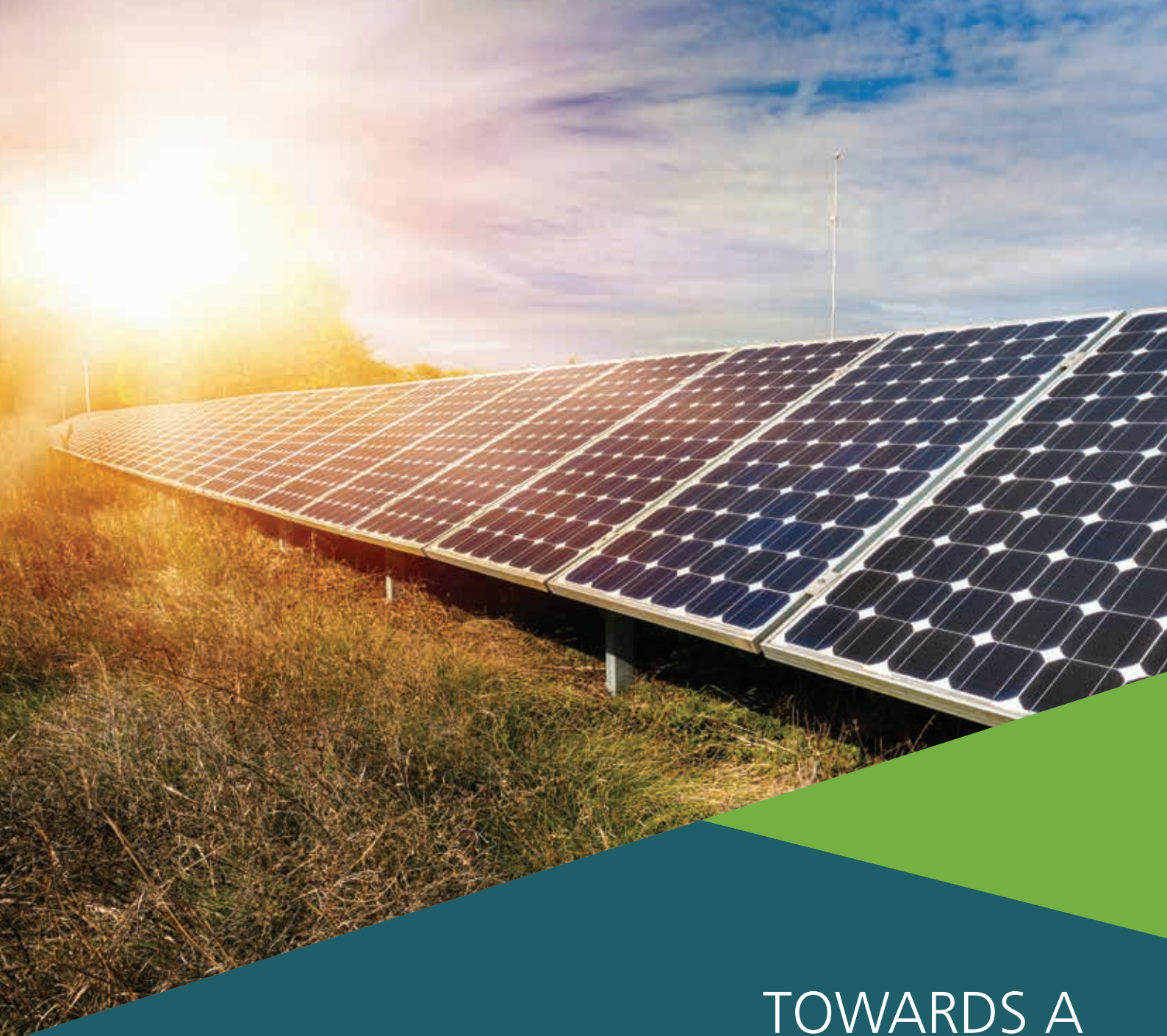




TOWARDS A SUSTAINABLE FUTURE

ANNUAL REPORT
2016



SBI Offshore Limited



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COMPANY PROFILE

SBI Offshore Limited (“SBI Offshore” and together with its subsidiaries, the “Group”) was established in 1994 as a marketing and distribution company for offshore and marine equipment. Following its listing on the Catalist Board of the Singapore Exchange in November 2009, the Group evolved into an integrated drilling equipment and engineering solutions provider for the oil and gas industry.

Since July 2015, SBI Offshore has diversified into the solar energy through its wholly owned subsidiary, Solar Energy Investments Pte Ltd (“SEI”), focusing on investing and developing solar photovoltaic projects as an independent power producer in emerging markets. SEI’s scope includes the development, ownership, operation and maintenance of solar photovoltaic plants through strategic partners such as module manufacturers, local partners and financial investors.

This Annual Report 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 Annual Report including the correctness of any of the figures used, statements or opinions made.

This Annual Report has not been examined or approved by the Exchange and the Exchange 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 Mr Liao H.K.
Telephone number: 6221 0271*



VISION

Building a sustainable future together

MISSION

To provide innovative and sustainable renewable energy solutions globally.

To deliver higher quality of life through reliable, efficient and cost effective renewable energy solutions.

To encourage and develop local talents and competencies through technology collaborations.



CORPORATE GOVERNANCE

Corporate governance refers to the structures and processes for the direction and control of companies. It concerns the relationships 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 outside capital.

At SBI Offshore, the Board is accountable to shareholders for the Group's performance. It is committed to ensuring that a transparent system is in place where good governance is not only practiced at the Board level of the holding company

but is embraced throughout the organisation as part of its culture. As we strive for excellence in operational and financial performance, we are equally dedicated to upholding the highest corporate governance and ethical standards.

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



I AM CONFIDENT
THAT THE GROUP
NOW HAS A
MUCH STRONGER
FOUNDATION
FOR FUTURE
GROWTH AS A
FULLY-FLEDGED
RENEWABLE
ENERGY BUSINESS.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to present to you the Annual Report for the financial year ended 31 December 2016 ("FY2016").

FY2016 was an eventful year for the offshore and marine ("O&M") sector, amidst slow growth as global oil-producing nations cut back on their output. In anticipation of further turbulence in the oil and gas market, the Group has significantly reduced the operating costs for our O&M business and scaled back on its activities.

At the same time, we have embarked on a strategic diversification into the solar energy business, as approved by shareholders at an Extraordinary General Meeting ("EGM") on 28 September 2015.

SUSTAINABLE GROWTH

We are currently working on building our international profile as a solar photovoltaic power producer by targeting projects in key markets such as Africa and South East Asia. On 21 November 2016, our wholly owned subsidiary Solar Africa Investments (Pty) Ltd ("SAI") entered into a 70-30 joint venture ("JV") agreement with Tirhani Resources (Pty) Ltd ("Tirhani Resources") to pursue projects in South Africa.

The JV company, Solar Africa Tirhani (Pty) Ltd, will design, build, own, operate and maintain all of the Group's solar photovoltaic energy projects in South Africa, leveraging Tirhani Resources' capabilities in power generation, transmission and distribution. SAI will provide project management services while our JV partner Tirhani Resources will manage local logistics and facilitation.

FINANCIAL REVIEW

The Group generated revenue of US\$1.3 million for FY2016, 81.9% lower than US\$7.1 million in FY2015. This reflects our deliberate decision to reduce O&M activities as we prepare the strategic diversification into the solar business.

The Group registered a net loss attributable to owners of the parent of US\$4.5 million in FY2016, compared to a loss of US\$4.0 million a year ago. While our diversification into the solar business has progressed during the year under review, it will take time for contracts to materialise.

Cash and cash equivalents stood at US\$16.3 million as at 31 December 2016.

CORPORATE DEVELOPMENTS

Following a notice served by four shareholders on 18 July 2016 to remove a director and appoint four new proposed directors, an EGM was convened on 16 September 2016. The EGM was adjourned *sine die*. The Board is confident that this corporate issue will be resolved.

On 21 December 2016, the High Court of Singapore granted the Group a summary judgement sum of S\$0.6 million in relation to a Writ of Summons filed against a former Executive Director and CEO of the Group. Although the former Director had filed a Notice of Appeal (the "Appeal") on 22 December 2016, full payment for the outstanding sum was received by the Group in January 2017. The Appeal was subsequently withdrawn by the former Director on 6 March 2017.

As announced on 10 March 2017, the Group has been advised by its appointed legal advisors, UniLegal LLC, to commence proceedings against two former Executive Directors for breach of duties regarding two conflicting agreements for the acquisition and disposal of a stake in Jiangyin Neptune Appliance Co. Ltd. The Board will make further announcements as and when there are material developments on this matter.

BOARD AND EXECUTIVE CHANGES

The Board welcomes Mr Lawrence Kwan, Mr Mark Edward Pawley, Mr James Kho Chung Wah and Mr Ling Yew Kong, who were appointed as Independent Directors on 14 September 2016. Mr Kwan assumed the post of Lead Independent Director on 18 November 2016, while Mr Kho was appointed Chairman of the Audit and Risk Management Committee on the same date. The four new directors have vast experience in corporate governance and finance and will no doubt contribute key insights and guidance as we chart our corporate recovery.

We also bid farewell to Mr Basil Chan, who stepped down as Lead Independent Director and Chairman of the Audit and Risk Management Committee on 17 September 2016. My fellow Board members and I extend our sincere gratitude to Mr Chan for his valuable contributions and counsel over the years.

OUTLOOK & FORWARD STRATEGY

Going forward, we will continue to strengthen our presence in Africa and South East Asia to pursue solar energy projects. It is anticipated that these regions will rely heavily on clean and renewable energy in the coming decades as local governments and corporations seek to reduce greenhouse gas emissions.

While the decision to scale back on O&M and move to solar has temporarily affected our bottom line, I am confident that the Group now has a much stronger foundation for future growth as a fully-fledged renewable energy business. We remain committed to returning to profitability and enhancing shareholder value.

On behalf of the Board, I thank our management, business partners, advisors and valued employees for their efforts and dedication.

Above all, I would like to express our sincere appreciation to our shareholders for your faith in the Group. We look forward to your continued support in the year ahead.

MIRZAN BIN MAHATHIR

Chairman
29 March 2017

BOARD OF DIRECTORS



MR MIRZAN BIN MAHATHIR
NON-EXECUTIVE
NON-INDEPENDENT CHAIRMAN



MR CHAN LAI THONG
EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER



MR LAWRENCE KWAN
LEAD INDEPENDENT DIRECTOR



MR MAHTANI BHAGWANDAS
INDEPENDENT DIRECTOR



**MR AHMAD SUBRI
BIN ABDULLAH**
INDEPENDENT DIRECTOR



MR JAMES KHO CHUNG WAH
INDEPENDENT DIRECTOR



MR LING YEW KONG
INDEPENDENT DIRECTOR



MR MARK EDWARD PAWLEY
INDEPENDENT DIRECTOR

MR MIRZAN BIN MAHATHIR**NON-EXECUTIVE NON-INDEPENDENT CHAIRMAN**

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

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

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

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

MR CHAN LAI THONG**EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER**

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

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

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

MR 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.

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 Ltd and the Company Secretary for Marco Polo Marine Ltd.

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 is a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom. He is a Council Member and former Chairman of the Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA), now known as the Chartered Secretaries Institute of Singapore (CSIS).

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 MAHTANI BHAGWANDAS**INDEPENDENT DIRECTOR**

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

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

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

BOARD OF DIRECTORS

MR AHMAD SUBRI BIN ABDULLAH

INDEPENDENT DIRECTOR

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

He is presently the Chairman of Crave Capital Sdn. Bhd. and Director and Advisor of Emerio (Malaysia) Sdn. Bhd., an NTT Group Company. He is also an Independent Director of ECS ICT Bhd., a company listed on the main board of Bursa Saham Malaysia.

Mr Subri has over 30 years of experience in the insurance and financial services industry, with more than 18 years as Chief Executive Officer of various companies including Trust International Insurance, MCIS Insurance, Mayban Life Assurance and Malaysia National Insurance Bhd. Mr Subri qualified as a Fellow of the Chartered Insurance Institute (United Kingdom) and is a Fellow of the Malaysian Insurance Institute.

MR JAMES KHO CHUNG WAH

INDEPENDENT DIRECTOR

Mr James Kho Chung Wah was appointed to the Board as an Independent Director on 14 September 2016, and is the Chairman of the Audit and Risk Management Committee.

Mr Kho is the co-founder and the current Managing Director of Willan Capital Pte. Ltd. He has over 15 years of experience in investment banking and corporate finance, with senior positions in international banks and major local securities houses. He is currently an Independent Director of other companies listed in Singapore and previously served as Executive Director of Pacific Star (Greater China) Pte Ltd.

Mr Kho started his career in equity markets with the Issuer Regulation Department of the SGX-ST in 2000, where he was involved in the review of listing applications and ensuring continuing compliance of listed companies.

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 LING YEW KONG

INDEPENDENT DIRECTOR

Mr Ling Yew Kong was appointed to the Board as an Independent Director on 14 September 2016.

Mr Ling is currently the Executive Chairman of Singapore-based Firstlink Investments Corporation Limited and Anwell Technologies Limited. He is also the Chief Executive Officer and Executive Director of China Sky Chemical Fibre Co. Ltd.

A private equity investor specialising in mergers and acquisitions, Mr Ling has more than 20 years of extensive experience in accounting and finance, securities brokerage operations, treasury management, infrastructure project management, corporate restructuring and corporate management.

Mr Ling graduated from Murdoch University, Western Australia with a Bachelor of Commerce, majoring in accounting. He is a member of the Australian Society of Certified Practising Accountants.

MR MARK EDWARD PAWLEY

INDEPENDENT DIRECTOR

Mr Mark Edward Pawley was appointed to the Board as an Independent Director on 14 September 2016.

Mr Pawley is currently the Chief Executive Officer of Oxley Capital Group, specialising in the management of real estate and merchant banking investments across the Asia-Pacific region.

Mr Pawley has more than 20 years of experience in investment banking. He served at Credit Suisse from 1997 to 2007, where his roles included Chief Operating Officer and Head of Asian Real Estate Gaming and Lodging and Financial Sponsor coverage groups for the Asia-Pacific region.

Mr Pawley graduated from Essex University with a Bachelor of Arts (Honours) in Economics. He is an Associate of the Chartered Institute of Bankers and a member of the Chartered Institute of Marketing.



MS AMY SOH WAI LING
CHIEF FINANCIAL OFFICER

MS AMY SOH WAI LING
CHIEF FINANCIAL OFFICER

Ms Amy Soh Wai Ling is Chief Financial Officer of the Group and currently holds directorships in various subsidiaries of the Group. She oversees the Group's financial affairs, including corporate finance, merger and acquisition activities, capital management, treasury and investor relations.

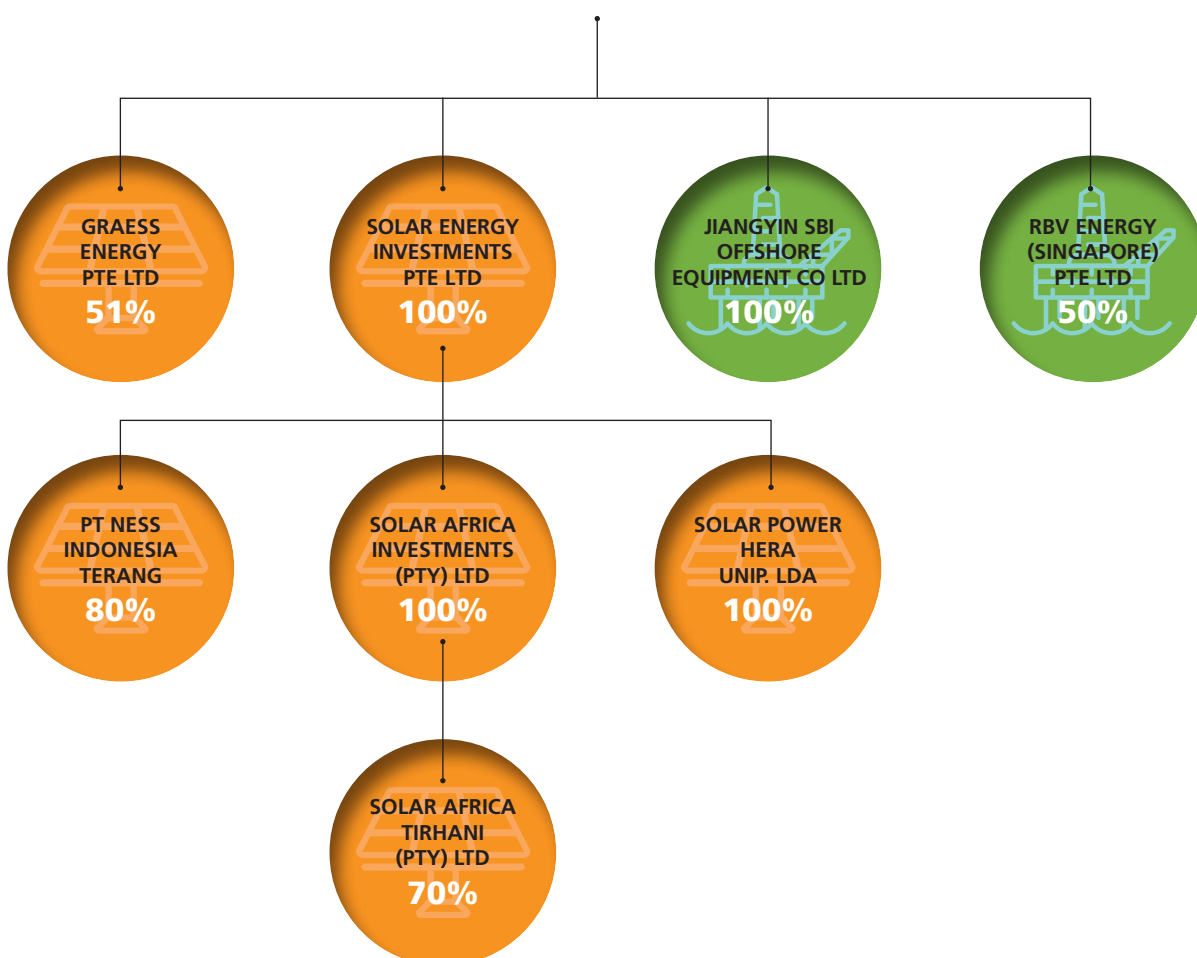
Ms Amy Soh has extensive experience in corporate accounting and finance. During her career, she has been involved with various tax and business strategies. Prior to joining the Company, Ms Amy Soh was the Finance Director of HSL Constructor Group in Asia Pacific, and was the Finance Manager with AEI Corporation Ltd.

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

GROUP STRUCTURE



SBI Offshore Limited



 Solar

 O&M

CORPORATE INFORMATION



BOARD OF DIRECTORS

MIRZAN BIN MAHATHIR
(Chairman)

CHAN LAI THONG

LAWRENCE KWAN

MAHTANI BHAGWANDAS

AHMAD SUBRI BIN ABDULLAH

JAMES KHO CHUNG WAH

LING YEW KONG

MARK EDWARD PAWLEY

AUDIT AND RISK MANAGEMENT COMMITTEE

JAMES KHO CHUNG WAH
(Chairman)

MAHTANI BHAGWANDAS

AHMAD SUBRI BIN ABDULLAH

NOMINATING COMMITTEE

AHMAD SUBRI BIN ABDULLAH
(Chairman)

CHAN LAI THONG

LAWRENCE KWAN

REMUNERATION COMMITTEE

MAHTANI BHAGWANDAS
(Chairman)

AHMAD SUBRI BIN ABDULLAH

MARK EDWARD PAWLEY

COMPANY SECRETARY

CHAN LAI YIN, ACIS

REGISTERED OFFICE

20 Pioneer Crescent

#09-01 West Park BizCentral

Singapore 628555

Tel: +65 6848 1033

Fax: +65 6848 1011

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

SHARE REGISTRAR

TRICOR BARBINDER SHARE
REGISTRATION SERVICES

80 Robinson Road

#02-00

Singapore 068898

AUDITORS

BDO LLP

Public Accountants and Chartered
Accountants

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

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

PRINCIPAL BANKERS

DBS BANK LTD

12 Marina Boulevard Level 3

Marina Bay Financial Centre Tower 3

Singapore 018982

CIMB BANK BERHAD
SINGAPORE BRANCH

50 Raffles Place #09-01

Singapore Land Tower

Singapore 048623

UNITED OVERSEAS BANK LIMITED

80 Raffles Place

#12-00 UOB Plaza 1

Singapore 048624

SPONSOR

ASIAN CORPORATE ADVISORS PTE.
LTD.

160 Robinson Road

#21-05 SBF Center

Singapore 068914



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NOTICE OF
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CORPORATE GOVERNANCE STATEMENT

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

The Company has complied with the principles and guidelines as set out in the Code of Corporate Governance 2012 (the “**Code**”) for the financial year ended 31 December 2016 (“**FY2016**”), except where otherwise stated. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

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

Name of Director	Designation
Mirzan Bin Mahathir	Non-Executive Non-Independent Chairman
Chan Lai Thong	Executive Director and Chief Executive Officer
Lawrence Kwan	Lead Independent Director
Mahtani Bhagwandas	Independent Director
Ahmad Subri Bin Abdullah	Independent Director
James Kho Chung Wah	Independent Director
Ling Yew Kong	Independent Director
Mark Edward Pawley	Independent Director

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

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

CORPORATE GOVERNANCE STATEMENT

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

To improve the Management efficiency, the Board has delegated certain responsibilities to the committees, namely the Audit and Risk Management Committee (“**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.

The current compositions of the Board Committees are as follows:

	ARMC	NC	RC
Chairman	James Kho Chung Wah	Ahmad Subri Bin Abdullah	Mahtani Bhagwandas
Member	Mahtani Bhagwandas	Chan Lai Thong	Ahmad Subri Bin Abdullah
Member	Ahmad Subri Bin Abdullah	Lawrence Kwan	Mark Edward Pawley

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 every Board and Board Committees meetings held during FY2016 are presented below.

	Board	ARMC	NC	RC
No. of meetings held	9	6	3	4
Directors	No. of meetings attended			
Chan Lai Thong	8	–	2	–
⁽ⁱ⁾ Tan Woo Thian	1	–	–	–
Mahtani Bhagwandas	8	6	–	4
Ahmad Subri Bin Abdullah	9	6	3	4
Mirzan Bin Mahathir	8	–	–	–
⁽ⁱⁱ⁾ Basil Chan	7	5	2	4
⁽ⁱⁱⁱ⁾ Ling Yew Kong	2	–	–	–
^(iv) Lawrence Kwan	2	–	–	–
^(v) James Kho Chung Wah	1	1	–	–
^(vi) Mark Edward Pawley	2	–	–	–

- (i) Mr Tan Woo Thian resigned as Executive Director with effect from 18 March 2016.
- (ii) Mr Basil Chan resigned effective from 17 September 2016 and relinquished his position as Lead Independent Director, Chairman of the ARMC and a member of RC and NC with effect from 17 September 2016.
- (iii) Mr Ling Yew Kong was appointed as an Independent Director with effect from 14 September 2016.
- (iv) Mr Lawrence Kwan was appointed as an Independent Director with effect from 14 September 2016. He was appointed as Lead Independent Director, a member of NC with effect from 18 November 2016.
- (v) Mr James Kho Chung Wah was appointed as an Independent Director with effect from 14 September 2016. He was appointed as Chairman of the ARMC with effect from 18 November 2016.
- (vi) Mr Mark Edward Pawley was appointed as an Independent Director with effect from 14 September 2016. He was appointed as a member of the RC with effect from 18 November 2016.

CORPORATE GOVERNANCE STATEMENT

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

All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed.

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

The Board constantly examines its size based on the scope and nature of the operations as well as business requirements and considers the appropriate size for decision making. The Board has appointed a Special Investigation Committee (the "**SIC**") of the Board, comprising the four new Independent Non-Executive Directors, namely Mr Ling Yew Kong, Mr Lawrence Kwan, Mr James Kho Chung Wah and Mr Mark Edward Pawley who were appointed on 14 September 2016, to lead the Company's investigation in respect of the PwC findings on the NPT Transactions ("**PwC NPT Findings**") dated 6 September 2016 and other connected matters. Due to the gravity and implications of the PwC NPT Findings that was announced on 10 September 2016, it is imperative for the Board to introduce a larger number of new and independent Directors who were previously uninvolved with the Company. The additional Directors will, together with other Directors, also spearhead further investments and businesses of the Company and the Group, with the view to further advancing the Group's business interests.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

Profiles of the Directors are set out on pages 06 to 08 of this Annual Report.

Non-Executive Directors had discussions without the presence of Management in FY2016. 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.

PRINCIPLE 3: NON-EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chairman of the Board, Mr Mirzan Bin Mahathir ("**Mr Mirzan**"), is the Non-Executive Non-Independent Director of the Company ("**Non-Executive Non-Independent Chairman**"). The CEO is Mr Chan Lai Thong ("**Mr Chan**"), who is the Executive Director of the Company. The Non-Executive Non-Independent Chairman and CEO are not related to each other.

There is a clear separation of the roles and responsibilities between the Non-Executive Non-Independent Chairman and the CEO. The CEO is responsible for the conduct of the Group's daily business directions and operational decisions while the Non-Executive Non-Independent Chairman's roles include:

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

CORPORATE GOVERNANCE STATEMENT

In view that the Chairman is not an Independent Director, the Company has appointed Mr Lawrence Kwan as the Lead Independent Director who will avail himself to address shareholders' concerns and act as a counterbalance in the decision making process. The Lead Independent Director shall represent the Independent Directors in responding to shareholders' questions and comments that are directed to the Independent Director as a group.

The Lead Independent Director had discussions with the remaining Independent Directors in the absence of the Executive Director in FY2016.

PRINCIPLE 4: BOARD MEMBERSHIP

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

Ahmad Subri Bin Abdullah – Chairman
Chan Lai Thong – Member
Lawrence Kwan – Member

There is no alternate director appointed in the Board.

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

The NC has considered and the Board has concurred with the NC's guideline that the maximum number of listed company board representations a director may hold is five (5). Although the non-executive directors hold directorship in other companies which are not in the Group, the Board is of the view that such multiple board representations, especially listed company, do not hinder them from carrying out their duties as directors. Such number of board representations enables the Director to widen his experience as a board member and at the same time, addresses competing time commitments faced by the Director who serves on multiple boards. The NC is satisfied that sufficient time and attention has been given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2016.

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

In reviewing the re-appointment of incumbent Directors, NC has considered criteria such as Director's contribution and performance, attendance, preparedness and participation. In FY2016, the NC is satisfied that the Director under review has been adequately carrying out his duties as a Director of the Company.

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

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

CORPORATE GOVERNANCE STATEMENT

Under the provisions of Article 99 of the Company's Articles of Association, newly appointed Directors are required to hold office until the next annual general meeting of the Company ("**AGM**") and at least one third of the Directors are required to retire by rotation at every AGM. All Directors are required to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM. The Directors appointed during the year 2016, namely Mr Ling Yew Kong, Mr Lawrence Kwan, Mr James Kho Chung Wah and Mr Mark Edward Pawley are due for retirement pursuant to Article 99 of the Company's Article of Association. They are eligible for election at the forthcoming AGM. Mr Ling Yew Kong, upon re-election, remains as the Independent Director. Mr Lawrence Kwan, upon re-election, remains as the Lead Independent Director and a member of the NC. Mr James Kho Chung Wah, upon re-election, remains as the Independent Director and Chairman of the ARMC. Mr Mark Edward Pawley, upon re-election, remains as the Independent Director and a member of the RC. All of them will be considered independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"). In making recommendation for re-election as Director, the NC had considered the Director's overall contribution and performance as well as the effort and contribution in carrying out their duties.

The NC also recommended to the Board the re-election of Mr Mirzan Bin Mahathir and Mr Ahmad Subri Bin Abdullah, who are due for retirement at the AGM pursuant to Article 93 of the Articles of Association of the Company. Mr Mirzan Bin Mahathir, upon re-election, remains as the Non-Executive Non-Independent Director. Mr Ahmad Subri Bin Abdullah, upon re-election, remains as the Independent Director, Chairman of the NC and member of the ARMC and RC. The Board considers Mr Ahmad Subri Bin Abdullah to be independent for the purposes of Rule 704(7) of the Catalist Rules. The Board has accepted the recommendation of the NC.

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

PARTICULARS OF DIRECTORS

Name of Directors	Date of first appointment	Date of last re-election	Nature of appointment	Present directorship/ chairmanship in other listed companies	Directorship/ chairmanship held over the preceding three years in other listed companies
Chan Lai Thong	28 September 2009	26 April 2016	Executive Director/ Chief Executive Officer	None	None
Mirzan Bin Mahathir	29 October 2014	24 April 2015	Non-Independent Non-Executive Director	1. Petron Corporation (Listed on Philippine Stock Exchange)	AHB Holdings Berhad (Listed on Bursa Saham Malaysia, resigned on 12 September 2014)
Mahtani Bhagwandas	14 September 2012	26 April 2016	Independent Director	1. GRP Limited 2. Alliance Mineral Assets Limited	GKE Corporation Limited (Resigned on 30 September 2015)
Ahmad Subri Bin Abdullah	10 January 2013	24 April 2015	Independent Director	1. ECS ICT Berhad (Listed on Bursa Saham Malaysia)	None

CORPORATE GOVERNANCE STATEMENT

Name of Directors	Date of first appointment	Date of last re-election	Nature of appointment	Present directorship/ chairmanship in other listed companies	Directorship/ chairmanship held over the preceding three years in other listed companies
⁽¹⁾ Basil Chan	2 February 2015	24 April 2015	Lead Independent Director	1. Singapore eDevelopment Limited 2. AEM Holdings Ltd 3. Yoma Strategic Holdings Ltd 4. Grand Banks Yachts Limited 5. Global Invacom Group Limited	Teledata (Singapore) Ltd (Resigned on 3 March 2014)
⁽²⁾ Ling Yew Kong	14 September 2016	Not Applicable	Independent Director	1. Anwell Technologies Limited 2. China Sky Chemical Fibre Co. Ltd	Moya Holdings Asia Limited (Resigned on 17 March 2015)
⁽³⁾ Lawrence Kwan	14 September 2016	Not Applicable	Lead Independent Director	1. Karin Technology Holdings Limited	None
⁽⁴⁾ James Kho Chung Wah	14 September 2016	Not Applicable	Independent Director	1. Pollux Properties Ltd 2. Serrano Limited 3. China Environment Ltd.	None
⁽⁵⁾ Mark Edward Pawley	14 September 2016	Not Applicable	Independent Director	None	None

- (1) Mr Basil Chan has resigned as Independent Director with effect from 17 September 2016.
 (2) Mr Ling Yew Kong has been appointed as Independent Director with effect from 14 September 2016.
 (3) Mr Lawrence Kwan has been appointed as Independent Director with effect from 14 September 2016. He was appointed as Lead Independent Director with effect from 18 November 2016.
 (4) Mr James Kho Chung Wah has been appointed as Independent Director with effect from 14 September 2016.
 (5) Mr Mark Edward Pawley has been appointed as Independent Director with effect from 14 September 2016.

Details of other principal commitments of the Directors, and their academic and professional qualifications are set out on pages 06 to 08 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5: BOARD PERFORMANCE

The NC is responsible for assessing the effectiveness of the Board as a whole with objective performance criteria. The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval. Such performance criteria allow comparison with industry peers and address how the Board has enhanced long-term shareholders' value. The Board has conducted an assessment of the functions and effectiveness of the Board as a whole. The assessment of the contribution by Directors, effectiveness of Board Committees and contribution by the Chairman had been included in the Board assessment. The Board assessment takes into consideration both qualitative and quantitative criteria, such as 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. The review of the performance of the CEO/Key Management is conducted at least annually.

For FY2016, each Director completed a form on the assessment of the effectiveness of Board as a whole. The said assessment also included questions related to contribution by Directors, the effectiveness of Board Committees and contribution by the CEO/Key Management based on the performance criteria. The results of the evaluation process will be used by the NC, in consultation with the Chairman, to effect continuing improvements on Board processes. The NC has looked into the comments and suggestions raised during the evaluation process.

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

No external facilitator was engaged by the Company in FY2016.

PRINCIPLE 6: ACCESS TO INFORMATION

The Board is provided with complete, adequate and timely information to enable them to fulfill their duties and responsibilities. Detailed board papers and related materials will be prepared for each Board meeting. The Management reports with the necessary information including, but not limited to financial reports 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 Articles of Association of the Company, applicable rules and regulations, and that the provisions in the Catalist Rules are complied with. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

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

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Mahtani Bhagwandas – Chairman
Ahmad Subri Bin Abdullah – Member
Mark Edward Pawley – Member

CORPORATE GOVERNANCE STATEMENT

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

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

The RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary on the Company's remuneration matters. Expenses of such advice shall be borne by the Company. No remuneration consultants were engaged by the Company in FY2016. During the year, the RC reviewed the Company's obligations arising from termination of contracts of service of Executive Director and key management personnel with the aim to be fair and avoid rewarding poor performance.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The remuneration packages of Directors, CEO and key management personnel of the Group for FY2016 are as follows:

	Salary %	Bonus ⁽¹⁾ %	Fees %	Total %
Directors				
<u>S\$250,000 – S\$500,000</u>				
Chan Lai Thong	94	6	–	100
Tan Woo Thian ⁽²⁾	100	–	–	100
<u>Below S\$250,000</u>				
Mirzan Bin Mahathir	–	–	100	100
Lawrence Kwan	–	–	100	100
Mahtani Bhagwandas	–	–	100	100
Ahmad Subri Bin Abdullah	–	–	100	100
James Kho Chung Wah	–	–	100	100
Ling Yew Kong	–	–	100	100
Mark Edward Pawley	–	–	100	100
Basil Chan ⁽³⁾	–	–	100	100
Key Management Personnel				
<u>Below S\$250,000</u>				
Amy Soh Wai Ling	95	5	–	100

Notes:

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

(1) Variable Bonus was distributed on 31 March 2016

(2) Resigned on 18 March 2016

(3) Resigned on 17 September 2016

As at the end of FY2016, the Company has only 1 key management personnel (who is not the Director or CEO of the Company).

Further information on the Directors and key management personnel are found on pages 06 to 09 of this Annual Report.

There was no employee who was immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during FY2016.

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

Other than the CPF, there were no termination, retirement, and post-employment benefits granted to the Directors, the CEO, and the key management personnel in FY2016.

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

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

CORPORATE GOVERNANCE STATEMENT

Employee share option scheme

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

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

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

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

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 2016, awards comprising an aggregate of 10,000,000 shares have been granted. In the previous financial year, 10,000,000 performance shares granted to Mr Chan were vested upon achievement of certain performance targets over the performance period.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 10: ACCOUNTABILITY

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

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Based on the system of risk management and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board and its various Board Committees, the Board with the concurrence of the ARMC, are of the opinion that the Group's internal controls (addressing financial, operational, compliance and information technology controls) and risk management systems were adequate and effective in FY2016.

The Board has received assurance from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective in respect of FY2016.

PRINCIPLE 12: AUDIT AND RISK MANAGEMENT COMMITTEE

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

James Kho Chung Wah – Chairman
Mahtani Bhagwandas – Member
Ahmad Subri Bin Abdullah – Member

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

CORPORATE GOVERNANCE STATEMENT

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

- Review the overall scope of examination of the external auditors, the audit plan and their evaluation of the Group's system of risk management, compliance and internal controls;
- Review the co-operation given by Management to the external auditors and internal auditors, and discuss problems and concerns, if any, arising from the interim and final audits;
- Review the independence 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 IT controls) and effectiveness of the internal audit function to ensure robust risk management and internal controls are in place;
- Review the Group's half-year and full-year results announcements prior to its recommendations to the Board for approval; and
- Review interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules.

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

The ARMC received updates on changes in accounting standards from the external auditors periodically. The ARMC members have expertise, experience and are members of relevant professional 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.

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

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

CORPORATE GOVERNANCE STATEMENT

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

The ARMC had met with the External Auditors without the presence of the Management in FY2016.

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

PRINCIPLE 13: INTERNAL AUDIT

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

The 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 has access to all records including access to ARMC. The ARMC had reviewed the adequacy and effectiveness of the internal audit function at least annually. The ARMC is satisfied that the Internal Auditors was adequately qualified and resourced, and has appropriate standing within the Group to discharge its duties effectively in FY2016.

PRINCIPLE 14: SHAREHOLDER RIGHTS

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

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

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

CORPORATE GOVERNANCE STATEMENT

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

Currently, the Company does not have a fixed dividend policy. In consideration for dividend payment, the Company has taken into account, among other factors, current cash positions, future cash needs, profitability, retained earnings and business outlook. No dividend has been declared or recommended for FY2016 as the Company intends to conserve its cash for future needs in view of the uncertain global economic outlook.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The Articles of Association of the Company allows shareholders of the Company the right to appoint two (2) proxies to attend and vote on their behalf at the shareholders' meetings. The Company's Articles of Association does not have any provision to allow for absentia voting at shareholders' meetings. The Directors are focused on the new business of the Company and has not considered the necessary amendment to the Articles of Association.

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

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

DEALINGS IN SECURITIES

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

INTERESTED PERSON TRANSACTIONS ("IPT")

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

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

CORPORATE GOVERNANCE STATEMENT

During FY2016, 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 is a partner of LegalStandard LLP. Apart from the above, there was no other interested person transactions during the financial year.

The Company confirms that there were no IPTs with value more than S\$100,000 transacted during FY2016.

MATERIAL CONTRACTS

Save for the service agreement between the Executive Director and the Company, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the controlling shareholder or Director, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

The Continuing Sponsor of the Company was changed from PrimePartners Corporate Finance Pte. Ltd (“PPCF”) to Asian Corporate Advisors Pte Ltd (“ACA”) with effect from 17 November 2016.

There was no non-sponsor fees paid to PPCF and ACA in FY2016.

USE OF PROCEEDS

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

Use of net proceeds	Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
(1) Funding for new project	11,306	(2,034)	9,272
(2) Funding for existing project	4,845	(2,460)	2,385
Total	16,151	(4,494)	11,657

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

DIRECTORS' STATEMENT

The Directors 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") for the financial year ended 31 December 2016 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2016.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Chan Lai Thong	
Mirzan Bin Mahathir	
Mahtani Bhagwandas	
Ahmad Subri Bin Abdullah	
Lawrence Kwan	(Appointed on 14 September 2016)
Ling Yew Kong	(Appointed on 14 September 2016)
Mark Edward Pawley	(Appointed on 14 September 2016)
James Kho Chung Wah	(Appointed on 14 September 2016)

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 or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
Company:				
Chan Lai Thong ⁽¹⁾	14,140,000	14,140,000	6,600,000	6,600,000
Mahtani Bhagwandas	117,000	117,000	–	–
Mirzan Bin Mahathir ⁽²⁾	–	–	29,060,000	29,298,200

Note:

- (1) 6,000,000 ordinary shares are held in the name of Maybank Nominees (S) Pte. Ltd. and 600,000 ordinary shares are held in the name of his spouse, Madam Tan Lee Buay.
- (2) 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 2017 in the shares of the Company have not changed from those disclosed as at 31 December 2016.

5. SHARE OPTIONS AND PERFORMANCE SHARES

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

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

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

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

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

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

ESOS

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

a) Options granted

Options granted on 8 January 2013

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

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/ cancelled	Exercised during the year	At end of the year	Exercise price S\$	Exercise period
8.1.2013	10,000,000	–	–	10,000,000	0.10	8.1.2014 to 8.1.2023

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

	2016		2015	
	Number of options	Exercise price S\$	Number of options	Exercise price S\$
At 1 January and at 31 December	10,000,000	0.10	10,000,000	0.10

There was no option being exercised during the financial year.

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

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

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

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

The Company does not have any parent company.

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

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

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) 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.

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

PSP (Continued)

From the commencement of the PSP to 31 December 2016, 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 comprises the following members who, including the Chairman, are all Independent Non-Executive Directors of the Company. The members of the Audit and Risk Management Committee as at the date of this statement are:

James Kho Chung Wah (Chairman)

Mahtani Bhagwandas

Ahmad Subri Bin Abdullah

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

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

The Audit and Risk Management Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It has also full authority and discretion to invite any Director or executive officer to attend its meetings. The Audit and Risk Management Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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

DIRECTORS' STATEMENT

7. INDEPENDENT AUDITORS

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

On behalf of the Board of Directors

Chan Lai Thong

Director

Mirzan Bin Mahathir

Director

Singapore

29 March 2017

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"), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- 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 Financial Reporting Standards in Singapore ("FRSs") 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 2016, 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 Matter

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

KEY AUDIT MATTER

1 Acquisition and disposal of an Associate – Jiangyin Neptune Marine Appliance Co., Ltd. ("NPT Transactions")

In 2008, the Company acquired a 35% equity interest in Jiangyin Neptune Marine Appliance Co., Ltd. ("NPT") at a consideration of US\$1.75 million prior to the listing on Singapore Exchange Securities Trading Limited ("SGX-ST"). This acquisition had been recorded as an investment in an associate in the Company's and Group's financial statements.

On 4 January 2016, the Company completed the disposal of its 35% equity interest in NPT. In the Group's financial statements for the year ended 31 December 2016, the Group recorded a gain on disposal of US\$17,000, withholding tax and professional expenses of US\$151,000 and a provision of US\$35,000 for withholding tax-related liabilities and penalties.

As disclosed in Note 30 to the financial statements, in connection with the completion of the disposal of NPT, certain issues relating to the NPT Transactions were brought to the Board of Directors' ("Board") attention. The Board had then taken several actions to review the facts and circumstances surrounding the NPT Transactions, including the appointments of PricewaterhouseCoopers LLP ("PwC") and Unilegal LLC ("Unilegal"). In particular, it was uncovered that there were two sets of agreements purportedly entered into in connection with the NPT Transactions and their contents differ, especially with regard to the acquisition and disposal consideration of NPT.

The existence of the two sets of acquisition and disposal agreements raises serious concerns on the validity of the NPT Transactions and give rise to potential legal implications (including possible breaches of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA") and Section B of the Listing Manual of the SGX-ST: Rules of Catalist ("Catalist Rules"). In this regard, the Board had also lodged a report with the Commercial Affairs Department of the Singapore Police Force ("CAD").

These matters surrounding the NPT Transactions may in turn have an impact on the Company's and Group's financial statements and our audit thereof, particularly in determining whether:

- The NPT Transactions had been appropriately accounted for in the current and prior period financial statements, including:
 - computing the gain or loss on disposal of the investment in NPT, which should be represented by the excess of cash consideration over the carrying amount of the investment in NPT at the date of disposal, net of withholding tax and professional fees; and
 - assessing if additional provision should be made for potential withholding tax-related liabilities and penalties that may be imposed by the tax authorities of the People's Republic of China ("PRC").
- Provision should be made for possible breaches of the SFA and Catalist Rules; and
- Adequate disclosures have been made in the financial statements with respect to the NPT Transactions.

Related Disclosures

Refer to Note 30 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

1 Acquisition and disposal of an Associate – Jiangyin Neptune Marine Appliance Co., Ltd. ("NPT Transactions") (Continued)

Audit Response

Our procedures included, amongst others, the following:

- Obtained and read PwC's findings report, announcement made by the Company in relation to Unilegal's interim findings and correspondence between the Company and its PRC lawyers, and held discussions with the Board and management to understand the facts and circumstances surrounding the NPT Transactions;
- Obtained confirmation from and held discussions with Unilegal to obtain an update on the status of its review and to understand if there are any material findings subsequent to the interim findings;
- Examined supporting documents provided by management and held discussions with the Board and management to assess the appropriateness of the accounting treatment for NPT Transactions and related disclosure notes to the financial statements. In this regard, we noted that additional provision has not been made in respect of potential withholding tax-related liabilities and penalties. The effects of non-provision were found not to be significant to the financial statements based on management's estimated range from US\$67,000 to US\$143,000;
- Assessed the reasonableness of management's judgements on the requirements of FRSs to evaluate whether provision should be made for possible breaches of the SFA and Catalist Rules; and
- Obtained confirmation from CAD on the status of its investigation.

KEY AUDIT MATTER

2 Impairment of property, plant and equipment ("PPE") and land lease prepayment

As at 31 December 2016, PPE amounting to US\$3,577,000 and land lease prepayment amounting to US\$921,000 related to one of the Company's subsidiaries located in People's Republic of China ("PRC") represented approximately 20% of the Group's total assets. The subsidiary had ceased its business operations since the prior financial year and hence, there is an indicator of impairment for these assets.

For the purposes of impairment assessment, the Group engaged an independent valuer to carry out a valuation on these assets and concluded that no impairment was required as the valuation supported the carrying amounts of these assets.

We have determined the valuation of these assets as a key audit matter because significant judgements are involved in evaluating the appropriateness of the valuation methodology and reasonableness of the key assumptions used by the independent valuer, such as the selling price per square metre based on recent sales transactions involving identical or comparable assets in similar locations and adjusted for differences in key attributes such as property size.

Related Disclosures

Refer to Note 10 and Note 11 to the financial statements.

Audit Response

With the involvement of the component auditor of the subsidiary, our procedures included, amongst others, the following:

- Assessed the independence and competency of the valuer which included considering their experiences and qualification in assessing similar types of assets; and
- Assessed the valuation methodology adopted (market approach) and the reasonableness of the key assumptions used in the valuation report by checking the selling price per square metre and adjustments made by the valuer to market evidence of transaction prices of these assets in the similar locations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

KEY AUDIT MATTER

3 Valuation of inventories

As at 31 December 2016, the carrying value of inventories held by the Group amounted to US\$459,000. These inventories, comprising of mainly pipes and fittings used for drilling rigs, were transferred from a joint venture of the Group during the year as payment-in-lieu of dividend declared by the joint venture of US\$823,000.

In view of the current outlook of the offshore marine industry and the relatively low oil prices and low demand for drilling rigs, the Group engaged an independent valuer to estimate the net realisable value of the inventories. This resulted in a write-down of US\$364,000.

We focused on the valuation of the inventories as the valuation methodology and key assumptions used in the valuation report such as the current replacement cost of the inventories and a downward adjustment applied to reflect current economic conditions for the offshore and marine industry, involved significant judgements and key estimates.

Related Disclosures

Refer to Note 16 to the financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Assessed the independence and competency of the valuer which included considering their experiences and qualification in assessing similar types of assets; and
- Assessed the valuation methodology adopted (replacement cost approach) and the reasonableness of the key assumptions used in the valuation report by:
 - Holding discussions with the valuer to understand the valuation approach;
 - Checking the valuers' price quotations obtained from third party suppliers for similar inventories; and
 - Evaluating the downward adjustments against general industry trends.

KEY AUDIT MATTER

4 Going concern assessment

During the financial year, the Group's revenue decreased from US\$7,110,000 in the prior year to US\$1,289,000, and the Group recorded a loss before tax of US\$4,593,000 and generated negative operating cash flows of US\$1,986,000. Due to the slowdown in the oil and gas industry, the Group has significantly reduced its offshore and marine activities while embarking on a strategic diversification into the solar energy business. The Group expects to commence operation of its solar energy business in FY2017, which may require additional capital expenditure.

Notwithstanding that these conditions exist, management has assessed that there is no material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern. As at 31 December 2016, the Group has cash and cash equivalents of approximately US\$16,271,000 which is sufficient to support the Group's continuing operations and as well as the commencement of the solar energy business, based on a cash flow forecast prepared by management and approved by the Board.

This is a key audit matter as the determination of whether or not a material uncertainty exists related to the Group's ability to continue as a going concern requires the exercise of significant judgement, which includes critically assessing the reasonableness of management's cash flow forecast and evaluating the adequacy of related disclosures in the financial statements.

Related Disclosures

Refer to Note 2.1 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

4 Going concern assessment (Continued)

Audit Response

Our procedures included, amongst others, the following:

- Applied various stress-test scenarios to management's cash flow forecast to assess the sufficiency of funds and the headroom available in each possible scenario;
- Checked the uses of funds to supporting documentation so as to determine the quantum of funds that is restricted for the purpose of the solar energy business and that available for continuing operations;
- Obtained updates on the progress of the solar energy business by checking to correspondence with business partners and other supporting documentation; and
- Evaluated the adequacy of the going concern disclosures made in the financial statements by assessing whether those disclosures provide sufficient information about the conditions that may cast significant doubt on the Group's ability to continue as a going concern, as well as the judgements made by management in its assessment.

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 FRSs, 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 director's responsibilities include overseeing the Group's financial reporting process.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

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

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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
29 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group	
	Note	2016 US\$'000	2015 US\$'000
Revenue	4	1,289	7,110
Cost of sales		(1,011)	(3,206)
Gross profit		278	3,904
Other items of income			
Interest income		188	49
Other income	5	186	382
Other items of expense			
Administrative and other expenses		(5,215)	(8,758)
Finance costs	6	–	(24)
Share of results of an associate, net of tax		–	184
Share of results of a joint venture, net of tax	15	(30)	93
Loss before income tax	7	(4,593)	(4,170)
Income tax credit	8	7	54
Loss for the financial year		(4,586)	(4,116)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations, net of tax of US\$Nil		(152)	(96)
Total comprehensive income for the financial year		(4,738)	(4,212)
Loss attributable to:			
Owners of the parent		(4,531)	(4,043)
Non-controlling interests		(55)	(73)
		(4,586)	(4,116)
Total comprehensive income attributable to:			
Owners of the parent		(4,683)	(4,139)
Non-controlling interests		(55)	(73)
		(4,738)	(4,212)
Loss per share (cents)	9		
– Basic		(1.81)	(1.62)
– Diluted		(1.81)	(1.62)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Non-current assets					
Property, plant and equipment	10	3,577	4,179	23	122
Land lease prepayment	11	921	1,010	–	–
Intangible assets	12	20	57	9	38
Investments in subsidiaries	13	–	–	2,839	3,371
Investment in associate	14	–	–	–	–
Investment in joint venture	15	–	868	–	50
Total non-current assets		4,518	6,114	2,871	3,581
Current assets					
Inventories	16	459	–	459	–
Trade and other receivables	17	999	2,946	5,406	9,208
Cash and cash equivalents	18	16,271	18,165	15,277	14,890
		17,729	21,111	21,142	24,098
Assets classified as held for sale	19	–	3,117	–	1,800
Total current assets		17,729	24,228	21,142	25,898
Total assets		22,247	30,342	24,013	29,479
Current liabilities					
Trade and other payables	20	977	4,392	1,149	4,603
Current income tax payable		35	–	35	–
Total current liabilities		1,012	4,392	1,184	4,603
Net current assets		16,717	19,836	19,958	21,295
Non-current liability					
Deferred tax liability	21	4	4	4	4
Net assets		21,231	25,946	22,825	24,872
Equity, reserves and non-controlling interests					
Share capital	22	25,253	25,253	25,253	25,253
Other reserves	23	230	207	265	242
Foreign currency translation reserve	25	231	383	–	–
Accumulated (losses)/profits		(4,355)	176	(2,693)	(623)
Equity attributable to owners of the parent		21,359	26,019	22,825	24,872
Non-controlling interests		(128)	(73)	–	–
Total equity		21,231	25,946	22,825	24,872

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital US\$'000	Share-based payment reserve US\$'000	Equity non- controlling interests US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits/ (losses) US\$'000	Equity attributable to owners of the parent US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Group		25,253	242	(35)	383	176	26,019	(73)	25,946
Balance at 1 January 2016									
Total comprehensive income for the financial year									
Loss for the financial year		-	-	-	-	(4,531)	(4,531)	(55)	(4,586)
<i>Other comprehensive income</i>									
Exchange differences arising from translation of foreign operations		-	-	-	(152)	-	(152)	-	(152)
Total		-	-	-	(152)	(4,531)	(4,683)	(55)	(4,738)
Transactions with owners of the parent recognised directly in equity									
Employee share-based payment	24	-	23	-	-	-	23	-	23
Balance at 31 December 2016		25,253	265	(35)	231	(4,355)	21,359	(128)	21,231

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital US\$'000	Share-based payment reserve US\$'000	Equity non- controlling interests US\$'000	Foreign currency translation reserve US\$'000	Accumulated profits US\$'000	Equity attributable to owners of the parent US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2015		25,253	202	(35)	479	4,219	30,118	–	30,118
Total comprehensive income for the financial year									
Loss for the financial year		–	–	–	–	(4,043)	(4,043)	(73)	(4,116)
Other comprehensive income									
Exchange differences arising from translation of foreign operations		–	–	–	(96)	–	(96)	–	(96)
Total		–	–	–	(96)	(4,043)	(4,139)	(73)	(4,212)
Transactions with owners of the parent recognised directly in equity									
Employee share-based payment	24	–	40	–	–	–	40	–	40
Balance at 31 December 2015		25,253	242	(35)	383	176	26,019	(73)	25,946

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital US\$'000	Share-based payment reserve US\$'000	Accumulated profits/ (losses) US\$'000	Total equity US\$'000
Company					
Balance at 1 January 2016		25,253	242	(623)	24,872
Loss for the financial year, representing total comprehensive income for the financial year		–	–	(2,070)	(2,070)
Transactions with owners of the parent recognised directly in equity					
Employee share-based payment	24	–	23	–	23
Balance at 31 December 2016		25,253	265	(2,693)	22,825
Balance at 1 January 2015		25,253	202	4,600	30,055
Loss for the financial year, representing total comprehensive income for the financial year		–	–	(5,223)	(5,223)
Transactions with owners of the parent recognised directly in equity					
Employee share-based payment	24	–	40	–	40
Balance at 31 December 2015		25,253	242	(623)	24,872

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 US\$'000	2015 US\$'000
Operating activities			
Loss before income tax		(4,593)	(4,170)
Adjustments for:			
Amortisation of intangible assets	12	43	39
Amortisation of land lease prepayment	11	25	27
Depreciation of property, plant and equipment	10	312	398
Loss/(gain) on disposal of plant and equipment		55	(5)
Gain on disposal of intangible assets		–	(5)
Gain on disposal of an associate		(17)	–
Gain on settlement of balances with a contract customer	17	–	(262)
Unrealised foreign exchange loss		269	750
Write-down of inventories	16	364	30
Trade receivables written off	17	–	3,338
Impairment loss on amount owing from joint venture	17	323	–
Impairment loss on plant and equipment	10	–	228
Impairment loss on joint venture	15	15	–
Interest income		(188)	(49)
Interest expense		–	24
Share of results of an associate		–	(184)
Share of results of a joint venture		30	(93)
Employee share-based payments	24	23	40
Operating cash flows before working capital changes		(3,339)	106
Working capital changes:			
Trade and other receivables		1,474	4,395
Trade and other payables		(316)	(4,644)
Cash used in operations		(2,181)	(143)
Interest received		188	49
Interest paid		–	(24)
Income tax refund/(paid)		7	(377)
Net cash used in operating activities		(1,986)	(495)
Investing activities			
Purchase of plant and equipment	10	(1)	(99)
Purchase of intangible assets	12	(6)	(26)
Proceeds from disposal of plant and equipment		7	7
Proceeds from disposal of intangible assets		–	7
Dividend received from a joint venture		–	500
Payment received from disposal of an associate	19	320	3,000
Down payment to a third party	17	–	(1,149)
Net cash generated from investing activities		320	2,240

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 US\$'000	2015 US\$'000
Financing activities			
Repayment of bank borrowings		–	(2,034)
Proceeds from bank borrowings		–	1,094
(Increase)/decrease in pledge of fixed deposits		(1)	150
Net cash used in financing activities		(1)	(790)
Net change in cash and cash equivalents		(1,667)	955
Cash and cash equivalents at beginning of financial year		17,578	17,263
Effect of foreign exchange rate changes in cash and cash equivalents		(228)	(640)
Cash and cash equivalents at end of financial year	18	15,683	17,578

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. GENERAL CORPORATE INFORMATION

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 29 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”) including the related Interpretations of FRS (“INT FRS”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards (“IFRS”) for annual periods beginning on or after 1 January 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in United States dollar (“US\$”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The financial statements are expressed in US\$ and rounded to the nearest thousand (“US\$’000”), unless otherwise stated.

Although the Group’s revenue has decreased to US\$1,289,000, recorded a loss before tax of US\$4,593,000 and generated negative operating cash flows of US\$1,986,000 for the financial year ended 31 December 2016, and that the Group has significantly reduced its offshore and marine activities, the 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. In assessing whether the Group can meet its debt obligations for the ensuing twelve months, the management had prepared cash flow forecasts which was approved by the Board. The cash flows were derived from the financial budget for the financial year ending 31 December 2017 where it indicates that the Group has sufficient cash and cash equivalents to support the Group’s continuing operations as well as the diversification into the solar energy business which is expected to commence operations in FY2017, and pay its debts as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. In addition to the Group's going concern assessment above, 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 FRS that are relevant to its operations and effective for the current financial year. The adoption of these new or revised FRS did not result in any 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.

FRS and INT FRS issued but not yet effective

As at the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group and the Company were issued but not effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 102 (Amendments)	: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Classification to FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116	: Leases	1 January 2019
Improvements to FRSs (December 2016)		1 January 2017
		1 January 2018
INT FRS 122	: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

FRS 109 Financial Instruments

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

Classification and measurement

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

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

The Group is still in the process of assessing the impact of this standard, which includes the assessment of the classification and measurement of financial instruments.

Impairment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Impairment (Continued)

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

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. The Group will include additional financial statements disclosures in the financial statements in the financial year when FRS 109 is adopted.

FRS 115 Revenue from Contracts with Customers

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

During the financial year, the only major revenue stream of the Group is pertaining to the sale of goods. The revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

The Group anticipates that the adoption of FRS 115 in future periods will not have a significant impact on the timing and pattern of revenue recognition. The Group is still in the process of assessing the impact of this standard for other potential revenue stream in future and plans to adopt the standard in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

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

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

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

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

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

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

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

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

In the separate financial statements of the Company, investments in subsidiaries 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 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

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

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

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

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

Business combinations before 1 January 2010

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services/Contract revenue

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

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

Rental income

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

Interest income

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

2.5 Employee benefits

Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Employee benefits (Continued)

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.

2.6 Borrowing costs

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

2.7 Leases

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (Continued)

When the Group and the Company is the lessee of an operating lease (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

When the Group is the lessor of an operating lease

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.8 Income tax

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

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

2.9 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

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

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

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

2.10 Dividends

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

2.11 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property, plant and equipment (Continued)

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.

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

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

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

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

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

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

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

2.12 Land lease prepayment

Land lease prepayment represents land use rights, which are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The land use rights are amortised over the lease term of 45 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill on associate or joint venture is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Computer software

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Joint arrangements

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

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

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

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

2.15 Associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds of receivables.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

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

Derecognition of financial liabilities

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

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

2.18 Non-current asset held for sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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 2016

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.

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.

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 and joint venture

The Group and the Company follow the guidance of FRS 36 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 in subsidiaries, joint venture 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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) Impairment and depreciation of property, plant and equipment and land lease prepayment

The Group assesses whether there are any indicators of impairment for its property, plant and equipment and land lease prepayment at each reporting date. These assets are tested for impairment when there are indicators that the carrying amount may not be recovered.

Property, plant and equipment and land lease prepayment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets are disclosed in Notes 2.11 and 2.12 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment and land lease prepayment as at 31 December 2016 are disclosed in Notes 10 and 11 to the financial statements respectively.

(ii) Allowance for doubtful receivables

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

(iii) Write-down of inventories

Inventory is valued at the lower of actual cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been 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 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (Continued)

- (iv) Provision for tax liabilities and penalties

The Group has exposure to potential tax liabilities and penalties in relation to NPT Transactions as described in Note 30 to the financial statements. The Group recognises provision of tax liabilities and penalties based on their best estimates of the likely circumstances. When the Group has established a present legal or constructive obligation and a reliable estimate can be made of the amount of the obligation, a provision of tax liabilities and penalties will be made.

4. REVENUE

	Group	
	2016 US\$'000	2015 US\$'000
Sale of goods	1,289	4,478
Services rendered	–	2,383
Contract revenue	–	249
	1,289	7,110

5. OTHER INCOME

	Group	
	2016 US\$'000	2015 US\$'000
Rental income	–	72
Gain on settlement of balances with a contract customer (Note 17)	–	262
GST refund	68	–
Service rendered to a joint venture	40	–
Gain on disposal of an associate	17	–
Miscellaneous income	61	48
	186	382

6. FINANCE COSTS

	Group	
	2016 US\$'000	2015 US\$'000
Bank loan interest	–	24

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. LOSS BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	Group	
	2016 US\$'000	2015 US\$'000
Administrative and other expenses		
Audit fees		
– auditors of the Company	65	67
– other auditors	4	8
Non-audit fees		
– auditors of the Company	–	4
– other auditors	–	–
Write-down of inventories	364	30
Amortisation of land lease prepayment	25	27
Amortisation of intangible assets	43	39
Professional fees	743	309
Depreciation of property, plant and equipment	312	398
Foreign exchange loss, net	331	814
Loss/(gain) on disposal of plant and equipment	55	(5)
Gain on disposal of intangible assets	–	(5)
Operating lease expenses	109	105
Transportation and travelling	247	326
Trade receivable written off (Note 17)	–	3,338
Impairment loss on amount owing from joint venture	323	–
Impairment loss on plant and equipment	–	228
Impairment loss on investment in joint venture	15	–

The loss before income tax also includes the following:

	Group	
	2016 US\$'000	2015 US\$'000
Employee benefits		
Salaries, bonuses and allowances	1,827	2,653
Defined contribution plans	119	153
Share-based payment expense	23	40
Other employee benefits	72	108
	2,041	2,954

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

	Group	
	2016 US\$'000	2015 US\$'000
Cost of sales	47	361
Administrative and other expenses	1,994	2,593
	2,041	2,954

Employee benefits include key management personnel remuneration as shown in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INCOME TAX CREDIT

	Group	
	2016 US\$'000	2015 US\$'000
Current income tax		
– current year	4	–
– over provision in prior years	(11)	(54)
Total income tax credit	(7)	(54)

Domestic income tax is calculated at 17% (2015: 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% (2015: 17%) to loss before income tax as a result of the following differences:

	Group	
	2016 US\$'000	2015 US\$'000
Loss before income tax	(4,593)	(4,170)
Income tax calculated at statutory income tax rate of 17%	(781)	(709)
Effect of different tax rate in other countries	(83)	(70)
Tax effect of expenses not deductible	118	217
Tax effect of income not subject to tax	(1)	(65)
Unrecognised deferred tax assets	908	630
Over provision of current income tax in prior years	(11)	(54)
Tax incentive and rebate	(8)	(2)
Utilisation of previously unrecognised deferred tax assets	(153)	–
Others	4	(1)
	(7)	(54)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INCOME TAX CREDIT (CONTINUED)

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

	Group	
	2016 US\$'000	2015 US\$'000
At beginning of the year	5,651	2,960
Adjustments	(2,746)	(126)
Arising during the year	5,133	3,419
Utilised during the year	(902)	–
Expired during the year	–	(558)
Currency translation adjustment	(5)	(44)
At end of the year	7,131	5,651

	Group	
	2016 US\$'000	2015 US\$'000
Deferred tax assets not recognised in respect of the above unutilised tax losses carry forward	1,255	1,188

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

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

The expiry for these unutilised tax losses are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
People's Republic of China		
Year		
2016	–	511
2017	–	220
2018	–	717
2019	88	784
2020	–	607
2021	446	–
	534	2,839

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

At the end of the reporting period, diluted loss per share is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share. Share options granted under the ESOS (Note 24) have not been included in the calculation of diluted loss per share because they are anti-dilutive.

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

	Group	
	2016	2015
	US\$'000	US\$'000
Loss attributable to owners of the parent	(4,531)	(4,043)
	Number of	Number of
	shares	shares
Actual number of ordinary shares for basic loss per share ('000)	249,680	249,680
Basic loss per share (cents)	(1.81)	(1.62)
Diluted loss per share (cents)	(1.81)	(1.62)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property US\$'000	Computers US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Renovation US\$'000	Motor vehicles US\$'000	Site equipment US\$'000	Total US\$'000
Cost								
Balance at 1 January 2016	4,975	111	39	29	653	15	539	6,361
Additions	–	–	–	–	26	–	–	26
Disposals/Write-off	–	(2)	(8)	–	(48)	–	(55)	(113)
Currency realignment	(326)	–	(1)	–	(27)	–	(4)	(358)
Balance at 31 December 2016	4,649	109	30	29	604	15	480	5,916
Accumulated depreciation								
Balance at 1 January 2016	1,016	88	32	23	590	7	198	1,954
Depreciation for the financial year	219	13	2	3	65	5	5	312
Disposals/Write-off	–	(2)	(4)	–	(37)	–	(8)	(51)
Currency realignment	(76)	–	(1)	–	(27)	–	–	(104)
Balance at 31 December 2016	1,159	99	29	26	591	12	195	2,111
Impairment								
Allowance for impairment loss	–	–	–	–	–	–	228	228
Net carrying amount								
At 31 December 2016	3,490	10	1	3	13	3	57	3,577

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Renovation US\$'000	Motor vehicles US\$'000	Site equipment US\$'000	Total US\$'000
Cost							
Balance at 1 January 2016	102	20	22	211	8	55	418
Additions	–	–	–	25	–	–	25
Disposals	(2)	(1)	–	(22)	–	(55)	(80)
Balance at 31 December 2016	100	19	22	214	8	–	363
Accumulated depreciation							
Balance at 1 January 2016	85	18	19	168	–	6	296
Depreciation for the financial year	11	1	2	45	5	2	66
Disposals	(2)	(1)	–	(11)	–	(8)	(22)
Balance at 31 December 2016	94	18	21	202	5	–	340
Net carrying amount At 31 December 2016	6	1	1	12	3	–	23
Cost							
Balance at 1 January 2015	90	20	21	204	–	–	335
Additions	11	–	1	7	–	55	74
Transferred from a subsidiary	1	–	–	–	8	–	9
Balance at 31 December 2015	102	20	22	211	8	55	418
Accumulated depreciation							
Balance at 1 January 2015	70	15	16	106	–	–	207
Depreciation for the financial year	15	3	3	62	–	6	89
Balance at 31 December 2015	85	18	19	168	–	6	296
Net carrying amount At 31 December 2015	17	2	3	43	8	49	122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2016 US\$'000	2015 US\$'000
Additions during the financial year	26	106
Provision for reinstatement costs	(25)	(7)
Cash payments to purchase plant and equipment	1	99

11. LAND LEASE PREPAYMENT

	Group	
	2016 US\$'000	2015 US\$'000
Cost		
Balance at beginning of financial year	1,148	1,203
Currency realignment	(74)	(55)
Balance at end of financial year	1,074	1,148
Accumulated amortisation		
Balance at beginning of financial year	138	118
Amortisation for the financial year	25	27
Currency realignment	(10)	(7)
Balance at end of financial year	153	138
Net carrying amount		
At end of financial year	921	1,010
Remaining amortisation period	41 years	42 years

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. INTANGIBLE ASSETS

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Computer software				
Cost				
Balance at beginning of financial year	131	112	111	112
Additions	6	26	6	6
Disposals	–	(7)	–	(7)
Balance at end of financial year	137	131	117	111
Accumulated amortisation				
Balance at beginning of financial year	74	40	73	40
Amortisation for the financial year	43	39	35	38
Disposals	–	(5)	–	(5)
Balance at end of financial year	117	74	108	73
Net carrying amount				
At end of financial year	20	57	9	38

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

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 US\$'000	2015 US\$'000
Unquoted equity shares, at cost	6,001	6,001
Allowance for impairment losses	(3,162)	(2,630)
	2,839	3,371

Movement in the allowance for impairment losses are as follows:

	Company	
	2016 US\$'000	2015 US\$'000
Balance at beginning of financial year	2,630	1,800
Allowance made during the year	532	830
Balance at end of financial year	3,162	2,630

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

The Company's cost of investment in Jiangyin SBI Offshore Equipment Co., Ltd. was determined to exceed its recoverable amount and consequently an impairment loss of US\$532,000 (2015: US\$830,000) was recognised in profit or loss. The recoverable amount of the investment in this subsidiary of approximately US\$2,839,000 (2015: US\$3,371,000) was determined on the basis of the subsidiary's fair value less costs to sell which was estimated by the management using the following basis:

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

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

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

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest and voting power held		Proportion of ownership held by non-controlling interests	
		2016	2015	2016	2015
		%	%	%	%
Held by the Company					
Jiangyin SBI Offshore Equipment Co., Ltd. ⁽¹⁾ (People’s Republic of China)	Manufacturing of offshore rig equipment	100	100	–	–
Neptune Life-Saving Pte. Ltd. ⁽³⁾ (Singapore)	Marketing, distribution and servicing of offshore and marine equipment	100	100	–	–
Solar Energy Investments Pte. Ltd. (formerly known as SBI O&M Pte. Ltd.) ⁽²⁾ (Singapore)	Design, engineer, construct, develop, own, operate, maintain and storage of solar photovoltaic energy systems and plants	100	100	–	–
Graess Energy Pte. Ltd. ⁽²⁾ (Singapore)	Dormant	51	51	49	49

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

(2) Audited by BDO LLP, Singapore.

(3) In the process of liquidation as of 31 December 2016 and subsequently struck off on 9 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restriction

Cash and bank balances of approximately US\$900,000, equivalent to RMB6,253,000 (2015: US\$2,466,000, equivalent to RMB16,019,000) held with a subsidiary in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

14. INVESTMENT IN ASSOCIATE

	Group	
	2016 US\$'000	2015 US\$'000
Equity shares, at cost	–	1,800
Share of post-acquisition profits	–	1,317
Reclassified as non-current asset classified as held for sale (Note 19)	–	(3,117)
	–	–

The details of the associate is as follows:

Name of associate (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group	
		2016 %	2015 %
Jiangyin Neptune Marine Appliance Co., Ltd. ⁽¹⁾ (People's Republic of China)	Manufacturing of marine equipment, fittings and boats	–	35

Note:

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

In the previous financial year, the Group's investment in associate was classified as held for sale as disclosed in Note 19 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Equity shares, at cost			50	50
Allowance for impairment losses			(50)	–
			–	50
At beginning of financial year	868	1,525		
Share of results, net of tax	(30)	93		
Dividend received	(823)	(750)		
Allowance for impairment losses	(15)	–		
At end of financial year	–	868		

During the year, management performed an impairment assessment for the investment in joint venture. An allowance for impairment losses of US\$15,000 was recognised as the joint venture ceased its operations during the financial year.

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

On 6 March 2017, the Company signed an Addendum to the Agreement, which stated that the joint venturer agreed to make a compensation amounting to US\$390,000 to the Company in relation to four manifold contracts transferred from the joint venture to the joint venturer.

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	
		2016 %	2015 %
RBV Energy (Singapore) Pte. Ltd. ⁽¹⁾ (Singapore)	Manufacture and supply of equipment for marine/offshore industry	50	50

Note:

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

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

	2016 US\$'000	2015 US\$'000
Current assets	836	3,843
Non-current assets	6	34
Current liabilities	(812)	(2,142)
Net assets	30	1,735

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. INVESTMENT IN JOINT VENTURE (CONTINUED)

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

	2016 US\$'000	2015 US\$'000
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	512	572
Current financial liabilities (excluding trade and other payables and provisions)	(80)	(187)
Revenue	1,143	3,374
Net (loss)/profit after income tax, representing total comprehensive income	(60)	187
<i>Included in the above amounts are:</i>		
Depreciation	20	31
Interest expense	21	52
Income tax credit	(7)	(2)
Dividends from joint venture	823	750

During the year, the joint venture transferred inventories amounting to US\$823,000 (Note 16) to the Group as payment-in-lieu of the dividend declared by the joint venture.

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

Reconciliation of summarised financial information

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

	2016 US\$'000	2015 US\$'000
Net assets of the joint venture	30	1,735
Proportion of the Group interest in RBV Energy (Singapore) Pte. Ltd.	50%	50%
Investment in RBV Energy (Singapore) Pte. Ltd.	15	868
Less: allowance for impairment losses	(15)	–
Carrying amount of the Group's interest in RBV Energy (Singapore) Pte. Ltd.	–	868

16. INVENTORIES

	Group and Company 2016 US\$'000	2015 US\$'000
Finished goods	459	–

As disclosed in Note 15 to the financial statements, during the year, the joint venture transferred inventories amounting to US\$823,000 to the Group as payment-in-lieu of the dividend declared by the joint venture.

At the end of the 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\$364,000 (2015: US\$30,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade receivables				
– third parties	381	1,328	381	1,328
Other receivables				
– third parties	28	13	12	13
– subsidiaries	–	–	4,719	11,019
– joint venture	323	253	323	253
– a former Director	432	–	432	–
– advance payment to an associate	–	21	–	–
– Other recoverable	22	11	–	–
– Rental and other deposits	19	11	15	5
– Prepayments	117	160	113	157
– Down payment to a third party	–	1,149	–	1,149
	941	1,618	5,614	12,596
Allowance for doubtful receivables				
– subsidiaries	–	–	(266)	(4,716)
– joint venture	(323)	–	(323)	–
Total trade and other receivables	999	2,946	5,406	9,208

Trade receivables are non-interest bearing and generally on 30 to 60 days (2015: 30 to 60 days) credit terms.

The non-trade receivables due from subsidiaries, associate and joint venture comprise advances which are unsecured, non-interest bearing and repayable on demand, except for amounts due from subsidiaries and joint venture of approximately US\$517,000 and US\$250,000 respectively (2015: US\$1,712,000 and US\$250,000 respectively), which bear interest from 3.25% to 7% (2015: 1% to 7%) per annum.

Other receivables from a former Director and down payment to a third party

In the previous financial year, the down payment to a third party of US\$1,149,000 represented a payment made for a business opportunity, which was secured by a guarantee from a former Director, non-interest bearing and repayable on demand.

During the financial year, the Company filed a Writ of Summons against a former Director to demand payment for the remaining balance of US\$432,000 of the down payment which was secured by a guarantee provided by the former Director.

Pursuant to the hearing on 13 December 2016 in the High Court of Singapore, the Company was granted final judgement for the aggregate amount of US\$432,000 (equivalent to S\$625,000) plus interest and legal costs fixed at US\$7,000 (equivalent to S\$10,000). The High Court ordered that the judgement sum be paid by the former Director by 13 January 2017.

On 22 December 2016, the former Director filed a Notice of Appeal (the “Appeal”) against the judgement. On 10 January 2017, the former Director made payment of the sum of US\$449,000 (equivalent to S\$649,000) to the Company, comprising of the judgement sum plus interest and the Company’s legal costs. The payment was made without prejudice to the Appeal.

On 2 March 2017, the Company’s solicitors received a letter from the former Director’s solicitors which stated that the former Director would not proceed with the Appeal and the Appeal had been withdrawn on 6 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for impairment of other receivables are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
At 1 January	–	–	4,716	–
Allowances charged to profit or loss	323	–	589	4,716
Written off	–	–	(4,716)	–
At 31 December	323	–	589	4,716

As at 31 December 2016, the Group and the Company have recognised an impairment loss of US\$323,000 (2015: US\$Nil) and US\$589,000 (2015: US\$4,716,000) respectively 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 subsidiaries and joint venture.

The allowances made in the prior financial year by the Company amounting to US\$4,716,000 had been written off as they are deemed irrecoverable.

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

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

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
United States dollar	488	1,591	2,010	4,800
Singapore dollar	487	1,185	806	1,590
Euro	–	–	–	18
Chinese renminbi	22	170	2,590	2,800
Others	2	–	–	–
	999	2,946	5,406	9,208

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Cash and bank balances	3,593	7,983	3,319	4,708
Fixed deposits	12,678	10,182	11,958	10,182
Cash and cash equivalents in the statement of financial position	16,271	18,165	15,277	14,890
Fixed deposits pledged	(588)	(587)		
Cash and cash equivalents in the consolidated statement of cash flows	15,683	17,578		

Fixed deposits with financial institutions mature on varying periods within 12 months (2015: 12 months) from the end of the financial year with a weighted average interest rate of 0.99% (2015: 1.35%) per annum.

At the end of the financial year, fixed deposits of US\$588,000 (2015: US\$587,000) 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	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
United States dollar	9,914	9,238	9,888	8,450
Singapore dollar	5,404	6,497	5,372	6,419
British pound	17	21	17	21
Chinese renminbi	892	2,409	—	—
South African Rand	44	—	—	—
	16,271	18,165	15,277	14,890

19. ASSETS CLASSIFIED AS HELD FOR SALE

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

In the previous financial year, an advance payment amounting to US\$3,000,000 was received. On 15 November 2016, a supplemental agreement was signed to adjust the consideration to US\$3,320,000 subject to an early full settlement of US\$320,000 which was received on the same day.

On 4 January 2016, the Group completed the disposal of its investment in associate and recorded a gain on disposal of approximately US\$17,000, which represents the excess of the cash consideration over the carrying amount of the investment in the associate at the date of disposal, net of withholding tax and professional fees.

Please refer to the Note 30 to the financial statements in relation to certain matters relating to the disposal of the investment in the associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade payables				
– third parties	476	32	468	32
– associate	–	374	–	374
Non-trade payables				
– third parties	130	87	109	67
– a subsidiary	–	–	118	155
Accrued operating expenses	353	751	436	827
Advance payments from customers	18	148	18	148
Advances from a shareholder of an associate (Note 19)	–	3,000	–	3,000
	977	4,392	1,149	4,603

Trade payables are non-interest bearing and are normally settled between 30 to 60 days (2015: 30 to 60 days) credit term.

In the previous financial year, trade payable due to associate is unsecured, non-interest bearing and repayable on demand.

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

In the previous financial year, the advances from a shareholder of an associate represented part of the proceeds received in respect of the disposal of that associate (Note 19).

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
United States dollar	617	3,843	831	4,105
Singapore dollar	332	539	317	497
Chinese renminbi	21	10	–	1
Others	7	–	1	–
	977	4,392	1,149	4,603

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21. DEFERRED TAX LIABILITIES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 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 2015, 31 December 2015 and 2016	6	(2)	4

22. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	US\$'000
Issued and fully paid		
2016		
At beginning and end of financial year	249,680,100	25,253
2015		
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.

23. OTHER RESERVES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Share-based payment reserve (a)	265	242	265	242
Equity – Non-Controlling Interests (“NCI”) (b)	(35)	(35)	–	–
	230	207	265	242

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. OTHER RESERVES (CONTINUED)

(a) Share-based payment reserve

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

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

24. SHARE-BASED PAYMENT RESERVE

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

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

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

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

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

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

ESOS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

ESOS (Continued)

(a) Options granted

Options granted on 8 January 2013

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

(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/ cancelled	Exercised during the year	At end of the year	Exercise price S\$	Exercise period
8.1.2013	10,000,000	–	–	10,000,000	0.10	8.1.2014 to 8.1.2023

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

	2016		2015	
	Number of options	Exercise price S\$	Number of options	Exercise price S\$
At 1 January and at 31 December	10,000,000	0.10	10,000,000	0.10

There were no option being exercised during the financial year.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

ESOS (Continued)

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

	Group and Company	
	2016	2015
	US\$'000	US\$'000
Share-based payment expense		
– ESOS	23	40

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 scheme, will not exceed 15% of the total issued shares in the capital of the Company (excluding treasury shares) on the day preceding the grant date.

The following additional limits must not be exceeded:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

PSP (Continued)

(b) Maximum allowable allotment (Continued)

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.

25. FOREIGN CURRENCY TRANSLATION RESERVE

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

26. OPERATING LEASE COMMITMENTS

Group and Company as a lessee

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

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Future minimum lease payments payable:				
Within one year	34	49	34	33
After one year but within five years	7	11	7	6
Total	41	60	41	39

The above operating lease commitments are based on existing rental rates at the end of the financial year and the lease of office premise and other operating facilities have remaining lease term of 6 months and 3 years respectively (2015: 6 months and 4 years). Operating lease of office premise has an option to renew for a further period of 1 year at rates to be agreed with the landlord. There are no contingent rental payments and restriction imposed in relation to the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. 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	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
With subsidiaries				
Advances to a subsidiary	–	–	–	8
Loans to subsidiaries	–	–	517	1,419
Interest on loans to subsidiaries	–	–	37	167
Payment on behalf of subsidiaries	–	–	347	254
Payment on behalf by subsidiaries	–	–	21	140
Purchases from a subsidiary	–	–	–	208
Management fee from subsidiaries	–	–	–	30
Services rendered from a subsidiary	–	–	–	32
Debts assigned from a subsidiary	–	–	–	224
Sale of plant and equipment by a subsidiary	–	–	–	8
With an associate				
Purchases from an associate	–	1,193	–	332
Payment on behalf of an associate	–	8	–	–
With a joint venture				
Payment on behalf of a joint venture	17	14	17	14
Interest received from a joint venture	18	16	18	16
Services rendered to a joint venture	40	–	40	–
Dividends from a joint venture	823	750	823	750

Compensation of key management personnel

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

	Group	
	2016	2015
	US\$'000	US\$'000
Directors' fees	112	92
Salaries and other short-term benefits	816	1,041
Post-employment benefits	25	22
	953	1,155
Comprise amounts paid to:		
Directors of the Company	670	776
Other key management personnel	283	379
	953	1,155

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

The accounting policies of the operating segments are the same 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.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. SEGMENT INFORMATION (CONTINUED)

Business segments

	Marketing and distribution US\$'000	Projects US\$'000	Unallocated US\$'000	Elimination US\$'000	Consolidated US\$'000
2016					
Revenue					
Revenues from external customers	1,289	–	–	–	1,289
Total revenue	1,289	–	–	–	1,289
Results					
Segment results	(4,937)	–	–	–	(4,937)
Other income	357	–	17	–	374
Share of results of a joint venture	–	–	(30)	–	(30)
Loss before income tax	(4,580)	–	(13)	–	(4,593)
Income tax credit					7
Loss for the financial year					(4,586)
Non-controlling interests					55
Loss attributable to owners of the parent					(4,531)
Capital expenditure	7	–	–	–	7
Write-down of inventories	364	–	–	–	364
Depreciation and amortisation expenses	380	–	–	–	380
Loss on disposal of plant and equipment	55	–	–	–	55
Impairment loss on amount owing from joint venture	–	–	323	–	323
Impairment loss on joint venture	–	–	15	–	15
Assets and Liabilities					
Segment assets	22,247	–	–	–	22,247
Total assets					22,247
Segment liabilities	1,012	–	–	–	1,012
Deferred tax liabilities	–	–	4	–	4
Total liabilities					1,016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. SEGMENT INFORMATION (CONTINUED)

Major customers

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

	Group	
	2016 US\$'000	2015 US\$'000
Customer A	836	2,053
Customer B	–	2,090
Customer C	–	2,351
Customer D	324	–
	1,160	6,494

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

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

29.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The 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, 93% (2015: 86%) of the Group's and 99% (2015: 99%) of the Company's cash and cash equivalents are placed with 2 (2015: 2) financial institutions.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top 1 (2015: 2) trade receivables from third parties, which accounted for 78% (2015: 97%) and 78% (2015: 97%) of the total trade receivables of the Group and Company, respectively. The Company's non-trade receivables from subsidiaries accounted for 82% (2015: 68%) of the total trade and other receivables.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

29.1 Credit risk (Continued)

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

	Group		Company	
	Gross receivables 2016 US\$'000	Gross receivables 2015 US\$'000	Gross receivables 2016 US\$'000	Gross receivables 2015 US\$'000
Past due 1 to 2 months	269	1,160	269	1,160
Past due over 3 months	85	40	85	40

29.2 Market risk

(i) Foreign exchange risk management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

29.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

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	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Group				
SGD	5,866	7,522	332	539
GBP	17	21	–	–
RMB	3,504	5,379	21	10
Others	46	–	7	–
Company				
SGD	6,157	7,851	317	497
GBP	17	21	–	–
EUR	–	18	–	–
RMB	2,590	2,800	–	1
Others	–	–	1	–

Foreign currency sensitivity analysis

The Group is mainly exposed to SGD and RMB. The following table details the Group's and the Company's sensitivity to a 2% (2015: 5%) change in SGD and RMB against the entity's functional currency. This sensitivity analysis assumes an instantaneous 2% (2015: 5%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The effect on profit or loss will have a corresponding effect on the equity.

	Profit or Loss			
	Increase/(Decrease)			
	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
SGD				
Strengthens against USD	111	349	117	368
Weakens against USD	(111)	(349)	(117)	(368)
RMB				
Strengthens against USD	70	269	52	140
Weakens against USD	(70)	(269)	(52)	(140)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

29.2 Market risk (Continued)

(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 Notes 18 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 favorable rates are made available to the Group and the Company.

29.3 Liquidity risk

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.

As at 31 December 2016 and 31 December 2015, 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, are approximate their carrying amount of cash and cash equivalents, trade and other receivables and payables.

29.4 Capital management policies and objectives

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

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2015.

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

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

The Group and the Company are in compliance with all externally imposed capital requirements which are bank covenants in respect of banking facilities for the financial years ended 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

29.5 Fair value of financial assets and financial liabilities

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

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

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

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

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	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Trade and other receivables, excluding prepayments, non-trade receivables from associate and other recoverable	860	2,754	5,293	9,051
Cash and cash equivalents	16,271	18,165	15,277	14,890
Total loans and receivables	17,131	20,919	20,570	23,941
Financial liabilities				
Trade and other payables, excluding advance payments from customers and a shareholder of an associate, representing total financial liabilities at amortised cost	959	1,244	1,131	1,455

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. ACQUISITION AND DISPOSAL OF AN ASSOCIATE, JIANGYIN NEPTUNE MARINE APPLIANCE CO., LTD. ("NPT TRANSACTIONS")

In 2008, the Company acquired a 35% equity interest in Jiangyin Neptune Marine Appliance Co., Ltd. ("NPT") at a consideration of US\$1.75 million through an undated equity transfer agreement (save for a reference to the year 2008) ("Undated Acquisition ETA") prior to the listing on SGX-ST. This acquisition had been recorded as an investment in an associate in the Company's and Group's financial statements.

On 18 August 2015, the Company entered into an equity transfer agreement to dispose NPT to Mr. Hua Hanshou ("Mr. Hua"), a controlling shareholder of NPT, for a consideration of US\$3.5 million ("First Disposal ETA").

On 1 December 2015, at the request of Mr. Hua, the Company transferred the assignment of the rights and obligations from Mr. Hua to Jiangyin Wanjia Yacht Co., Ltd ("Jiangyin Wanjia") who was and is still the existing majority shareholder of NPT, holding 55% equity interest in NPT. A Novation Agreement was signed by both parties.

As at 31 December 2015, the Company had received a total of US\$3 million as advance payment and the remaining balance of US\$500,000 was to be paid in 5 instalments over 5 years.

On 4 January 2016, the Group had completed the disposal of NPT.

In connection with the completion of the disposal of NPT, certain issues relating to the NPT Transactions were brought to the Board's attention and PricewaterhouseCoopers LLP ("PwC") was appointed in July 2016 to review the facts and circumstances surrounding the NPT transactions.

The PwC NPT Findings dated 6 September 2016, highlighted that there were two sets of agreements purportedly entered into in connection with each of the acquisition and disposal of NPT and their contents differ, especially with regard to the acquisition and disposal consideration. In particular, PwC noted the existence of another equity transfer agreement dated 20 October 2008 to acquire the same 35% equity interest in NPT but at a consideration of US\$350,000 ("Dated Acquisition ETA") and the existence of a second disposal equity transfer agreement ("Second Disposal ETA") that was entered between the Company and Jiangyin Wanjia on 8 December 2015 for the Company to dispose of its 35% equity interest in NPT to Jiangyin Wanjia at a consideration of US\$1.75 million. The existence of the First Disposal ETA and Second Disposal ETA with different considerations from the Undated Acquisition ETA and the Dated Acquisition ETA raises serious concern as to which of them were valid. This gives rise to potential legal implications as there was no satisfactory explanation provided to PwC as to the reason for having two different sets of documents for the same transaction.

The Board noted the legal implications arising from the existence of two sets of agreements in connection with each of the acquisition and disposal of NPT as highlighted by PwC including possible breaches of People's Republic of China ("PRC") tax laws, the Securities and Futures Act (Chapter 289 of Singapore) ("SFA") and Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited: Rules of Catalist ("Catalist Rules").

Accordingly, on 15 September 2016, the Board 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.

The Board also appointed a Special Investigation Committee ("Committee") to lead the Company's investigation in respect of the PwC NPT Findings.

On 8 November 2016, the Company also appointed Unilegal LLC as its legal advisor to perform a review of the PwC NPT Findings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. ACQUISITION AND DISPOSAL OF AN ASSOCIATE, JIANGYIN NEPTUNE MARINE APPLIANCE CO. LTD. ("NPT TRANSACTIONS") (CONTINUED)

On 15 November 2016, a supplemental agreement was signed between the Company and Jiangyin Wanjia to adjust the consideration from US\$3.5 million to US\$3.32 million subject to an early full settlement of US\$320,000 which was received on the same day. Accordingly, the Group recorded a gain on disposal of approximately US\$17,000, which represented the excess of cash consideration over the carrying amount of the investment in the associate at the date of disposal, net of withholding tax and professional fees for the year ended 31 December 2016.

Events subsequent to the financial year end

As announced by the Company on 10 March 2017, the Company has received Unilegal LLC's progress update in relation to, amongst others, the interim findings relating to the NPT Transactions.

Based on advice of the PRC lawyers, it appears that as a matter of PRC laws, the Dated Acquisition ETA and the Second Disposal 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"). These contrast with the Undated Acquisition ETA and the First Disposal ETA which were used by the Company to account for the NPT Transactions in the Company's and Group's financial statements.

The Company has and continues to hold the view that the Undated Acquisition ETA and the First Disposal ETA are the set of agreements that are legally binding and that should be recognised by the Company for both financial reporting and PRC tax purposes. The Company, through its PRC lawyers, is in the process of engaging with the PRC tax authorities to rectify the wrongful lodgement of Dated Acquisition ETA and Second Disposal ETA.

Based on the advice of the PRC lawyers, management has estimated that the potential tax liabilities and penalties ranges from US\$67,000 to US\$143,000. As the PRC tax authorities are still in the process of determining the final tax settlement amount as at the date of the financial statements, the Company has not made further provision for tax liabilities or made any adjustments to the gain on disposal of NPT in the Company's and Group's financial statements.

As highlighted in the interim findings, Unilegal LLC has also advised that there appears to be breaches of directors' duties and obligations as well as statutory obligations by Mr. Tan Woo Thian ("Mr. Tan") and Mr. Hui Choon Ho ("Mr. Hui") as both of them, who at the relevant time were directors of the Company and directors of NPT, would be held responsible for the breach of directors' duties flowing from the wrongful lodgements. The Company will commence legal proceedings against Mr. Hui and Mr. Tan for breaching of directors' duties and seek Interrogatories Before Action to have all unanswered questions answered to uncover the reasons behind the existence of Dated Acquisition ETA and Second Disposal ETA.

As at the date of this financial statements, in respect of the legal implications, no provisions have been made as the Unilegal LLC's review and CAD investigations are still on-going and according to Unilegal LLC's interim findings, 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 SFA and/or the Catalist Rules.

STATISTICS OF SHAREHOLDERS

AS AT 13 MARCH 2017

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	%	No. of shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	8	2.46	4,400	0.00
1,001 – 10,000	82	25.23	619,700	0.25
10,001 – 1,000,000	205	63.08	24,339,700	9.75
1,000,001 and above	30	9.23	224,716,300	90.00
	325	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	CITIBANK NOMINEES SINGAPORE PTE LTD	45,486,300	18.22
2	CE VENTURES OFFSHORE LTD	29,298,200	11.73
3	HUI CHOON HO	22,300,400	8.93
4	OCBC SECURITIES PRIVATE LTD	15,540,200	6.22
5	CHAN LAI THONG	14,140,000	5.66
6	MAYBANK KIM ENG SECURITIES PTE LTD	10,549,500	4.23
7	CHEN DAZHI	10,000,000	4.01
8	JADE CHEN JIAYU	9,900,000	3.97
9	KGI SECURITIES (SINGAPORE) PTE LTD	8,372,000	3.35
10	SBS NOMINEES PTE LTD	7,000,000	2.80
11	PANG SHUN PEN	4,000,000	1.60
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,000,000	1.60
13	ANPARASAN S/O KAMACHI	3,755,000	1.50
14	GAN SUAT LUI	3,441,500	1.38
15	PEH BENG YONG	3,397,800	1.36
16	MRS CHAU-CHAN SUI YUNG	3,388,600	1.36
17	SOH BUN KUANG	2,958,000	1.18
18	LE HUU TRI	2,704,400	1.08
19	BNP PARIBAS SECURITIES SERVICES	2,661,200	1.07
20	DBS VICKERS SECURITIES (S) PTE LTD	2,575,100	1.03
TOTAL		205,468,200	82.28

STATISTICS OF SHAREHOLDERS

AS AT 13 MARCH 2017

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2017

(as shown in the Register of Substantial Shareholders)

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of shares	%	No. of shares	%
1.	Mirzan Bin Mahathir	–	–	29,298,200 ⁽¹⁾	11.73
2.	CE Ventures Offshore Ltd	29,298,200	11.73	–	–
3.	Tan Woo Thian	22,970,000	9.20	11,700,000 ⁽²⁾	4.69
4.	Hui Choon Ho	9,501,200	3.81	20,444,000 ⁽³⁾	8.19
5.	Chan Lai Thong	14,140,000	5.66	6,600,000 ⁽⁴⁾	2.64
6.	Pheim Asset Management Sdn Bhd	14,778,500	5.92	–	–
7.	Ong Nai Pew	–	–	13,657,300 ⁽⁵⁾	5.47

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

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

(3) 20,444,000 ordinary shares are held in the name of Hong Leong Finance Limited and Singapura Finance Limited.

(4) 6,600,000 ordinary shares are held in the name of Maybank Nominees (S) Pte Ltd and 600,000 ordinary shares are held in the name of his spouse, Madam Tan Lee Buay.

(5) 13,657,300 ordinary shares are held in the name of Bank of Singapore, OCBC Securities, Hong Leong Finance and DBS Vickers Securities.

COMPLIANCE WITH RULE 723 OF THE RULES OF CATALIST

As at 13 March 2017, 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 42.64%. 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.

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THIS APPENDIX TO THE ANNUAL REPORT 2016 (AS DEFINED BELOW) ("APPENDIX") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your ordinary shares in the capital of SBI Offshore Limited represented by physical share certificate(s), you should forward the Annual Report 2016 including the Notice of Annual General Meeting (as defined below) and the proxy form and this Appendix immediately to the purchaser or the transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited ("**Exchange**") has not examined the contents of this Appendix. The Exchange assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

This Appendix 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 Exchange. The Sponsor has not independently verified the contents of this Appendix including the correctness of any of the figures used, statements, or opinions made. The contact person for the Sponsor is Mr Liao H. K. (Telephone No: 6221 0271).



SBI OFFSHORE LIMITED

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

APPENDIX TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

DEFINITION

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

"2016 AGM"	:	The annual general meeting of the Company held on 26 April 2016
"ACRA"	:	Accounting and Corporate Regulatory Authority
"Annual General Meeting"	:	The annual general meeting of the Company to be held on 25 April 2017
"Annual Report 2016"	:	The Company's annual report for the financial year ended 31 December 2016
"Approval Date"	:	Has the meaning ascribed to it in paragraph 2.2.1(a) of this Appendix
"Average Closing Price"	:	Has the meaning ascribed to it in paragraph 2.2.4(c) of this Appendix
"Board"	:	The Board of Directors of the Company as at the date of this Appendix
"Catalist"	:	The Catalist Board of the Exchange
"Catalist Rules"	:	Section B: Rules of Catalist of the Listing Manual of Exchange, as amended or modified from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Company"	:	SBI Offshore Limited
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"Directors"	:	The directors of the Company as at the date of this Appendix
"EPS"	:	Earnings per Share
"Exchange"	:	Singapore Exchange Securities Trading Limited
"FY2016"	:	Financial year of the Company ended 31 December 2016
"Group"	:	The Company, its subsidiaries and associated company (where applicable), collectively
"Latest Practicable Date"	:	24 March 2017, being the latest practicable date prior to the printing of this Appendix
"Market Day"	:	A day on which the Exchange is open for trading in securities
"Market Share Purchase"	:	Has the meaning ascribed to it in paragraph 2.2.3(a)(i) of this Appendix
"NAV"	:	Net asset value
"Notice of Annual General Meeting"	:	The notice of the Annual General Meeting which is set out on pages 124 to 130 of the Annual Report 2016
"Off-Market Share Purchase"	:	Has the meaning ascribed to it in paragraph 2.2.3(a)(ii) of this Appendix

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"Relevant Period"	: The period commencing from the date on which the ordinary resolution in relation to the Share Buyback Mandate is passed in a general meeting and expiring on the date the next annual general meeting of the Company is held or is required by law to be held or the date the said mandate is revoked or varied by the Company in a general meeting, whichever is the earlier
"SBI ESOS"	: SBI Offshore Employee Share Option Scheme
"SBI PSP"	: SBI Offshore Performance Share Plan
"SFA"	: The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
"S\$" and "cents"	: Singapore dollars and cents, respectively, being the lawful currency of Singapore
"Share Buyback Mandate"	: A general mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares within the Relevant Period, in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
"Share Purchases"	: The purchases or otherwise acquisitions of Shares by the Company pursuant to the terms of the Share Buyback Mandate
"Shareholders"	: Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register
"Shares"	: Ordinary shares in the share capital of the Company
"Subsidiary Holdings"	: Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
"Substantial Shareholder"	: A person (including a corporation) who holds not less than 5% (directly or indirectly) of the total votes attached to all the voting Shares in the Company
"US\$"	: United States dollars
"Take-over Code"	: The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
"Treasury Share"	: A Share that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled

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

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

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

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

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

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

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

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SBI OFFSHORE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199407121D)

Board of Directors

Mirzan Bin Mahathir	(Non-Executive Non-Independent Chairman)
Chan Lai Thong	(Executive Director and Chief Executive Officer)
Lawrence Kwan	(Lead Independent Director)
Mahtani Bhagwandas	(Independent Director)
Ahmad Subri Bin Abdullah	(Independent Director)
James Kho Chung Wah	(Independent Director)
Ling Yew Kong	(Independent Director)
Mark Edward Pawley	(Independent Director)

Registered Office:

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

7 April 2017

To: The Shareholders of SBI Offshore Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

At the 2016 AGM, Shareholders had approved, *inter alia*, the adoption of the Share Buyback Mandate. The Share Buyback Mandate will, unless renewed, expire on the date of the Annual General Meeting.

In this regard, Shareholders' approval is being sought at the Annual General Meeting for the renewal of the Share Buyback Mandate by Ordinary Resolution 13 as set out in the Notice of Annual General Meeting.

The Exchange assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Rationale for the Share Buyback Mandate

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

- (a) It may be considered as one of the ways through which the Shareholders' value may be increased by enhancing the return on equity and/or NAV per Share. The more undervalued the Shares are when they are purchased, the greater the effect is on the Shareholders' value. If Shares are undervalued, this may be the most profitable course of action for the Company.
- (b) Buying back shares may help mitigate short term market volatility, offset the effects of short term speculation and bolster Shareholders' confidence.
- (c) Buying back shares provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner.
- (d) It is currently contemplated by the Company that the Shares purchased pursuant to the Share Buyback Mandate will be held as Treasury Shares. Please refer paragraph 2.3(c) on the possible application of Treasury Shares.

2.2 Authority and Limits of the Share Buyback Mandate

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

2.2.1 Maximum Number of Shares

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

2.2.2 Duration of Authority

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

2.2.3 Manner of Share Purchases

- (a) Share Purchase may be made by way of:
 - (i) an on-market share purchase (“**Market Share Purchase**”), transacted on the Exchange through the ready market and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) an off-market share purchase (“**Off-Market Share Purchase**”) (if effected otherwise than on the Exchange) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalist Rules.

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

2.2.4 Maximum Price

- (a) The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors.
- (b) However, the purchase price to be paid for the Shares pursuant to the Share Buyback Mandate must not exceed:
 - (i) in the case of a Market Share Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and

- (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price of the Shares, (the “**Maximum Price**”) in either case, excluding related expenses of the Share Purchase.
- (c) For the above purposes, “**Average Closing Price**” means the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, before the day on which the Market Share Purchase was made or, as the case may be, before the date of making an announcement by the Company of an offer for an Off-Market Share Purchase; and deemed to be adjusted for any corporate action, in accordance with the Catalyst Rules, that occurs after the relevant five-day period.

2.3 Status of Purchased Shares

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

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

(a) Maximum Holdings

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

(b) Voting and Other Rights

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

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

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

(c) Disposal and Cancellation

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

- (i) sell the Treasury Shares (or any of them) for cash;
- (ii) transfer the Treasury Shares (or any of them) for the purposes of or pursuant to an employees’ share scheme (including but without limitation to the SBI PSP and/or SBI ESOS);

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- (iii) transfer the Treasury Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the Treasury Shares (or any of them); or
- (v) sell, transfer or otherwise use the Treasury Shares (or any of them) for such other purposes as may be prescribed by the Minister of Finance of Singapore.

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

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

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

2.4 Source of Funds

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

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

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

2.5 Financial Effects

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

For illustrative purposes only, the financial effects on the Company and the Group arising from the Share Purchases, based on the audited financial statements of the Company and the Group for FY2016, are prepared assuming the following:

- (a) the Share Purchases comprised 24,968,010 Shares (representing the maximum 10% allowed under the Share Buyback Mandate of 249,680,100 issued Shares as at the Latest Practicable Date);
- (b) in the case of Market Share Purchases, the Maximum Price was S\$0.0945 (being 5% above the Average Closing Price prior to the Latest Practicable Date) and accordingly, the maximum amount of funds (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses assumed at S\$30,000) required for effecting such Market Share Purchases would amount to approximately S\$2,389,477 or equivalent to approximately US\$1,696,529 (based on the exchange rate of S\$1: US\$0.71);
- (c) in the case of Off-Market Share Purchases, the Maximum Price was S\$0.1080 (being 20% above the Average Closing Price prior to the Latest Practicable Date and accordingly, the maximum amount of funds (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses assumed at S\$80,000) required for effecting such Off-Market Share Purchases would amount to approximately S\$2,776,545 or equivalent to approximately US\$1,971,347 (based on the exchange rate of S\$1: US\$0.71);
- (d) the Share Purchases were made out of the Company's capital and profits as the Company has decided that any Share Purchases made under the Share Buyback Mandate for which approval is sought, will be made out of capital;
- (e) the Share Purchases took place on 31 December 2016 and the Shares purchased were:
 - (i) cancelled; or
 - (ii) held as Treasury Shares; and
- (f) the Share Purchases were financed by internal source of funds.

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2.5.1 Market Share Purchases

Assuming that the purchased Shares are cancelled:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2016				
Share capital	25,253	23,578	25,253	23,578
Other reserves	230	230	265	265
Foreign currency translation reserve	231	231	–	–
Treasury Shares	–	–	–	–
Accumulated losses	(4,355)	(4,377)	(2,693)	(2,715)
Non-controlling interests	(128)	(128)	–	–
Total Shareholders' Funds	21,231	19,534	22,825	21,128
Current assets	17,729	16,032	21,142	19,445
Current liabilities	1,012	1,012	1,184	1,184
Non-current assets	4,518	4,518	2,871	2,871
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	–	–	–	–
Net Asset Value (NAV)	21,231	19,534	22,825	21,128
Number of shares as at 31 December 2016 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2016				
– Basic ('000)	249,680	224,712	249,680	224,712
– Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	8.50	8.69	9.14	9.40
Gearing ⁽³⁾ (times)	–	–	–	–
Current ratio ⁽⁴⁾ (times)	17.52	15.84	17.86	16.42
EPS (cents) ⁽⁵⁾				
– Basic	(1.81)	(0.93)	(0.83)	(0.93)

Notes:

- (1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.
- (2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2016.
- (3) "Gearing" represents total borrowings divided by shareholders' funds.
- (4) "Current ratio" represents current assets divided by current liabilities.
- (5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2016.

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2.5.2 Market Share Purchases

Assuming that the purchased Shares are held as Treasury Shares:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2016				
Share capital	25,253	25,253	25,253	25,253
Other reserves	230	230	265	265
Foreign currency translation reserve	231	231	–	–
Treasury Shares	–	(1,697)	–	(1,697)
Accumulated losses	(4,355)	(4,355)	(2,693)	(2,693)
Non-controlling interests	(128)	(128)	–	–
Total Shareholders' Funds	21,231	19,534	22,825	21,128
Current assets	17,729	16,032	21,142	19,445
Current liabilities	1,012	1,012	1,184	1,184
Non-current assets	4,518	4,518	2,871	2,871
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	–	–	–	–
Net Asset Value (NAV)	21,231	19,534	22,825	21,128
Number of shares as at 31 December 2016 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2016				
– Basic ('000)	249,680	224,712	249,680	224,712
– Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	8.50	8.69	9.14	9.40
Gearing ⁽³⁾ (times)	–	–	–	–
Current ratio ⁽⁴⁾ (times)	17.52	15.84	17.86	16.42
EPS (cents) ⁽⁵⁾				
– Basic	(1.81)	(0.92)	(0.83)	(0.92)

Notes:

- (1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.
- (2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2016.
- (3) "Gearing" represents total borrowings divided by shareholders' funds.
- (4) "Current ratio" represents current assets divided by current liabilities.
- (5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2016.

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2.5.3 Off-Market Share Purchases

Assuming that the purchased Shares are cancelled:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2016				
Share capital	25,253	23,338	25,253	23,338
Other reserves	230	230	265	265
Foreign currency translation reserve	231	231	–	–
Treasury Shares	–	–	–	–
Accumulated losses	(4,355)	(4,411)	(2,693)	(2,749)
Non-controlling interests	(128)	(128)	–	–
Total Shareholders' Funds	21,231	19,260	22,825	20,854
Current assets	17,729	15,758	21,142	19,171
Current liabilities	1,012	1,012	1,184	1,184
Non-current assets	4,518	4,518	2,871	2,871
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	–	–	–	–
Net Asset Value (NAV)	21,231	19,260	22,825	20,854
Number of shares as at 31 December 2016 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2016				
– Basic ('000)	249,680	224,712	249,680	224,712
– Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	8.50	8.57	9.14	9.28
Gearing ⁽³⁾ (times)	–	–	–	–
Current ratio ⁽⁴⁾ (times)	17.52	15.57	17.86	16.19
EPS (cents) ⁽⁵⁾				
– Basic	(1.81)	(0.95)	(0.83)	(0.95)

Notes:

- (1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.
- (2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2016.
- (3) "Gearing" represents total borrowings divided by shareholders' funds.
- (4) "Current ratio" represents current assets divided by current liabilities.
- (5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2016.

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2.5.4 Off-Market Share Purchases

Assuming that the purchased Shares are held as Treasury Shares:

	Group		Company	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
As at 31 December 2016				
Share capital	25,253	25,253	25,253	25,253
Other reserves	230	230	265	265
Foreign currency translation reserve	231	231	–	–
Treasury Shares	–	(1,971)	–	(1,971)
Accumulated losses	(4,355)	(4,355)	(2,693)	(2,693)
Non-controlling interests	(128)	(128)	–	–
Total Shareholders' Funds	21,231	19,260	22,825	20,854
Current assets	17,729	15,758	21,142	19,171
Current liabilities	1,012	1,012	1,184	1,184
Non-current assets	4,518	4,518	2,871	2,871
Non-current liabilities	4	4	4	4
Total borrowings ⁽¹⁾	–	–	–	–
Net Asset Value (NAV)	21,231	19,260	22,825	20,854
Number of shares as at 31 December 2016 ('000)	249,680	224,712	249,680	224,712
Weighted average number of Shares during FY2016				
– Basic ('000)	249,680	224,712	249,680	224,712
– Diluted ('000)	249,680	224,712	249,680	224,712
Financial Ratios				
NAV per share ⁽²⁾ (cents)	8.50	8.57	9.14	9.28
Gearing ⁽³⁾ (times)	–	–	–	–
Current ratio ⁽⁴⁾ (times)	17.52	15.57	17.86	16.19
EPS (cents) ⁽⁵⁾				
– Basic	(1.81)	(0.92)	(0.83)	(0.92)

Notes:

- (1) "Total borrowings" represents the aggregate borrowings from banks, financial institutions and non-controlling shareholders.
- (2) "NAV per share" represents net asset value after non-controlling interests divided by the number of Shares as at 31 December 2016.
- (3) "Gearing" represents total borrowings divided by shareholders' funds.
- (4) "Current ratio" represents current assets divided by current liabilities.
- (5) "Basic EPS" represents profit after tax and minority interests divided by the weighted average number of Shares during FY2016.

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The financial effects set out above are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited accounts of the Group and Company for FY2016, and is not necessarily representative of the future performance of the Group and the Company.

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

2.6 Catalyst Rules

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

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

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

2.7 Listing Status on the Exchange

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

As at the Latest Practicable Date, there were approximately 106,473,900 issued Shares in the hands of the public (as defined above), representing approximately 42.64% of the total number of issued Shares of the Company. Assuming that the Company purchases its Shares through Market Share Purchases up to the full 10% limit pursuant to the Share Buyback Mandate from the public, the number of issued Shares in the hands of the public would be reduced to 81,505,890 Shares, representing approximately 32.64% of the total number of issued Shares of the Company. As at the Latest Practicable Date, the Company did not have any Treasury Shares and Subsidiary Holdings.

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

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

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

2.8 Tax Implications

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

2.9 Implications of Take-over Code

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

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

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

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

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

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

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

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

2.10 Share Purchased by the Company

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

2.11 Reporting Requirements

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

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

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

3. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

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

	As at the Latest Practicable Date			
	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Mirzan Bin Mahathir	–	–	29,298,200 ⁽¹⁾	11.73
Chan Lai Thong	14,140,000	5.66	6,600,000 ⁽²⁾	2.64
Lawrence Kwan	–	–	–	–
Mahtani Bhagwandas	117,000	0.05	–	–
Ahmad Subri Bin Abdullah	–	–	–	–
James Kho Chung Wah	–	–	–	–
Ling Yew Kong	–	–	–	–
Mark Edward Pawley	–	–	–	–
Substantial Shareholders (other than Directors)				
CE Ventures Offshore Ltd	29,298,200	11.73	–	–
Tan Woo Tian	22,970,000	9.20	11,700,000 ⁽³⁾	4.69
Hui Choon Ho	9,501,200	3.81	20,444,000 ⁽⁴⁾	8.19
Pheim Asset Management Sdn Bhd	14,778,500	5.92	–	–
Ong Nai Pew	–	–	13,657,300 ⁽⁵⁾	5.47

Notes:

- (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) 6,600,000 ordinary shares are held in the name of Maybank Nominees (S) Pte Ltd and 600,000 ordinary shares are held in the name of his spouse, Madam Tan Lee Buay.
- (3) 11,700,000 ordinary shares are held in the name of KGI Fraser Securities Pte Ltd.
- (4) 20,444,000 ordinary shares are held in the name of Hong Leong Finance Limited and Singapura Finance Limited.
- (5) 13,657,300 ordinary shares are held in the name of Bank of Singapore, OCBC Securities, Hong Leong Finance and DBS Vickers Securities.

4. DIRECTORS' RECOMMENDATION

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

5. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at TKP Conference Centre, Raffles Place, 55 Market Street #03-01 Singapore 048941 on Tuesday 25 April 2017 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution set out in the Notice of Annual General Meeting.

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6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Appointment of Proxies

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

6.2 Depositors

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

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum and articles of association of the Company; and
- (b) the Annual Report 2016.

Yours faithfully

For and on behalf of the Board of Directors of
SBI Offshore Limited

CHAN LAI THONG

Chief Executive Officer

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 TKP Conference Centre, Raffles Place, 55 Market Street, #03-01, Singapore 048941 on Tuesday, 25 April 2017 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Article 93 of the Articles of Association of the Company:

Mr Mirzan Bin Mahathir **[See Explanatory Note (i)]** **(Resolution 2)**
Mr Ahmad Subri Bin Abdullah **[See Explanatory Note (ii)]** **(Resolution 3)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 99 of the Articles of Association of the Company:

Mr Lawrence Kwan **[See Explanatory Note (iii)]** **(Resolution 4)**
Mr Ling Yew Kong **[See Explanatory Note (iv)]** **(Resolution 5)**
Mr James Kho Chung Wah **[See Explanatory Note (v)]** **(Resolution 6)**
Mr Mark Edward Pawley **[See Explanatory Note (vi)]** **(Resolution 7)**
4. To approve the payment of the Directors' fees of S\$40,000 for the financial year ended 31 December 2016. **(Resolution 8)**
5. To re-appoint Messrs BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 9)**
6. To transact any other ordinary business which may properly be transacted at an annual general meeting.

As Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

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

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

- (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (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 percentage of 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 the Rules of Catalist; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Directors shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (vii)]

(Resolution 10)

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

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

(Resolution 11)

NOTICE OF ANNUAL GENERAL MEETING

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

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

(Resolution 12)

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

That:

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

NOTICE OF ANNUAL GENERAL MEETING

- (d) for purposes of this Resolution,

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

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

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

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

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

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

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

[See Explanatory Note (x)]

(Resolution 13)

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 7 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The detailed information of Mr Mirzan Bin Mahathir can be found under the section entitled 'Board of Directors' of the Annual Report. Mr Mirzan Bin Mahathir through CE Ventures Offshore Ltd, has 11.73% interest in the Company. Save as aforesaid, there are no relationship (including immediate family relationships) between Mr Mirzan Bin Mahathir and the other Directors and the Company or its 10% shareholders.
- (ii) The detailed information of Mr Ahmad Subri Bin Abdullah can be found under the section entitled 'Board of Directors' of the Annual Report. Mr Ahmad Subri Bin Abdullah, if re-elected, will remain as Chairman of the Nominating Committee, member of the Audit and Risk Management Committee and Remuneration Committee. The Board considers Mr Ahmad Subri Bin Abdullah to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationship (including immediate family relationships) between Mr Ahmad Subri Bin Abdullah and the other Directors and the Company or its 10% shareholders.
- (iii) The detailed information of Mr Lawrence Kwan can be found under the section entitled 'Board of Directors' of the Annual Report. Mr Lawrence Kwan, if re-elected, will remain as the Lead Independent Director and a member of the Nominating Committee. The Board considers Mr Lawrence Kwan to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationship (including immediate family relationships) between Mr Lawrence Kwan and the other Directors and the Company or its 10% shareholders.
- (iv) The detailed information of Mr Ling Yew Kong can be found under the section entitled 'Board of Directors' of the Annual Report. The Board considers Mr Ling Yew Kong to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationship (including immediate family relationships) between Mr Ling Yew Kong and the other Directors and the Company or its 10% shareholders.
- (v) The detailed information of Mr James Kho Chung Wah can be found under the section entitled 'Board of Directors' of the Annual Report. Mr James Kho Chung Wah, if re-elected, will remain as Chairman of the Audit and Risk Management Committee. The Board considers Mr James Kho Chung Wah to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationship (including immediate family relationships) between Mr James Kho Chung Wah and the other Directors and the Company or its 10% shareholders.
- (vi) The detailed information of Mr Mark Edward Pawley can be found under the section entitled 'Board of Directors' of the Annual Report. Mr Mark Edward Pawley, if re-elected, will remain as a member of the Remuneration Committee. The Board considers Mr Mark Edward Pawley to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationship (including immediate family relationships) between Mr Mark Edward Pawley and the other Directors and the Company or its 10% shareholders.
- (vii) The Ordinary Resolution 10 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.

NOTICE OF ANNUAL GENERAL MEETING

- (viii) Ordinary Resolution 11 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.
- (ix) Ordinary Resolution 12 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.
- (x) Ordinary Resolution 13, if passed, will permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms set out in the Resolution and the Appendix to the Annual Report. Further details are set out in the Appendix to the Annual Report.

Notes:

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

Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

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

"Relevant intermediary" means:

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

NOTICE OF ANNUAL GENERAL MEETING

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

This Notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibilities 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 Mr Liao H.K.
Telephone number: 6221 0271

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.

SBI OFFSHORE LIMITED

(Company Registration No. 199407121D)

(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2016 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY. CPF Investors who wish to vote should contact their CPF Approved Nominees.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We _____ (Name)

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

of _____ (Address)

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "Meeting") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at TKP Conference Centre, Raffles Place, 55 Market Street, #03-01, Singapore 048941 on Tuesday, 25 April 2017, at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions relating to:	No. of votes	No. of votes
		For*	Against*
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2.	Re-election of Mr Mirzan Bin Mahathir as a Director of the Company		
3.	Re-election of Mr Ahmad Subri Bin Abdullah as a Director of the Company		
4.	Re-election of Mr Lawrence Kwan as a Director of the Company		
5.	Re-election of Mr Ling Yew Kong as a Director of the Company		
6.	Re-election of Mr James Kho Chung Wah as a Director of the Company		
7.	Re-election of Mr Mark Edward Pawley as a Director of the Company		
8.	Approval for the payment of Directors' fees for the financial year ended 31 December 2016		
9.	Re-appointment of Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
10.	Authority to allot and issue shares		
11.	Authority to allot and issue shares under the SBI Offshore Employee Share Option Scheme		
12.	Authority to allot and issue shares under the SBI Offshore Performance Share Plan		
13.	Proposed renewal of the Share Buyback Mandate		

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

Dated this _____ day of _____ 2017.

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



Signature(s) of Member(s)
or, Common Seal of Corporate Member

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- a. a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - b. a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - c. the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
 6. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at **20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555**, not less than **48** hours before the time set for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

An Investor who buys shares using CPF monies (“CPF Investor”) and/or SRS monies (“SRS Investor”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2017.



SBI Offshore Limited

Company Registration No. 199407121D

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