SBI OFFSHORE LIMITED

SHAPING UP FOR THE NEXT LAP

ANNUAL REPORT 2019

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

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

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

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COMPANY **PROFILE**

Established in 1994, SBI Offshore Limited (the "Company" or "SBI Offshore" and together with its subsidiaries, the "Group") provides integrated drilling equipment and engineering solutions to the oil and gas industry, as well as the development and operation of solar photovoltaic energy systems and plants, albeit these businesses are dormant.

The Company is a cash company pursuant to Rule 1017 of the Catalist Rules. It is currently working towards to complete the proposed acquisition of a group of related companies that are marine offshore and solutions providers in the oil and gas sector, which will constitute a reverse takeover of the Company.

SBI Offshore has been listed on the Catalist Board of the Singapore Exchange since November 2009.

CHAIRMAN'S **STATEMENT**

(IT) IS IMPERATIVE THAT WE CONTINUE TO HAVE YOUR BLESSING AND SUPPORT AS WE SOLDIER ON, SO THAT THE EFFORTS AND SACRIFICES OF ALL STAKEHOLDERS OVER THE PAST FEW YEARS WILL NOT GO TO WASTE.

DEAR SHAREHOLDERS,

The tagline for our annual report for 2018 was "Staying the Course", underscoring our commitment to turn around SBI Offshore Limited (the "**Company**", and together with its subsidiaries, the "**Group**"). In many ways, these three words also summed up our journey through 2019 as we endeavoured to conclude our proposed acquisition of a group of 12 related companies (the "**Target Companies**") ("**Proposed Acquisition**"). These Target Companies are vessels owners and operators of offshore supply vessels and barges designed to support marine offshore transportation, installation and/or fabrication projects in the offshore oil and gas industry, predominantly in Middle East and South Western Africa. It remains our resolve that this Proposed Acquisition, first announced in February last year, will steer us back to sustainable growth and profitability.

SHAPING UP FOR THE NEXT LAP

The offshore oil and gas sector, like many others, is a highly cyclical one. It was only a few years ago that many oil producers and explorers, as well as companies offering ancillary services to the sector, were badly affected by the collapse in oil prices. Fast forward to today, prices are once again under pressure amid softer oil demand and a standoff over production between major oil producers Saudi Arabia and Russia.

The Target Companies own and operate offshore vessels and provide ship management services to the oil and gas sector. To their credit, they have weathered the industry downturn well. Based on the unaudited combined *pro forma* consolidated profit and loss statements of the Target Companies (as announced by the Company on 30 May 2019), the Target Companies' revenue nearly tripled from US$8.0 million in 2016 to US$23.4 million in 2018, and they ended 2018 with an after-tax profit of US$1.0 million, reversing from a loss of US$5.1 million in the previous year. These financials are subject to due diligence and the Company will provide further details in due course. With the Proposed Acquisition, we believe we will be well placed to ride the eventual upturn when the oil and gas sector is on a stronger footing.

CHAIRMAN'S **STATEMENT**

SNAPSHOT OF THE PROPOSED ACQUISITION

To recap, we entered into a sale and purchase agreement ("**S&P**") with Singapore businessman, Chan Kern Miang (the "**Vendor**"), in May 2019 to acquire the Target Companies after signing a term sheet with him in February 2019. The Target Companies are under his Berlitz Offshore & Marine Group of Companies.

Pursuant to the terms of the S&P, the Company will issue new shares to fully fund the purchase consideration, which is capped at US$36.0 million. The Proposed Acquisition will constitute a reverse takeover. We have appointed an independent valuer to provide a valuation report on the Target Companies.

On 24 February 2020, we announced that we had completed the pre-clearance enquiry with the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). This is a significant hurdle cleared, although there are still certain conditions that we have to meet. We, together with our appointed advisors, are in the midst of carrying out due diligence on the Target Companies, and we have until 31 August 2020 to complete the Proposed Acquisition, following the approval from the SGX-ST for a six-month extension to meet the requirements for a new listing on the Catalist board, in order to remain publicly listed.

HOUSEKEEPING

Even as all hands were on deck working on the Proposed Acquisition, we were also busy in 2019 with housekeeping. Subsequent to becoming a cash company as announced on 1 March 2019 and in compliance with the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), we were required to deposit the bulk of our cash and short-dated securities in escrow accounts.

With funds in Singapore and China, the process of depositing the funds in escrow accounts took longer than expected. Trading in the Company's shares was suspended as a result while the Company was sourcing for suitable China banks to open the escrow account. By the time we finally managed to open an escrow account with a financial institution in China, trading in the Company's shares had been suspended for seven months until 24 October 2019. We seek your understanding if the trading suspension had caused any inconvenience.

We also devoted substantial time and resources to fine tune our internal controls and safeguards. To recap, we appointed KordaMentha Pte Ltd ("**KordaMentha**") in May 2018 to carry out an independent review of an unauthorised write-off of about RMB17.3 million from the audited 2015 accounts of our China subsidiary, Jiangyin SBI Offshore Equipment Co., Ltd. ("**JSBI**"). KordaMentha released its findings in June 2019, a summary of which has been announced on 20 June 2019.

Rajah & Tann Singapore LLP, a leading law firm in Singapore, is advising us on certain matters arising from KordaMentha's report. Among other things, we are examining whether the Company suffered any losses as a result of the write-off and have taken on board the recommendations from KordaMentha's report.

We were issued a Notice of Compliance by the Singapore Exchange Regulation Pte Ltd in December 2018 and had been instructed to carry out a special audit to investigate into matters surrounding the disposal of the Group's factory in China, which was completed in 2018 ("**Disposal**"). RSM Corporate Advisory Pte Ltd ("**RSM**") was appointed by the Company in March 2019, as the special auditor to review the aforementioned Disposal. The special audit is ongoing and updates will be provided in due course.

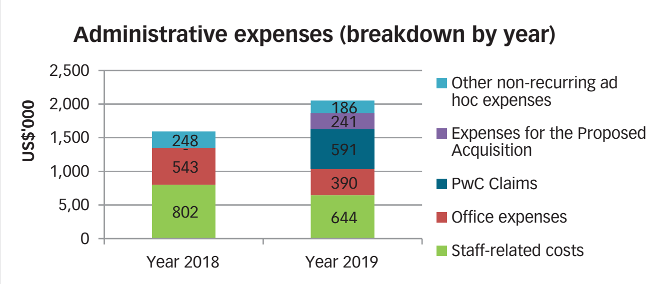
CHAIRMAN'S **STATEMENT**

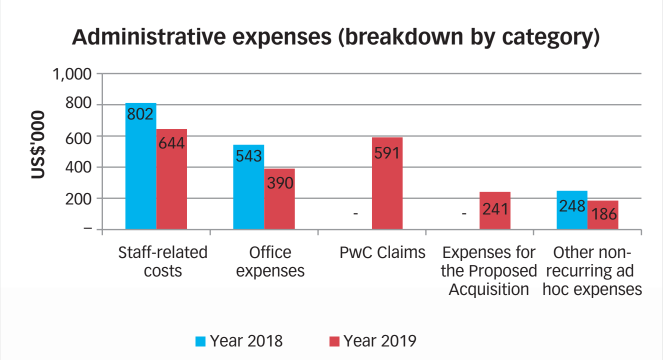
FINANCIAL PERFORMANCE

The board of directors of the Company and the management are focused on completing the Proposed Acquisition by 31 August 2020, in order to maintain the Company's listing on the Catalist. While there may be hiccups and inconveniences along the way, I believe we will eventually reach our end goal as long as we remain focused and have your support, for which we are most grateful.

For now, there is little to shout about as far as the Group's financial results are concerned. In the financial year ended 31 December 2019 ("**FY2019**"), revenue was just a paltry US$7,000, as compared to US$22,000 in the previous year ("**FY2018**"). Similar to FY2018, sales in FY2019 were largely ad hoc, derived from the supply of lifeboat accessories and spare parts to local and overseas customers.

Administrative expenses edged up to US$2.0 million in FY2019, from US$1.6 million in FY2018, even though we managed to bring down staff-related costs, as part of our ongoing cost control efforts, and other overheads such as rental and professional fees. The increase in administrative expenses was largely due to (i) legal fees incurred by PricewaterhouseCoopers Advisory Services Pte Ltd ("**PwC**") for a lawsuit filed by the Company's former chief executive officer, Tan Woo Thian, against PwC for its findings on the Company's acquisition and subsequent sale of a China entity in the financial year ended 31 December 2016 ("**PwC Claims**"); and (ii) expenses related to the Proposed Acquisition. Excluding the PwC Claims, expenses for the Proposed Acquisition, as well as other non-recurring ad hoc expenses for both years such as fees incurred for the independent review by KordaMentha and special audit by RSM, the administrative expenses for FY2019 would be US$1.0 million, which is US$0.3 million lower as compared to US$1.3 million in FY2018. Please refer to the charts below for more details.





With the rise in these non-recurring ad hoc expenses, as well as lower contributions from interest and other income, we ended up with a net loss of US$1.9 million in FY2019, as compared to a net loss of US$1.4 million in FY2018. This translates into a fully diluted loss per share of 0.76 US cents (FY2018: 0.56 US cents).

We ended FY2019 with cash and cash equivalents of US$14.6 million, the bulk of which comprised restricted deposits held in escrow accounts. Our net asset value per share as at 31 December 2019 was 5.34 US cents, down from 6.09 US cents as at 31 December 2018.

CHAIRMAN'S **STATEMENT**

CLOSING REMARKS

Like many of you, I too would like to see the Group back on its feet again. We have made considerable progress with the Proposed Acquisition, although the next few months until 31 August 2020 will be crucial as we tighten the final nuts and bolts to complete the Proposed Acquisition. We are endeavouring to push this through in spite of the sudden change in the operating environment, with oil prices under pressure and the COVID-19 outbreak adversely affecting the economies worldwide.

Notwithstanding these challenges, which will eventually pass as history has always shown with previous calamities, I believe we have done well so far in shaping up for the next lap and will continue to do our utmost to wrap up this transaction and ride out the current storm. This will put us in a favourable position when oil prices and economies inevitably and eventually rebound and recover. It is therefore imperative that we continue to have your blessing and support as we soldier on, so that the efforts and sacrifices of all stakeholders over the past few years will not go to waste.

On behalf of my fellow board members and management team, I thank you for your patience and we look forward to seeing you at our upcoming annual general meeting.

MIRZAN BIN MAHATHIR
Executive Non-Independent Chairman
9 April 2020

BOARD OF DIRECTORS

MR MIRZAN BIN MAHATHIR
EXECUTIVE NON-INDEPENDENT CHAIRMAN

Mr Mirzan Bin Mahathir was appointed to the Board as Non-Independent Non-Executive Director on 29 October 2014. He was designated as Non-Executive Non-Independent Chairman on 18 March 2016 and re-designated as Executive Non-Independent Chairman on 9 June 2017.

Mr Mirzan is also the chairman of Crescent Capital Sdn Bhd. He holds directorships at a number of private and public companies including Petron Corporation, which is listed on the Philippine Stock Exchange.

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

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

MR LAWRENCE KWAN
LEAD INDEPENDENT DIRECTOR

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

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

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

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

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

BOARD OF DIRECTORS

MR JAMES KHO CHUNG WAH
INDEPENDENT DIRECTOR

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

Mr Kho is the co-founder and chief executive officer of Willan Capital Pte. Ltd. He has over 19 years of experience in investments, investment banking and regulations. He is currently also an independent director of Pollux Properties Ltd and Rich Capital Holdings Limited.

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

MR AHMAD SUBRI BIN ABDULLAH
INDEPENDENT DIRECTOR

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

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

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

KEY MANAGEMENT

MS CHONG WAN LING
CHIEF FINANCIAL OFFICER

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

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

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

MR MARK LEONG KEI WEI
CHIEF OPERATING OFFICER

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

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

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

GROUP STRUCTURE

SBI OFFSHORE LIMITED

100%
SOLAR ENERGY INVESTMENTS PTE. LTD.

80%
PT NESS INDONESIA TERANG

100%
JIANGYIN SBI OFFSHORE EQUIPMENT CO., LTD.

CORPORATE INFORMATION

BOARD OF DIRECTORS

MIRZAN BIN MAHATHIR
(Executive Non-Independent Chairman)

LAWRENCE KWAN
(Lead Independent Director)

JAMES KHO CHUNG WAH
(Independent Director)

AHMAD SUBRI BIN ABDULLAH
(Independent Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

JAMES KHO CHUNG WAH
(Chairman)

LAWRENCE KWAN

AHMAD SUBRI BIN ABDULLAH

NOMINATING COMMITTEE

LAWRENCE KWAN
(Chairman)

JAMES KHO CHUNG WAH

AHMAD SUBRI BIN ABDULLAH

REMUNERATION COMMITTEE

AHMAD SUBRI BIN ABDULLAH
(Chairman)

JAMES KHO CHUNG WAH

LAWRENCE KWAN

COMPANY SECRETARY

CHAN LAI YIN, ACS

REGISTERED OFFICE

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SHARE REGISTRAR

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80 Robinson Road
#02-00
Singapore 068898

AUDITORS

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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)

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FINANCIAL **CONTENTS**

CORPORATE GOVERNANCE **STATEMENT**

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

Rule 710 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") was amended on 1 January 2019 to provide that an issuer must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 issued in August 2018 (the "**Code**"):

(a) an issuer must comply with the principles of the Code; and
(b) where an issuer's practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

This Corporate Governance Statement, outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 December 2019 ("**FY2019**"), with specific reference made to the principles and provisions of the Code, pursuant to Rule 710 of the Catalist Rules.

For FY2019, the Company has complied with the principles of the Code, and the provisions of the Code (except where otherwise stated and explained). In areas where the Company's practices vary from any provisions of the Code, the Company has stated herein the relevant provision from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

The Company was deemed a cash company as defined under Rule 1017 of the Catalist Rules ("**Cash Company**") with effect from 28 February 2019, and remained a Cash Company as at the date of this Corporate Governance Statement. On 30 May 2019, the Company entered into a share sale and purchase agreement ("**SPA**") with Mr Chan Kern Miang for the acquisition of the entire issued and paid-up share capital of (i) Berlitz Offshore Limited, (ii) Berlitz Marine Pte. Ltd., (iii) Berlitz Continental Pte. Ltd., (iv) Berlitz Services Pte. Ltd., (v) Bes Sincere Pte. Ltd., (vi) Bes Savvy Pte. Ltd., (vii) Bes Solar Pte. Ltd., (viii) Bes Sparkle Pte. Ltd., (ix) Bes Regent Pte. Ltd., (x) Bes Power Pte. Ltd., (xi) Blue Ocean Services K Co Ltd, and (xii) Bes Trust Pte. Ltd. (the "**Proposed Acquisition**"). Upon completion of the Proposed Acquisition, it will result in a reverse takeover of the Company. As at the date of this Corporate Governance Statement, the Company, together with its appointed advisors, are in the midst of carrying out due diligence in relation to the Proposed Acquisition.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

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

CORPORATE GOVERNANCE **STATEMENT**

The Company has established appropriate internal policies to ensure compliance with legislative and regulatory requirements, including the Catalist Rules.

The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed. The formal letter of appointment sets out the time commitment required of the Director and the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

All newly appointed Directors will undergo an orientation programme whereby the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. In FY2019, the Company did not appoint any new directors.

Directors are informed of development relevant to the Group including changes in laws and regulations that impact the Group's operations, and have access to all information concerning the Group. They are also encouraged to attend workshops and seminars to enhance their skills and knowledge, which will be funded by the Company. Regular training, particularly on risk management, corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, will be arranged and funded by the Company for all Directors, from time to time. During FY2019, Directors are provided with briefings and updates on (i) the developments in financial reporting and governance standards by the Company's external auditors, BDO LLP; and (ii) updates on amendments to the Catalist Rules and the Code by the continuing sponsor of the Company; and (iii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during Board Committees meetings, so as to enable them to make well-informed decisions and to properly discharge their duties as Board or Board Committees members.

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

- periodic financial results announcements and annual audited financial statements;
- declaration of dividends and other returns to shareholders;
- major corporate policies on key areas of operation;
- corporate or financial restructuring and share issuances;
- mergers, acquisitions and disposals;
- approval of interested person transactions;
- appointment of new Directors; and
- any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution.

To assist the Board in the execution of its responsibilities, the Board has delegated certain responsibilities to the committees, namely the Audit and Risk Management Committee (the "**ARMC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). Each of these Board Committees has its own clearly defined written terms of reference and its actions are reported regularly to and monitored by the Board. While the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters still lies with the entire Board. Details of the respective Board Committees is set out under Principle 4, 6 and 10 of this Corporate Governance Statement.

CORPORATE GOVERNANCE **STATEMENT**

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 dates of meeting of all the Board and Board Committee meetings, as well as the Annual General Meeting ("**AGM**") are scheduled well in advance each year, in consultation with the Board. The Constitution of the Company ("**Constitution**") provides for Directors to convene Board meetings by teleconferencing or videoconferencing when a physical Board meeting is not possible. Timely communication with the members of the Board can be achieved through electronic means.

The attendance of the Directors at every Board and Board Committees meetings held during FY2019 as well as the frequency of such meetings, are presented below.

	Board	ARMC	NC	RC
No. of meetings held	**4**	**4**	**1**	**1**
Name of Directors	**No. of meetings attended**			
Mirzan Bin Mahathir	4	4*	1*	1*
Lawrence Kwan	4	4	1	1
James Kho Chung Wah	4	4	1	1
Ahmad Subri Bin Abdullah	4	4	1	1

* *By invitation*

The proceedings and resolutions discussed at each Board and Board Committee meeting are minuted and signed by the Chairman of the Board or Chairman of the relevant Board Committee. 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.

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

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

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

CORPORATE GOVERNANCE **STATEMENT**

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The criteria for independence are determined based on the definition as provided in the Code, and takes into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in carrying out the functions as an independent director with a view to the best interests of the Company and the Group.

The NC shall conduct an annual review to determine the independence of the Directors in accordance with the Code and Rule 406(3)(d) of the Catalist Rules. In its review, the NC shall consider all nature of relationships and circumstances that could influence the judgement and decisions of the Directors before tabling its findings and recommendations to the Board for approval.

For FY2019, the Independent Directors (namely Mr Lawrence Kwan, Mr James Kho Chung Wah and Mr Ahmad Subri Bin Abdullah) have confirmed that they or their immediate family members do not have any relationship with the Company or any of its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors did not own shares of the Company and were not in foreseeable situation that could compromise their independence of thought and decision. The Board, based on the review conducted by the NC, has determined that the said Directors are independent.

Currently, none of the Independent Directors has served on the Board for more than nine (9) years from the date of his first appointment and the requirement for two-tier voting for continued appointment as independent director is not applicable to the Board. None of the Independent Directors has been employed by the Company or any of its related corporations for the current or any of the past three (3) financial years. None of the Independent Directors has any immediate family who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the RC of the Company.

As there are three (3) Non-Executive Directors (who are Independent Directors) out of a four (4) member Board, the Board complies with (i) Provision 2.2 of the Code where the Independent Directors make up a majority of the Board where the Chairman is not independent, and (ii) Provision 2.3 of the Code where Non-Executive Directors make up a majority of the Board.

The composition of the Board and the Board Committees is as follows:

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

CORPORATE GOVERNANCE **STATEMENT**

With three (3) Independent Directors amongst a four (4) member Board, the Board is able to exercise judgement on corporate affairs and provide Management with a diverse and objective perspective on issues. No individual or small group of individuals dominate the Board's decision making.

The Board is of the view that there is an appropriate balance in the Board when it comes to the Board's decision making. The Board, with the concurrence of the NC, considers its current size and composition to be adequate for effective decision making, taking into account the fact that the Company is currently a "Cash Company", with the view to chart a clear path for corporate recovery, in order to restore and enhance shareholder value. The Board believes that the experience, skills and expertise of the Board members, would contribute to the Group's objective.

The Company does not have a Board diversity policy. Nevertheless, the NC reviews annually, the size and composition of the Board and Board Committees, to ensure that the Board has the appropriate mix of expertise and experience for effective decision making. 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 also examine its size annually, with a view to determine its impact upon its effectiveness and review its appropriateness for the nature and scope of the Group's operations. The Board is of the view that 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.

Independent Directors had discussions without the presence of Management (including the Executive Non-Independent Director) in FY2019. The Independent Directors constructively challenge and review performance of Management based on agreed goals and objectives at the meeting and the Management provided updates on business development and the progress of the Proposed Acquisition at every Board meeting. The feedback and views expressed by the Independent Directors were communicated by the Lead Independent Director to the Executive Chairman, as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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

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

CORPORATE GOVERNANCE **STATEMENT**

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

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

The NC comprises three (3) members, all of whom, including the Chairman of the NC, are independent and non-executive Directors. The Lead Independent Director, Mr Lawrence Kwan, is the Chairman of the NC. As at the date of this report, the members of the NC are as follows:

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

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

- to establish an objective and transparent process for the appointment, re-appointment or resignation of members of the Board and of the Board Committees;
- to evaluate and assess the effectiveness of the Board as a whole and its Board Committees;
- to evaluate the effectiveness and contribution of each Director to the Board;
- to review training and professional development programs for the Board; and
- to review (and subsequently recommend for approval by the Board) the succession plans for Directors, in particular, for the Chairman of the Board, the CEO and key management personnel, according to the business needs and operations requirement.

During FY2019, the NC has performed activities set out in the terms of reference.

The NC had considered and the Board had concurred with the NC's recommendation that the maximum number of listed company board representations a Director may hold is five (5). Such number of board representations enables the Director to widen his experience as a board member and at the same time, addresses competing time commitments faced by a Director who serves on multiple boards. There were no Directors who had more than five (5) listed company board representations in FY2019. The NC is satisfied that sufficient time and attention had been given by each of the Director to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2019. There is no alternate director appointed to the Board.

CORPORATE GOVERNANCE **STATEMENT**

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

The Company's Constitution provides that newly appointed Director(s) is required to hold office until the next annual general meeting of the Company ("**AGM**") and at least one third of the Directors are required to retire by rotation at every AGM. All Directors are required to submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM. The NC has recommended, and the Board has agreed that at the forthcoming AGM, Mr Mirzan and Mr James Kho Chung Wah (collectively, the "**Retiring Directors**") will be retiring pursuant to Article 93 of the Company's Constitution. Both the Retiring Directors have offered themselves for re-election. In reviewing the re-election and re-appointment of the Retiring Directors, the NC considered criteria such as each Retiring Director's overall contribution and performance, the effort in carrying out his duties, attendance, preparedness and participation in Board and Board Committees meetings. The NC is satisfied that the Retiring Directors had been adequately carrying out their duties as Directors of the Company. Each member of the NC shall abstain from voting, approving or making a recommendation on any resolutions of the NC in which he has a conflict of interest in the subject matter under consideration. Please refer to the section entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" of this Corporate Governance Statement for the requisite information on the Retiring Directors.

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

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Date of first appointment as a Director	Date of last re-election	Board appointment	Board Committees as chairman or member	Directorship/ Chairmanship both present and those held over the preceding five years in other listed companies
Mirzan Bin Mahathir	29 October 2014	25 April 2017 (to be re-elected at the forthcoming AGM)	Executive Non-Independent Chairman	None	Present directorship or chairmanship Petron Corporation (Listed on Philippine Stock Exchange) Past directorship or chairmanship Gets Global Berhad (Listed on Bursa Malaysia) (Resigned on 27 August 2019)
Lawrence Kwan	14 September 2016	26 April 2019	Lead Independent Director	Chairman of NC, Member of ARMC and RC	Present directorship or chairmanship Karin Technology Holdings Limited Past directorship or chairmanship None
James Kho Chung Wah	14 September 2016	25 April 2017 (to be re-elected at the forthcoming AGM)	Independent Director	Chairman of ARMC, Member of NC and RC	Present directorship or chairmanship 1. Pollux Properties Ltd. 2. Rich Capital Holdings Limited Past directorship or chairmanship 1. Serrano Limited (Resigned on 16 January 2018) 2. China Environment Ltd. (Resigned on 28 December 2018)
Ahmad Subri Bin Abdullah	10 December 2018	26 April 2019	Independent Director	Chairman of RC, Member of ARMC and NC	Present directorship or chairmanship VSTECS Berhad (formerly known as ECS ICT Berhad) (Listed on Bursa Malaysia) Past directorship or chairmanship None

CORPORATE GOVERNANCE **STATEMENT**

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

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

The review of the performance of the Board and the Board Committees is conducted by the NC annually. For FY2019, each Director completed a form on the assessment of the effectiveness of the Board as a whole. The said assessment also included questions related to contributions by Directors, the effectiveness of the Board Committees and contribution by the Chairman. The results of the evaluation process will be used by the NC, in consultation with the Chairman, to effect continuing improvements on Board processes. For FY2019, 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 FY2019.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

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

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

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 shareholder value. The recommendations should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;

- to review the proportion of such remuneration that should be linked to performance of the Company as well as individual incumbent; and

- to administer the SBI Offshore Employee Share Option Scheme till its expiry on 27 September 2019, the SBI Offshore Performance Share Plan, and/or any other long-term incentive scheme.

No Director will be involved in determining his own remuneration. The RC may obtain independent external legal and other professional advice as mentioned above, as it deems necessary on the Company's remuneration matters. Expenses of such advice shall be borne by the Company. No remuneration consultants were engaged by the Company in FY2019. The RC reviews the Company's obligations arising from termination of contracts of service of Executive Director and key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with the aim to be fair and avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

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

The Independent Directors do not have any service agreements with the Company, but they will receive a formal appointment letter. They are paid Directors' fees, which are determined by the Board, appropriate to the level of their contribution and attendance at meetings, taking into account factors such as the effort and time spent and the responsibilities of the Independent Directors. The Independent Directors are not over-compensated to the extent that their independence may be compromised. The Directors' fees are endorsed by the RC and recommended by the Board for shareholders' approval at the AGM. Directors' fees of S$130,000 for the financial year ended 31 December 2019 (to be paid quarterly in arrears) had been approved by shareholders at the AGM of the Company held on 26 April 2019. Directors' fees of S$120,000 for the financial year ending 31 December 2020 (to be paid quarterly in arrears) have been recommended by the Board and will be subject to the approval of shareholders at the forthcoming AGM. This allows the Company to better manage its cash flow and have a positive view of fees payable to Independent Directors for services rendered especially where a Director resigns during the year. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company.

The Company had entered into a service agreement with Mr Mirzan on 30 November 2017 for a period of five (5) years. The service agreement shall be automatically renewed annually after the end of the fifth year for such annual period thereafter unless otherwise agreed in writing between the Company and Mr Mirzan.

CORPORATE GOVERNANCE **STATEMENT**

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

The remuneration system of the Group is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Director owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

All revisions to the remuneration packages for Directors and key management personnel are subject to the review and approval of the Board. No Director is involved in deciding his own remuneration package.

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The remuneration packages of Directors and key management personnel of the Group for FY2019 are as follows:

	Salary* %	Bonus* %	Directors' Fee %	Total %
Directors				
S$250,000 – S$500,000				
Mirzan Bin Mahathir	100	–	–	100
Below S$250,000				
Lawrence Kwan	–	–	100	100
James Kho Chung Wah	–	–	100	100
Ahmad Subri Bin Abdullah	–	–	100	100
Key Management Personnel				
Below S$250,000				
Mark Leong Kei Wei	100	–	–	100
Chong Wan Ling(1)	100	–	–	100
Goh Yvonne(2)	100	–	–	100

* Employer's Central Provident Fund Contributions ("**CPF**") have not been included in the above table.

Notes:
(1) Ms Chong Wan Ling was appointed on 23 January 2019.
(2) Ms Goh Yvonne resigned on 12 February 2020.

CORPORATE GOVERNANCE **STATEMENT**

As at the end of FY2019, the Company has three (3) key management personnel (who is not the Director or CEO of the Company). Ms Chong Wan Ling was appointed as the CFO on 23 January 2019, and her remuneration (presented in the table above) has been pro-rated according to her date of appointment.

Save for Mr Mirzan who is a substantial shareholder of the Company, there were no employees who are substantial shareholders of the Company, or were immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during FY2019.

Other than the CPF, there were no termination, retirement, and post-employment benefits granted to the Directors and the key management personnel in FY2019.

Save as disclosed above, the Code recommends that:

(a) the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis; and
(b) the Company should disclose in aggregate the total remuneration paid to the top five (5) key management personnel (who are not Directors or the CEO).

The Board has decided not to disclose the aforementioned details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interest. The total remuneration of the top three (3) key management personnel (who are not Directors or the CEO) was not disclosed to prevent poaching of key management personnel. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

Employee share option scheme

The SBI Offshore Employee Share Option Scheme (the "**ESOS**") was established on 28 September 2009. The RC administers the ESOS based on the rules of the ESOS, and determines participation eligibility, option offers and share allocation and attends to matters that may be required in connection with the ESOS. The ESOS had lapsed and expired on 27 September 2019. The Board currently has no intention to adopt a new ESOS.

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

Name of participant	Options granted in FY2019	Aggregate options granted since commencement of the ESOS to the end of FY2019	Aggregate options lapsed since commencement of the ESOS to the end of FY2019	Aggregate options outstanding as at end of FY2019
Chan Lai Thong[(1)]	Nil	10,000,000	2,000,000	8,000,000

Note:
(1) Mr Chan Lai Thong is a former Executive Director and Chief Executive Officer of the Company. He ceased to be Chief Executive Officer with effect from 16 August 2017 and resigned as Executive Director with effect from 31 August 2017.

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

Performance share plan

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

From the commencement of the PSP to 31 December 2019, awards comprising an aggregate of 10,000,000 shares have been granted. During FY2014, 10,000,000 performance shares granted to Mr Chan Lai Thong were vested upon achievement of certain performance targets over the performance period.

CORPORATE GOVERNANCE **STATEMENT**

No share award was granted under the PSP in FY2019.

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

Name of participant	Awards granted during FY2019	Aggregate awards granted since commencement of PSP to the end of FY2019	Aggregate awards vested since commencement of PSP to the end of FY2019	Aggregate awards outstanding as at end of FY2019
Chan Lai Thong	Nil	10,000,000	10,000,000	Ni

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

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

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

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, the Board, with the concurrence of the ARMC, is of the opinion that the system of risk management and internal controls maintained by the Management in FY2019 was effective and adequate to meet the needs of the Group in its current business environment and taking into account the Cash Company status of the Company in FY2019. The system of risk management and internal controls provide reasonable, but not absolute assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of business risk. The Board, however, recognises that no cost effective system of internal controls could preclude all errors and irregularities. The internal control system is designed to manage rather than eliminate all risk of failure to achieve business objectives.

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

Based on the system of risk management, and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board and its various Board Committees, the Board is satisfied that the Group's risk management and internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective in FY2019. The ARMC concurred with the Board's comments on the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

For the financial year under review, (i) written assurance was received from the Chairman and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) written assurance was received from the Chairman, the CFO, and the COO that the Company's risk management and internal control systems are adequate and effective.

CORPORATE GOVERNANCE **STATEMENT**

AUDIT AND RISK MANAGEMENT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

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

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

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

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

- review the overall scope of examination of the external auditors, the audit plan and their evaluation of the Group's system of risk management, compliance and internal controls;
- review the co-operation given by Management to the external auditors and internal auditors, and discuss problems and concerns, if any, arising from the interim and final audits;
- review the independence and objectivity of the external auditors annually, recommend the appointment of the external auditors and their level of audit fees and terms of engagement;
- assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to risk management of the Group and each of its subsidiaries;
- evaluate and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and effectiveness of the internal audit function to ensure effective and adequate risk management and internal controls are in place;
- review the Group's half-year and full-year results announcements prior to its recommendations to the Board for approval;
- review interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules;
- assist the Board to review and consider sustainability strategies and sustainability reporting to support sustainable growth of the business; and
- review arrangements by which staff of the Company, may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

During FY2019, the ARMC performed the activities set out in the terms of reference. 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, in order to perform its duties.

CORPORATE GOVERNANCE **STATEMENT**

The ARMC had met with the external auditors without the presence of Management in FY2019 to discuss matters that may not have been specifically addressed in the formal part of the meeting and allows the external auditors to provide comments, often confidential, to the ARMC. The ARMC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The ARMC is authorised by the Board, and at the expense of the Company, to obtain external legal or other independent professional advice, and to secure the attendance of outsiders with relevant experience and expertise when necessary. The ARMC has reasonable resources to enable it to discharge its functions properly.

Annually, the ARMC will conduct a review on the scope and quality of the audits, and the independence and objectivity of the external auditors, as well as the non-audit fees paid to them. There was non-audit services provided by external auditors. The ARMC is satisfied that the external auditors, Messrs BDO LLP ("**External Auditors**") is able to meet the audit requirements and statutory obligation of the Company. Details of the audit and non-audit fees are set out on page 73 of this Annual Report. The aggregate amount of fees paid or payable by the Group to the External Auditors for FY2019 amounted to US$51,000 for audit services and US$4,000 for non-audit services. The ARMC has undertaken a review of all non-audit services provided by the External Auditors and they would not, in the opinion of the ARMC, affect the independence and objectivity of the External Auditors. The ARMC has recommended to the Board, the re-appointment of Messrs BDO LLP as the External Auditors at the forthcoming AGM. The Company confirms that Rule 712 of the Catalist Rules have been complied with.

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

The ARMC reviewed all audit findings and recommendations presented by the External Auditors. Significant issues were discussed during the meetings in FY2019. The key audit matters presented by the External Auditors were reviewed by the ARMC. The ARMC received updates on changes in accounting standards from the External Auditors periodically. During FY2019, the ARMC was updated on the key changes to the accounting and financial reporting standards by the External Auditors. The ARMC members have expertise, experience and are members of relevant professional organisations to keep them abreast of changes in accounting standards, Catalist Rules and other regulations which could have impact on the Group's business and financial statements. While there may be issues which have a direct impact on financial statements, the ARMC will meet together, whenever possible, to inquire on the subject matter, challenge information and be professionally sceptical.

As the Company is a Cash Company, it does not have an in-house internal audit function and has not appointed an internal auditor for FY2019. The Board has determined that this function will be determined only upon completion of the Proposed Acquisition, or as and when the Board deems appropriate.

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

CORPORATE GOVERNANCE **STATEMENT**

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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

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

The Constitution of the Company allows shareholders of the Company the right to appoint two (2) proxies to attend and vote on their behalf at the shareholders' meetings. The Company's Constitution currently does not have any provision to allow for absentia voting at shareholders' meetings. As the authentication of shareholder's identity information and other related security issues remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, e-mail or fax.

Annual reports and circulars, including the notices of meetings are dispatched to all shareholders. The Board regards the shareholders' meetings as the main forum where dialogue with shareholders can be effectively conducted. The Board and members of the Board Committees, including the respective chairpersons, will be present at shareholders' meetings to answer questions from shareholders. The Management and the External Auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. Shareholders are encouraged to attend the shareholders' meetings to ensure a high level of accountability and to stay informed of the Company's strategy and goals. The Company had adopted poll voting for its shareholders' meetings and the percentages of votes voted in favour and against each resolution will be announced via SGXNet after the general meetings on the same day. All minutes of the shareholders' meetings will be made available to shareholders upon their request after the general meeting. The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable.

The Company ensures that there are separate resolutions at shareholders' meetings on each distinct issue. In FY2019, all Directors attended the AGM of the Company held on 26 April 2019 ("**2019 AGM**"). Save for the 2019 AGM, there was no other general meetings held in FY2019.

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 FY2019 as the Company intends to conserve its cash for the Proposed Acquisition.

CORPORATE GOVERNANCE **STATEMENT**

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

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

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The stakeholders have been identified as those who are impacted by the Group's business and operations, and those who are able to impact the Group's business and operations. The stakeholders have been identified through an assessment of their significance to the Group's operations. They are namely suppliers, employees, investors and regulators.

The Company is committed to engage in regular and effective communication with its stakeholders and ensures that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to sustain business operations for long-term growth.

Contacts with the Company can be made through the contact details listed on the Company's website at http://www.sbioffshore.com.

CORPORATE GOVERNANCE **STATEMENT**

DEALINGS IN SECURITIES

The Group has adopted an internal code of conduct to provide guidance to the Company, its officers including Directors, management staff and employees (collectively, "**Officers**") with regard to dealings in the Company's securities. The Code prohibits dealing in the Company's securities by the Company and the Officers of the Group while in possession of unpublished price-sensitive information. The Company and the Officers of the Group should not deal in the Company's securities on short-term considerations and during the period commencing one (1) month before the announcement of the Group's half-year and full-year results and ending on the date of the announcement of the relevant results. The Officers of the Group are also required to adhere to any other relevant regulations with regard to their securities transactions.

INTERESTED PERSON TRANSACTIONS ("IPT")

All IPTs are properly documented and reported periodically to the ARMC for 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 mandate from shareholders for IPTs pursuant to Rule 920 of the Catalist Rules.

There were no IPTs transacted during FY2019.

MATERIAL CONTRACTS

Save for the service agreement entered into between the Executive Non-Independent Chairman and the Company, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interest of the controlling shareholder or any Director, which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2018.

NON-SPONSORSHIP FEES

The Continuing Sponsor of the Company is ZICO Capital Pte. Ltd. ("**ZICO Capital**").

With reference to Rule 1204(21) of the Catalist Rules, there were non-sponsorship fees of S$140,000 paid to ZICO Capital in FY2019, whereby ZICO Capital acted as the Financial Adviser to the Company in respect of the Proposed Acquisition.

USE OF PROCEEDS

In October 2014, the Company issued 62 million new ordinary shares via share placements to four investors at an issue price of S$0.2605 per share, raising net proceeds of approximately S$16.1 million (equivalent to US$12.8 million) ("**Net Proceeds**").

The Company had, on 20 June 2019, announced the executive summary of the report from KordaMentha Pte Ltd ("**KordaMentha**"), the independent reviewer appointed by the Company to undertake a review of the matter(s) that may have given rise to the write-off of approximately RMB17.3 million payable by Jiangyin SBI Offshore Equipment Co., Ltd. to the Company ("**Announcement**").

CORPORATE GOVERNANCE **STATEMENT**

Pursuant to the recommendations of KordaMentha as set out in paragraphs 2.3 and 3.5 of the Announcement, the Company had, on 25 November 2019 announced that it has reviewed its past payments made out of the Net Proceeds and prepared a summary of the revised use of Net Proceeds. Accordingly, the Company has reallocated S$7.89 million of the Net Proceeds from "funding of new market expansion, new business development plans and new projects" to "working capital and funding for existing projects".

As at the date of this Annual Report, the use of the net proceeds from the issuance of placement shares was as follows:

Purpose	Re-allocation of Net Proceeds (as disclosed in the announcement dated 25 November 2019) S$'000	Net Proceeds utilised as at 31 January 2020 (as announced on 26 February 2020) S$'000	Net Proceeds utilised from 1 February 2020 to 29 February 2020 S$'000	Balance of Net Proceeds as at 29 February 2020 S$'000
1) New market expansion, new business development plans and new projects	3,416	2,879	–	537
2) Working capital and funding for existing projects	12,735	9,999	–	2,736
Total	16,151	12,878	–	3,273[1]

Note:
(1) An amount of approximately S$3,264,000 of the Net Proceeds was placed in escrow accounts maintained with CIMB Bank Berhad Singapore Branch and CIMB Bank Berhad Shanghai Branch.

The above utilisation is in line with the intended uses of the net proceeds stated in the Company's announcement dated 25 November 2019.

CORPORATE GOVERNANCE **STATEMENT**

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

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr Mirzan Bin Mahathir and Mr James Kho Chung Wah, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	**Mr Mirzan Bin Mahathir ("Mr Mirzan")**	**Mr James Kho Chung Wah ("Mr James Kho")**
Date of appointment	29 October 2014	14 September 2016
Date of last re-appointment (if applicable)	25 April 2017	25 April 2017
Age	62	44
Country of principal residence	Malaysia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Mirzan as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Mirzan's qualifications, skills, expertise, past experiences and overall contribution to the Company.	The re-election of Mr James Kho as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr James Kho's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Mirzan leads the Board on all aspects as Chairman of the Board, and is responsible for the overall management and operations of the Group, the strategic planning and development of the Group's business.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Non-Independent Chairman	Independent Non-Executive Director, Chairman of the Audit and Risk Management Committee, and a member of the Nominating Committee and the Remuneration Committee.
Professional qualifications	– Master of Business Administration	– Bachelor of Business (Second Upper Honours), majoring in financial analysis with a minor in applied economics – CFA Charterholder
Working experience and occupation(s) during the past 10 years	October 2007 – Present Chairman of Crescent Capital Sdn Bhd	2018-Present Chief Executive Officer of Willan Capital Pte Ltd 2017-2018 Executive Director of Taiyo Asset Management Pte. Ltd. 2013-2017 Managing Director of Willan Capital Pte Ltd 2014-2016 Executive Director of Pacific Star (Greater China) Pte Ltd 2010-2013 Senior Vice President of Maybank Kim Eng Corporate Finance Pte Ltd

CORPORATE GOVERNANCE **STATEMENT**

	Mr Mirzan	**Mr James Kho**
Shareholding interest in the listed issuer and its subsidiaries	Mr Mirzan is deemed interested in the 46,736,000 shares of the Company held by CE Ventures Offshore Ltd ("**CE Ventures**") by virtue of his shareholding in CE Ventures.	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Mirzan is a substantial shareholder of the Company.	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)		
Past (for the last 5 years)	**Past Directorships:** Please refer to Table A on page 39 of this Annual Report	**Past Directorships:** Please refer to Table C on page 40 of this Annual Report
Present	**Present Directorships:** Please refer to Table B on pages 39 to 40 of this Annual Report	**Present Directorships:** Please refer to Table D on page 40 of this Annual Report
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE STATEMENT

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

CORPORATE GOVERNANCE **STATEMENT**

	Mr Mirzan	Mr James Kho
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Yes On 25 May 2018, the Company engaged an independent reviewer to undertake a review of the matters that have given rise to the unauthorised write-off of RMB17.3 million payable by Jiangyin SBI Offshore Equipment Co., Ltd. ("**JSBI**") to the Company. The Company has received the report from the independent reviewer on 20 June 2019. Follow up actions on the independent review have been taken. Please refer to the Company's announcement dated 25 November 2019.	Yes On 25 May 2018, the Company engaged an independent reviewer to undertake a review of the matters that have given rise to the unauthorised write-off of RMB17.3 million payable by JSBI to the Company. The Company has received the report from the independent reviewer on 20 June 2019. Follow up actions on the independent review have been taken. Please refer to the Company's announcement dated 25 November 2019.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

CORPORATE GOVERNANCE **STATEMENT**

	Mr Mirzan	Mr James Kho
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Yes **SBI Offshore Limited** On 21 March 2019, the Company announced that, in consultation with the Company's sponsor and the Singapore Exchange Regulation ("**SGX RegCo**"), the Board has appointed RSM Corporate Advisory Pte. Ltd. as the special auditor (the "**Special Auditor**") to investigate into, among others, the following: a) background and circumstances which led to the acquisition and the subsequent disposal of the leasehold property and related land lease prepayment (the "**Property**") held by JSBI; b) whether the disposal price of the Property was marked to comparable market transactions at the time of disposal; c) facts and circumstances that could explain for the significant drop in value of the Property given the difference in valuation prices ascribed by Suzhou Welsen Assets Appraisal Co., Ltd ("**Suzhou Welsen**") in its report of 2017 vis-à-vis the past valuation reports issued by Wuxi Dsinfo Real Estate & Land Appraisal Consulting Co., Ltd ("**Wuxi Dsinfo**"); d) background checks on the reputation and track records of Suzhou Welsen and Wuxi Dsinfo; e) chronology of events, facts and circumstances surrounding: (i) the appointment of Suzhou Welsen; (ii) the negotiation of the disposal of the Property; and (iii) the scope of due diligence performed on the purchaser and the disposal of the Property;	Yes **SBI Offshore Limited** On 21 March 2019, the Company announced that, in consultation with the Company's sponsor and the SGX RegCo, the Board has appointed RSM Corporate Advisory Pte. Ltd. as the Special Auditor to investigate into, among others, the following: a) background and circumstances which led to the acquisition and the subsequent disposal of the Property; b) whether the disposal price of the Property was marked to comparable market transactions at the time of disposal; c) facts and circumstances that could explain for the significant drop in value of the Property given the difference in valuation prices ascribed by Suzhou Welsen in its report of 2017 vis-à-vis the past valuation reports issued by Wuxi Dsinfo; d) background checks on the reputation and track records of Suzhou Welsen and Wuxi Dsinfo; e) chronology of events, facts and circumstances surrounding: (i) the appointment of Suzhou Welsen; (ii) the negotiation of the disposal of the Property; and (iii) the scope of due diligence performed on the purchaser and the disposal of the Property;

CORPORATE GOVERNANCE **STATEMENT**

	Mr Mirzan	Mr James Kho
	f) review of the Company's internal processes relating to: (i) the appointment of professional advisors; and (ii) the acquisitions and disposals, and make recommendations on improvements to any control lapses identified; and g) whether there is any potential breach of listing rules, laws or regulations governing the Company and its personnel. **("Special Audit")** Mr Mirzan is assisting in answering questions relating to the Special Audit. The Special Audit is still ongoing and has not been concluded. **Konsortium Perkapalan Berhad ("Konsortium")** The Malaysian Securities Commission ("**SC**") compounded a fine of RM100,000.00 for an offence committed under Section 32(6) of Securities Commission Act 1993 for breach of conditions under the proposed use of proceeds from a private placement exercise undertaken by Konsortium in December 2000. The fine was imposed on him as the Executive Chairman of Konsortium as he had approved the utilisation of funds (for repayment of debt facilities and interest payment) which was not in accordance with SC's approval.	f) review of the Company's internal processes relating to: (i) the appointment of professional advisors; and (ii) the acquisitions and disposals, and make recommendations on improvements to any control lapses identified; and g) whether there is any potential breach of listing rules, laws or regulations governing the Company and its personnel. Mr James Kho is assisting in answering questions relating to the Special Audit. The Special Audit is still ongoing and has not been concluded. **Rich Capital Holdings Limited ("RCH")** RCH on 14 August 2019 announced the appointment of Provenance Capital Pte. Ltd. as the independent reviewer to carry out independent review relating to: (i) tender and award of S$125 million to Rich-Link Construction Pte. Ltd. ("**RLC**"), adherence to guidelines and review of procedures to RCH's mandated interested person transactions; (ii) advance payment to RLC; (iii) matters relating to proposed acquisition of 100% of issued shares of RLC and Rich-Link Builders Pte. Ltd.; and (iv) the cessation of Mr Kuek Tee Meng, a former Executive Director of RCH. **("Independent Review")** Mr James Kho is assisting in answering questions relating to the Independent Review which is still ongoing and has not been concluded.

CORPORATE GOVERNANCE **STATEMENT**

	Mr Mirzan	Mr James Kho
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable. This is in relation to the re-appointment of a Director.	Not applicable. This is in relation to the re-appointment of a Director.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. This is in relation to the re-appointment of a Director.	Not applicable. This is in relation to the re-appointment of a Director.

CORPORATE GOVERNANCE **STATEMENT**

Table A:
Mr Mirzan – Details of the Past Directorships (for the last 5 years)

1. Asian Strategy & Leadership Incorporated Sdn Bhd
2. Bamberg Company Ltd
3. Crescent Energy Investments Pte. Ltd.
4. Crescent Energy Pte. Ltd.
5. Cuddalore Port Company Pte Ltd
6. Chersonese Gas Sdn Bhd
7. Chersonese Terminal Operations Sdn Bhd
8. Gets Global Berhad
9. Hydrogen Agency Sdn Bhd
10. Hydrogen Oil & Gas Sdn Bhd
11. Icognitive Central Sdn Bhd
12. Ingerson Company Ltd
13. Kakinada Seaports Ltd
14. Lacertus International Co Ltd
15. Libertas Co Ltd
16. Peninsular Commodities Trade Pte. Ltd.
17. Penta Energy Sdn Bhd
18. Profina Company Ltd
19. Quest Ventures Ltd
20. Samudra Maritime Co Pte Ltd
21. Solid Maple Sdn Bhd
22. Tropical Dimension Sdn Bhd
23. Utara Ventures FZE

Table B:
Mr Mirzan – Details of the Present Directorships

1. Aurora Italia International Berhad
2. Betamek Electronics (M) Sdn Bhd
3. Betamek Sales & Services Sdn Bhd
4. BMM Energy Sdn Bhd
5. Capetronic Consumer USA (HK) Ltd
6. CE Ventures Offshore Ltd
7. CE Ventures Pte. Ltd.
8. Chersonese Oil Sdn Bhd
9. Crescent Capital Resources Sdn Bhd
10. Crescent Capital Sdn Bhd
11. Crescent Energy Holdings Pte. Ltd.
12. Crescent Energy Ltd
13. Crescent Energy Sdn Bhd
14. Equinox Properties Sdn Bhd
15. Iskandar Holdings Sdn Bhd
16. Jesselton Company Ltd
17. Jiangyin SBI Offshore Equipment Co., Ltd.
18. Luhaifeng Holdings (M) Sdn Bhd
19. M Ocean Capital Sdn Bhd

CORPORATE GOVERNANCE **STATEMENT**

20. M Ocean Holdings Sdn Bhd
21. Maharizan Sdn Bhd
22. Maple Icon Sdn Bhd
23. OOKM Holdings Ltd
24. Opcom Cables Sdn Bhd
25. Pelana Suasa Sdn Bhd
26. Petron Corporation
27. QuestInvest Ltd
28. Sabit Sdn Bhd
29. Solar Energy Investments Pte. Ltd.
30. Souqa Fintech Sdn Bhd
31. Stenta Films (M) Sdn Bhd
32. Strategem Pte. Ltd.
33. Strategem Sdn Bhd
34. Suasa Migas Sdn Bhd
35. Utara Capital Ltd

Table C:
Mr James Kho – Details of the Past Directorships (for the last 5 years)

1. Ariva Investment Management Pte. Ltd.
2. China Environment Ltd.
3. Eminence Investment Pte. Ltd.
4. Fifth Avenue Group Pte. Ltd.
5. Fu Er Teng Shanxi Business Advisory Ltd
6. Intuition Solutions Pte. Ltd.
7. LY Resources Pte. Ltd.
8. Pacific Star (Greater China) Pte. Ltd.
9. Serrano Limited
10. Taiyo Asset Management Pte. Ltd.
11. XDL Resources Pte. Ltd.

Table D:
Mr James Kho – Details of the Present Directorships

1. Century Strategic Management Pte. Ltd.
2. D&R International Capital Limited
3. MIB Investments Private Limited
4. Platinum Project Consultancy Pte. Ltd.
5. Pollux Properties Ltd.
6. Rich Capital Holdings Limited
7. Sunshine Investments Pte Ltd
8. Willan (Tianjin) Asset Management Ltd
9. Willan (Tianjin) Business Advisory Ltd
10. Willan Capital Pte. Ltd.
11. Willan Consultants Pte. Ltd.

DIRECTORS' STATEMENT

The Directors of SBI Offshore Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Mirzan Bin Mahathir
Lawrence Kwan
James Kho Chung Wah
Ahmad Subri Bin Abdullah

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.

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 in which Director is deemed to have an interest	
	At beginning of year	At end of year
Company:		
Mirzan Bin Mahathir[1]	46,736,000	46,736,000

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interest as at 21 January 2020 in the shares of the Company have not changed from those disclosed as at 31 December 2019.

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 maximum period of the ESOS is 10 years, and has accordingly expired in September 2019.

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

The ESOS and PSP are administered by the Remuneration Committee (the "RC"), comprising Mr. Ahmad Subri Bin Abdullah, Chairman of the RC, Mr. James Kho Chung Wah and Mr. Lawrence Kwan.

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

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

ESOS

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

DIRECTORS' STATEMENT

5. SHARE OPTIONS AND PERFORMANCE SHARES (CONTINUED)

ESOS (Continued)

(a) Options granted

Options granted on 8 January 2013

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

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

(b) Unissued shares under options

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

Date of grant	At beginning of year	Forfeited	Exercised during the year	At end of year	Exercise price S$	Exercise period
8.1.2013	8,000,000	–	–	8,000,000	0.10	8.1.2014 to 8.1.2023

(c) Options termination

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

There was no option being exercised during the financial year.

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

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

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.

DIRECTORS' **STATEMENT**

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 and subsidiary holdings) on the day preceding the grant date.

The following additional limits must not be exceeded:

(i) The aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under PSP; and

(ii) The number of shares available to each controlling shareholder of his associate must not exceed 10% of the shares available under PSP.

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

DIRECTORS' **STATEMENT**

5. **SHARE OPTIONS AND PERFORMANCE SHARES** (CONTINUED)

PSP (Continued)

(c) Duration

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

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

From the commencement of the PSP to 31 December 2019, awards comprising an aggregate of 10,000,000 shares have been granted. In 2014, 10,000,000 performance shares granted to Mr. Chan Lai Thong were vested upon achievement of certain performance targets over the performance period.

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

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

6. **AUDIT AND RISK MANAGEMENT COMMITTEE**

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

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

The ARMC performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance 2018. In performing its functions, the ARMC reviewed the audit plans and the overall scope of examination by the external auditor of the Company. The ARMC also reviewed the independence of the external auditor of the Company and the nature and extent of the non-audit services provided by the external auditor.

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

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

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

DIRECTORS' **STATEMENT**

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Mirzan Bin Mahathir Director	**James Kho Chung Wah** Director

Singapore
9 April 2020

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SBI Offshore Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 52 to 106 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

1	**Liabilities and potential claims in connection with PwC's review of the acquisition and disposal of an associate – Jiangyin Neptune Marine Appliance Co., Ltd ("NPT Transactions")**

Key Audit Matter

In connection with the review of the NPT Transactions by PricewaterhouseCoopers Advisory Services Pte. Ltd. ("PwC") and the release of PwC's findings in the financial year ended 31 December 2016, Mr. Tan Woo Thian ("Mr. Tan") had commenced legal proceedings against PwC in the High Court of Singapore (the "Suit"). Under the terms of engagement between the Company and PwC, the Company would be liable for any costs incurred by PwC in the event that third parties commenced proceedings against PwC in relation to the services it rendered to the Company.

On 20 August 2019, the Company announced that it has received an Originating Summons filed by PwC in the High Court of the Republic of Singapore against the Company. In the Originating Summons, the Company has been ordered to reimburse PwC all legal costs and disbursements incurred by PwC in relation to the legal proceedings filed by Mr. Tan against PwC and the Originating Summons.

As at 31 December 2019, the Company had recognised liabilities of US$701,000 in relation to costs incurred by PwC in defending itself in the Suit.

As at the date of these financial statements, the closing submission for the trial between Mr. Tan and PwC has been postponed beyond 4 May 2020 with dates to be determined. According to the Company's legal advisor's correspondence with Rajah & Tann Singapore LLP ("R&T"), it is premature to ascertain if there are further claims for the period subsequent to 31 December 2019 until the Suit is concluded.

We have determined this to be a key audit matter as the claims are of financial significance to the Group during the financial year.

Related Disclosures

Refer to Note 18 and Note 28 to the financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Examined supporting documents, including the terms of engagement between the Company and PwC, provided by management and held discussions with the Board, management and legal advisor to understand the facts and circumstances surrounding the Suit and the PwC claims;
- Assessed the appropriateness of the liabilities recognised in relation to the Suit;
- Obtained external legal confirmations directly from the Company's legal advisors; and
- Assessed the adequacy of the related disclosure notes to the financial statements in relation to the Suit and the PwC claims.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Emphasis of Matters

We draw your attention to Note 29 and Note 30 to the financial statements to the following matters, respectively:–

(i) The Board of Directors announced that the Company had, on 20 June 2019, received a report from KordaMentha Pte Ltd on the independent review relating to the unauthorised write-off of RMB17.3 million payables by Jiangyin SBI Offshore Equipment Co., Ltd. to the Company in 2015 and summary of findings of the independent review. The Company is undergoing follow up review by the Singapore Exchange Regulation Pte Ltd ("SGX RegCo") in relation to the findings highlighted in the independent review report.

(ii) The Company received a Notice of Compliance dated 21 December 2018 (the "Notice") from the SGX RegCo and a special auditor was appointed on 21 March 2019 to investigate several matters in relation to the disposal of the leasehold property and related land lease prepayment held by a China subsidiary.

As of the date of these financial statements, the follow up review by SGX RegCo and the special audit are ongoing and have not been concluded.

Our opinion is not modified in respect of these matters.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- 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 the subsidiary corporation 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
9 April 2020

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019	2018
		US$'000	US$'000
Revenue	4	7	22
Cost of sales		(4)	(14)
Gross profit		3	8
Other items of income			
Interest income		168	250
Other income	5	199	239
Other items of expense			
Administrative expenses		(2,052)	(1,593)
(Loss allowance)/reversal of loss allowance on other receivables		(160)	5
Other expenses		(52)	(304)
Loss before income tax	6	(1,894)	(1,395)
Income tax expense	7	–	–
Loss for the financial year		(1,894)	(1,395)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations, net of tax		14	55
Total comprehensive income for the financial year		(1,880)	(1,340)
Loss attributable to:			
Owners of the parent		(1,894)	(1,395)
Non-controlling interests		–	–
		(1,894)	(1,395)
Total comprehensive income attributable to:			
Owners of the parent		(1,880)	(1,340)
Non-controlling interests		–	–
		(1,880)	(1,340)
Loss per share (US cents)	8		
– Basic		(0.76)	(0.56)
– Diluted		(0.76)	(0.56)

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current assets					
Plant and equipment	9	**11**	1	**11**	–
Intangible assets	10	**1**	5	**1**	5
Investments in subsidiaries	11	**–**	–	**–**	–
Investment in a joint venture	12	**–**	–	**–**	–
Total non-current assets		**12**	6	**12**	5
Current assets					
Trade and other receivables	13	**148**	194	**2,806**	2,878
Cash and cash equivalents	14	**441**	15,725	**381**	12,627
Restricted deposits	15	**14,145**	–	**11,135**	–
Non-current assets held for sale	16	**–**	–	**–**	–
Total current assets		**14,734**	15,919	**14,322**	15,505
Total assets		**14,746**	15,925	**14,334**	15,510
Current liabilities					
Other payables	17	**348**	213	**340**	202
Provisions	18	**1,066**	500	**706**	135
Total current liabilities		**1,414**	713	**1,046**	337
Net current assets		**13,320**	15,206	**13,276**	15,168
Non-current liability					
Deferred tax liabilities	19	**4**	4	**4**	4
Net assets		**13,328**	15,208	**13,284**	15,169
Equity, reserves and non-controlling interests					
Share capital	20	**25,253**	25,253	**25,253**	25,253
Other reserves	21	**174**	174	**223**	223
Foreign currency translation reserve	23	**342**	328	**–**	–
Accumulated losses		**(12,441)**	(10,547)	**(12,192)**	(10,307)
Equity attributable to owners of the parent		**13,328**	15,208	**13,284**	15,169
Non-controlling interests		***–**	*–	**–**	–
Total equity		**13,328**	15,208	**13,284**	15,169

* Less than US$1,000

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US$'000	Share-based payment reserve US$'000	Equity non-controlling interests US$'000	Foreign currency translation reserve US$'000	Accumulated losses US$'000	Equity attributable to owners of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Group									
Balance at 1 January 2019		25,253	223	(49)	328	(10,547)	15,208	–	15,208
Total comprehensive income for the financial year									
Loss for the financial year		–	–	–	–	(1,894)	(1,894)	–	(1,894)
Other comprehensive income									
Exchange differences arising from translation of foreign operations		–	–	–	14	–	14	–	14
Total		–	–	–	14	(1,894)	(1,880)	–	(1,880)
Balance at 31 December 2019		25,253	223	(49)	342	(12,441)	13,328	–	13,328

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Company					
Balance at 1 January 2019		**25,253**	**223**	**(10,307)**	**15,169**
Loss for the financial year, representing total comprehensive income for the financial year		**–**	**–**	**(1,885)**	**(1,885)**
Balance at 31 December 2019		**25,253**	**223**	**(12,192)**	**13,284**
Balance at 1 January 2018		25,253	223	(8,793)	16,683
Loss for the financial year, representing total comprehensive income for the financial year		–	–	(1,514)	(1,514)
Balance at 31 December 2018		25,253	223	(10,307)	15,169

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Operating activities			
Loss before income tax		**(1,894)**	(1,395)
Adjustments for:			
Amortisation of intangible assets	10	**4**	12
Compensation income from a joint venturer	5	**(160)**	(100)
Depreciation of plant and equipment	9	**10**	5
Distribution received from a joint venture	5	**(10)**	–
Dividend received from a joint venture	5	**–**	(100)
Interest income		**(168)**	(250)
Loss allowance on other receivables	13	**160**	–
Loss on disposal of non-current assets held for sale	16	**–**	4
Reversal of loss allowance on other receivables	13	**–**	(5)
Reversal of overprovision of liabilities	5	**–**	(36)
Reversal of overprovision of reinstatement costs	5	**(21)**	–
Unrealised foreign exchange loss		**37**	276
Operating cash flows before working capital changes		**(2,042)**	(1,589)
Working capital changes:			
Trade and other receivables		**7**	(47)
Trade and other payables		**764**	112
Cash used in operations		**(1,271)**	(1,524)
Interest income		**168**	250
Net cash used in operating activities		**(1,103)**	(1,274)
Investing activities			
Compensation income from a joint venturer		**–**	100
Distribution received from a joint venture	5	**10**	–
Dividend received from a joint venture	5	**–**	100
Placement of restricted deposits		**(14,173)**	–
Proceeds from disposal of non-current assets held for sale	16	**–**	2,273
Purchase of plant and equipment		**(15)**	–
Reinstatement costs paid	18	**(4)**	–
Net cash (used in)/from investing activities		**(14,182)**	2,473
Financing activity			
Decrease in pledged fixed deposits		**17**	125
Net cash from financing activity		**17**	125
Net change in cash and cash equivalents		**(15,268)**	1,324
Cash and cash equivalents at beginning of financial year		**15,708**	14,580
Effect of foreign exchange rate changes on cash and cash equivalents		**1**	(196)
Cash and cash equivalents at end of financial year	14	**441**	15,708

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL CORPORATE INFORMATION

SBI Offshore Limited (the "Company") is a limited liability company incorporated and domiciled in the Republic of Singapore. The Company was admitted to the official list of Catalist under Singapore Exchange Securities Trading Limited ("SGX-ST") on 11 November 2009.

The Company's registered office address and principal place of business at 70 Ubi Crescent, #01-11 Ubi Techpark, Singapore 408570.

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 11 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 2019 were authorised for issue by the Board of Directors on 9 April 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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

The Group's revenue has decreased to US$7,000, recorded a loss before tax of US$1,894,000 and generated negative operating cash flows of US$1,103,000 for the financial year ended 31 December 2019, and that the Group has significantly reduced its business activities. In addition, as disclosed in Note 15 to the financial statements, the Company is deemed as a cash company as defined under Rule 1017 of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules") as the Company was unable to demonstrate that it currently has a viable business.

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

Management has considered that the Group can meet its debt obligations for the ensuing twelve months, based on cash flow forecasts which was prepared by management and approved by the Board. The cash flows were derived from the financial budget for the financial year ending 31 December 2020 where it indicates that the Group has sufficient cash and cash equivalents to support the Group's continuing operations, and pay its debts as and when they fall due. Management is also working towards to complete the proposed acquisition by 31 August 2020 as disclosed in Note 31 to the financial statements so as to demonstrate that the Company has a viable business.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

The preparation of financial statements in compliance with SFRS(I) requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group as appended below are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies.

SFRS(I) 16	:	Leases
SFRS(I) INT 23	:	Uncertainty over Income Tax Treatments

SFRS(I)s and Interpretations of SFRS(I) ("SFRS(I) INTs") issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INTs were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	:	Definition of Material	1 January 2020
SFRS(I) 3 (Amendments)	:	Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, and SFRS(I) 7 (Amendments)	:	Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17	:	Insurance Contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	:	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various amendments	:	References to the Conceptual Framework in SFRS(I) Standards, illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020

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

Management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INTs, if applicable, in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

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

Non-controlling interests

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Non-controlling interests (Continued)

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* are recognised at their fair values at the acquisition date.

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition

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

Sales of goods

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

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

Interest income

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

Dividend income

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

2.5 Employee benefits

Defined contribution plans

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

Employee leave entitlements

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Employee benefits (Continued)

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 Short-term leases

Rentals payable under operating leases (net of any incentives received from lessor) 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Taxes

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

Current income tax

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

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

Deferred tax

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

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

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Taxes (Continued)

Sales tax

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

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

- receivables and payables that are stated with the amount of sales tax included.

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

2.9 Foreign currency transactions and translation

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

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

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

(i) assets and liabilities are translated at the closing exchange rate at the end of financial year;

(ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Dividends

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

2.11 Plant and equipment

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

The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the 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 plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the 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 plant and equipment over their estimated useful lives as follows:

	Years
Computers	3
Furniture and fittings	3
Office equipment	3
Renovation	1 to 3

The carrying values of 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Intangible assets

Computer software

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

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

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

2.13 Joint venture

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

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

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

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

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

2.14 Impairment of non-financial assets

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets (Continued)

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

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

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

2.15 Financial instruments

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

Financial assets

Amortised cost

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and restricted deposits.

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.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Other payables

Other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Derecognition of financial liabilities

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Non-current assets held for sale

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

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

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

2.17 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 restricted deposits and fixed deposits pledged.

2.18 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.

2.19 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**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the accounting policies

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

(i) Impairment of investments in subsidiaries

The Company follows the guidance of SFRS(I) 1-36 *Impairment of Assets* in determining whether an investment is impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of investments is less than their carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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) Expected credit loss on financial assets measured at amortised cost

The Group assesses on forward-looking basis the expected credit losses ("ECLs") associated with its financial assets measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECLs are probability-weighted estimates of credit losses.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of debtor and default or significant delay in payments.

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

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

The carrying amounts of trade and other receivables are disclosed in Note 13 to the financial statements.

Loss allowance for other receivables

Management determines the expected loss arising from default for other receivables, by categorising them based on its historical loss pattern, historical payment profile, geographical risk as well as credit risk profile of customer.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

Other receivables from a subsidiary

Management determines whether there is a significant increase in credit risk of a subsidiary since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of the related companies. The risk of default is considered minimal as the subsidiary has sufficient liquid assets to repay their debts.

(ii) Provision for tax liabilities and penalties

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE

	Group	
	2019	**2018**
	US$'000	**US$'000**
Revenue from sale of goods recognised at point in time	**7**	22

5. OTHER INCOME

	Group	
	2019	**2018**
	US$'000	**US$'000**
Reversal of overprovision of liabilities	**–**	36
Reversal of overprovision of reinstatement costs	**21**	–
Compensation income from a joint venturer	**160**	100
Distribution received from a joint venture	**10**	–
Dividend received from a joint venture	**–**	100
Miscellaneous income	**8**	3
	199	239

6. LOSS BEFORE INCOME TAX

This is arrived at after charging the following:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Administrative expenses		
Audit fees		
– auditors of the Company	**51**	53
– other auditors	**4**	5
Non-audit fees		
– auditors of the Company	**4**	4
– other auditors	**–**	8
Directors' fees	**92**	80
Professional fees	**257**	309
Reimbursement of legal claims in relation to the Suit (Note 18)	**591**	–
Expenses for proposed acquisition	**241**	–
Short-term lease expenses	**46**	68
Transportation and travelling	**18**	11
Other expenses		
Amortisation of intangible assets	**4**	12
Depreciation of plant and equipment	**10**	5
Foreign exchange loss, net	**38**	283
Loss on disposal of non-current assets held for sale	**–**	4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. LOSS BEFORE INCOME TAX (CONTINUED)

The loss before income tax also includes the following:

	Group	
	2019	2018
	US$'000	US$'000
Employee benefits		
Salaries, bonuses and allowances	**571**	715
Defined contribution plans	**45**	41
Other employee benefits	**28**	46
	644	802

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

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

7. INCOME TAX EXPENSE

The Group and the Company have no income tax expense as it has no chargeable income for the financial year.

Domestic income tax is calculated at 17% (2018: 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% (2018: 17%) to loss before income tax as a result of the following differences:

	Group	
	2019	2018
	US$'000	US$'000
Loss before income tax	**(1,894)**	(1,395)
Income tax credit calculated using tax rate of 17% (2018: 17%)	**(322)**	(237)
Effect of different tax rate in other countries	**(1)**	(6)
Tax effect of non-allowable items	**178**	86
Tax effect of income not subject to tax	**(4)**	(23)
Unrecognised deferred tax assets	**149**	180
	–	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. INCOME TAX EXPENSE (CONTINUED)

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
At beginning of the year	**12,017**	8,934
Adjustments	**–**	(244)
Arising during the year	**861**	3,304
Expired during the year	**(590)**	–
Currency translation adjustment	**(117)**	23
At end of the year	**12,171**	12,017

	Group	
	2019	**2018**
	US$'000	**US$'000**
Deferred tax assets not recognised in respect of the above unutilised tax losses carry forward	**2,302**	2,332

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

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

The expiry for these unutilised tax losses are as follows:

	Group	
	2019	**2018**
	US$'000	**US$'000**
PRC		
Year		
2019	**–**	590
2020	**–**	–
2021	**216**	225
2022	**409**	425
2023	**2,273**	2,365
2024	**6**	–
	2,904	3,605

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. LOSS PER SHARE

Basic loss per share

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

Diluted loss per share

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

At the end of the reporting period, diluted loss per share is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share. Share options granted under the SBI Offshore Employee Share Option Scheme ("ESOS") (Note 22) have not been included in the calculation of diluted loss per share because they are anti-dilutive.

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
Loss attributable to the owners of the parent	**(1,894)**	(1,395)
	Number of shares	**Number of Shares**
Actual number of ordinary shares for basic and diluted loss per share ('000)	**249,680**	249,680
Basic loss per share (US cents)	**(0.76)**	(0.56)
Diluted loss per share (US cents)	**(0.76)**	(0.56)

NOTES TO THE **FINANCIAL STATEMENTS**

9. PLANT AND EQUIPMENT

	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Total US$'000
Group					
Cost					
Balance at 1 January 2019	67	19	22	216	324
Additions	1	–	2	17	20
Write-off	(29)	(9)	(9)	(211)	(258)
Balance at 31 December 2019	39	10	15	22	86
Accumulated depreciation					
Balance at 1 January 2019	67	19	21	216	323
Depreciation for the financial year	–	–	1	9	10
Write-off	(29)	(9)	(9)	(211)	(258)
Balance at 31 December 2019	38	10	13	14	75
Net carrying amount					
Balance at 31 December 2019	1	–	2	8	11

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. PLANT AND EQUIPMENT (CONTINUED)

	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Total US$'000
Company					
Cost					
Balance at 1 January 2019	62	19	20	214	315
Additions	1	–	2	17	20
Write-off	(29)	(9)	(7)	(211)	(256)
Balance at 31 December 2019	34	10	15	20	79
Accumulated depreciation					
Balance at 1 January 2019	62	19	20	214	315
Depreciation for the financial year	–	–	–	9	9
Write-off	(29)	(9)	(7)	(211)	(256)
Balance at 31 December 2019	33	10	13	12	68
Net carrying amount					
Balance at 31 December 2019	1	–	2	8	11

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INTANGIBLE ASSETS

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Computer software				
Cost				
Balance at beginning of financial year	**147**	147	**137**	137
Write-off	**(1)**	–	**(1)**	–
Balance at end of financial year	**146**	147	**136**	137
Accumulated amortisation				
Balance at beginning of financial year	**142**	130	**132**	120
Amortisation for the financial year	**4**	12	**4**	12
Write-off	**(1)**	–	**(1)**	–
Balance at end of financial year	**145**	142	**135**	132
Net carrying amount				
At end of financial year	**1**	5	**1**	5

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

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 US$'000	2018 US$'000
Unquoted equity shares, at cost	**6,001**	6,001
Allowance for impairment losses	**(6,001)**	(6,001)
	–	–

Movement in the allowance for impairment losses are as follows:

	Company	
	2019 US$'000	2018 US$'000
At beginning and end of financial year	**6,001**	6,001

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest and voting power held		Proportion of ownership interest held by non-controlling interests	
		2019 %	2018 %	2019 %	2018 %
Jiangyin SBI Offshore Equipment Co., Ltd.[1] (People's Republic of China)	Dormant	**100**	100	**–**	–
Solar Energy Investments Pte. Ltd.[2] (Singapore)	Dormant	**100**	100	**–**	–
PT Ness Indonesia Terang[3] (Indonesia)	Dormant	**80**	80	**20**	20

Notes:
(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 voluntary liquidation.

Significant restriction

As at 31 December 2019, cash and bank balances of US$45,000, equivalent to RMB313,000 (2018: US$3,078,000, equivalent to RMB21,176,000) and restricted deposits of US$3,010,000, equivalent to RMB21,002,000 (2018: US$Nil) held with a subsidiary in the PRC are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. INVESTMENT IN A JOINT VENTURE

	Company	
	2019	2018
	US$'000	US$'000
Equity shares, at cost	–	50
Allowance for impairment losses	–	(50)
	–	–

The details of the joint venture are as follows:

Name of joint venture (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group	
		2019	2018
		%	%
RBV Energy (Singapore) Pte. Ltd.[1] (Singapore)	Manufacture and supply of equipment for marine/offshore industry	–	50

Note:
(1) Dissolved by members' voluntary winding up on 23 July 2019.

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

During the financial year, the Company received a distribution of US$10,000 from the joint venture prior to the completion of its dissolution process. In the prior financial year, the Company received dividend income of US$100,000 from the joint venture in relation to the reinstatement of an one tier tax exempt final dividend for the financial year ended 31 December 2014.

The Company also recognised a compensation income of US$160,000 (2018: US$100,000) from the joint venturer, RBV Energy Limited in relation to manifold contracts that were transferred from the joint venture in the prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Trade receivables				
– third parties	**–**	15	**–**	15
Other receivables				
– third parties	**184**	97	**179**	80
– a subsidiary	**–**	–	**3,728**	3,766
– other recoverable	**22**	22	**–**	–
– rental and other deposits	**77**	38	**77**	38
– prepayments	**30**	27	**30**	27
	313	184	**4,014**	3,911
Loss allowance				
– third parties	**(165)**	(5)	**(160)**	–
– a subsidiary	**–**	–	**(1,048)**	(1,048)
Total trade and other receivables	**148**	194	**2,806**	2,878
Less:				
GST receivables	**(9)**	(14)	**(9)**	(14)
Other recoverable	**(22)**	(22)	**-**	-
Prepayments	**(30)**	(27)	**(30)**	(27)
Total trade and other receivables at amortised cost	**87**	131	**2,767**	2,837

Trade receivables were non-interest bearing and generally on 30 days credit terms.

The non-trade receivables due from a subsidiary are unsecured, non-interest bearing and repayable on demand.

Other receivables from a subsidiary

As at 31 December 2019, the net amount less allowance due from a China subsidiary, JSBI, to the Company amounted to US$2.68 million (2018: US$2.72 million) of which included an amount of RMB17.3 million (equivalent to US$2.48 million) (2018: US$2.51 million) that was written off in the audited 2015 financial statements of JSBI for the PRC statutory and tax filing purposes as disclosed in Note 29 to the financial statements.

As at 31 December 2019, the carrying amount of the amount due from JSBI of US$2.68 million (2018: US$2.72 million) is supported by cash and interest receivable of US$3.06 million (2018: US$3.09 million) held by JSBI in restricted deposits and cash and cash equivalents, less potential tax-related liabilities of US$0.36 million (2018: US$0.37 million) (Note 18).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group and Company	
	2019	**2018**
	US$'000	**US$'000**
By geographical areas		
Singapore	–	15

In the previous financial year, trade receivables due from third parties are considered to be of low credit risk. The lifetime ECL provisions for the Group's and the Company's trade receivables are not significant.

Movements in the loss allowance for other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
At 1 January	**5**	10	**1,048**	1,729
Allowances charged to profit or loss	**160**	–	**160**	288
Reversal	**–**	(5)	**–**	(1)
Written off	**–**	–	**–**	(968)
At 31 December	**165**	5	**1,208**	1,048

As at the end of the financial year, management carried out a review on the lifetime ECL assessment for the Group's and the Company's other receivables. The Group and the Company determine the ECL based on historical credit loss experience and past due status of the receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group and the Company concluded there has been significant increase in credit risk in one of the customers. The Group and the Company has recognised a loss allowance of US$160,000 (2018: US$Nil) in profit or loss subsequent to the assessment performed by the management on the net recoverable amount due from the third parties.

For other receivables from a subsidiary, the Board has taken into account information that is available internally about this subsidiary's past, current and expected operating performance and cash flow position. The Board monitors and assesses at each reporting date on any indicator of significant increase in credit risk on the amount due from a subsidiary, by considering its performance ratio and any default in external debts. The risk of default is considered to be minimal as the subsidiary has sufficient liquid assets and cash to repay their debts. In the previous financial year, the Company has recognised a loss allowance of US$288,000 in profit or loss subsequent to the assessment performed by the management on the net recoverable amount due from a subsidiary.

In the previous financial year, the Group and the Company made reversal of loss allowance amounting to US$5,000 and US$1,000 respectively due to recovery of balances from a third party and a subsidiary respectively.

In the previous financial year, loss allowance of US$968,000 has been written off by the Company as they are deemed irrecoverable from a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
United States dollar	**8**	69	**1,131**	1,191
Singapore dollar	**118**	91	**118**	91
Chinese renminbi	**22**	34	**1,557**	1,596
	148	194	**2,806**	2,878

14. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	**306**	831	**246**	713
Fixed deposits	**135**	14,894	**135**	11,914
	441	15,725	**381**	12,627
Fixed deposits pledged	**–**	(17)		
Cash and cash equivalents as per consolidated statement of cash flows	**441**	15,708		

Fixed deposits with financial institutions mature on varying periods within 1 month (2018: 12 months) from the end of the financial year with a weighted average interest rate of 1.35% (2018: 2.03%) per annum.

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

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
United States dollar	**25**	10,135	**16**	10,126
Singapore dollar	**379**	2,520	**365**	2,501
Chinese renminbi	**37**	3,070	**–**	–
	441	15,725	**381**	12,627

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. RESTRICTED DEPOSITS

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Restricted deposits	**14,145**	–	**11,135**	–

The Company became a cash company on 28 February 2019 and in compliance with Rule 1017(1)(a) of the Catalist Rules, the Company has placed 90% of its total cash as at 28 February 2019 in escrow accounts opened with CIMB Bank Berhad Singapore Branch and CIMB Bank Berhad Shanghai Branch in March 2019 and July 2019 respectively.

Restricted deposits are only drawn down upon the occurrence of any of the following events: (i) Completion of reverse takeover, (ii) Waiver of Rule 1017 of the Catalist Rules, (iii) Insolvency or winding of the Company, or (iv) De-listing of the Company.

Restricted deposits have a weighted average interest rate of 0.81% per annum.

Restricted deposits are denominated in the following currencies:

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
United States dollar	**10,306**	–	**10,306**	–
Singapore dollar	**829**	–	**829**	–
Chinese renminbi	**3,010**	–	**–**	–
	14,145	–	**11,135**	–

16. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2019 US$'000	2018 US$'000
At beginning of financial year	**–**	2,299
Disposal	**–**	(2,259)
Currency realignment	**–**	(40)
At end of financial year	**–**	–

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

NOTES TO THE FINANCIAL STATEMENTS

16. NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

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

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

The Group also incurred legal fees of RMB165,000 (equivalent to US$18,000) which was paid in 2017. Accordingly, the loss on disposal of approximately RMB26,000 (equivalent to US$4,000) was recognised by the Group in "Other expenses" in the previous financial year.

17. OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Other payables				
– third parties	**37**	24	**36**	20
Accrued operating expenses	**311**	189	**304**	182
Total other payables	**348**	213	**340**	202

Other payables due to third parties are non-interest bearing and are normally settled between 30 to 60 days (2018: 30 to 60 days) credit term.

Other payables are denominated in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
United States dollar	**20**	–	**20**	–
Singapore dollar	**323**	205	**320**	202
Chinese renminbi	**5**	8	**–**	–
	348	213	**340**	202

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. PROVISIONS

	Reimbursement of legal claims US$'000	Reinstatement costs US$'000	Tax-related liabilities US$'000	Total US$'000
Group				
Balance at 1 January 2019	**110**	**25**	**365**	**500**
Provisions made	**591**	**5**	**–**	**596**
Provisions utilised	**–**	**(4)**	**–**	**(4)**
Provisions reversed	**–**	**(21)**	**–**	**(21)**
Exchange difference	**–**	**–**	**(5)**	**(5)**
Balance at 31 December 2019	**701**	**5**	**360**	**1,066**

	Reimbursement of legal claims US$'000	Reinstatement costs US$'000	Tax-related liabilities US$'000	Total US$'000
Group				
Balance at 1 January 2018	146	25	385	556
Provisions reversed	(36)	–	–	(36)
Exchange difference	–	–	(20)	(20)
Balance at 31 December 2018	110	25	365	500

	Reimbursement of legal claims US$'000	Reinstatement costs US$'000	Total US$'000
Company			
Balance at 1 January 2019	**110**	**25**	**135**
Provisions made	**591**	**5**	**596**
Provisions utilised	**–**	**(4)**	**(4)**
Provisions reversed	**–**	**(21)**	**(21)**
Balance at 31 December 2019	**701**	**5**	**706**

	Reimbursement of legal claims US$'000	Reinstatement costs US$'000	Total US$'000
Company			
Balance at 1 January 2018	146	25	171
Provisions reversed	(36)	–	(36)
Balance at 31 December 2018	110	25	135

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. PROVISIONS (CONTINUED)

As at 31 December 2019, the Group and the Company recognised a provision of US$701,000 (2018: US$110,000) based on invoices and correspondences received from PwC and its legal advisor as the terms of engagement provided that the Company would be liable for any costs incurred by PwC in the event that third parties commenced proceedings against PwC in relation to the services it rendered to the Company as disclosed in Note 28 to the financial statements. In the previous financial year, a provision of US$36,000 was reversed based on a statement of account received from PwC.

As at 31 December 2019, the Group recognised a provision of RMB2.5 million (equivalent to US$360,000) (2018: US$365,000) for potential tax-related liabilities in relation to the Write-off as disclosed in Note 29 to the financial statements.

Provisions are denominated in the following currencies:

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Singapore dollar	**706**	135	**706**	135
Chinese renminbi	**360**	365	**–**	–
	1,066	500	**706**	135

19. DEFERRED TAX LIABILITIES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'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
At beginning and end of financial year	6	(2)	4

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	US$'000
Issued and fully paid		
2019		
At beginning and end of financial year	**249,680,100**	**25,253**
2018		
At beginning and end of financial year	249,680,100	25,253

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

21. OTHER RESERVES

		Group		Company	
		2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Share-based payment reserve	(a)	**223**	223	**223**	223
Equity – Non-controlling interests ("NCI")	(b)	**(49)**	(49)	**–**	–
		174	174	**223**	223

(a) Share-based payment reserve

The share-based payment reserve represents equity-settled share options and performance shares granted to employees and certain directors (Note 22). The reserve is made up of the cumulative value of services received from employees and certain directors for the issue of share options and performance shares over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options and performance shares from the grant dates of equity-settled share options and performance shares to be awarded upon satisfaction of terms and conditions specified in the SBI Offshore Performance Share Plan ("PSP").

(b) Equity – NCI

The Equity – NCI represents:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. SHARE-BASED PAYMENT RESERVE

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

The ESOS was approved and adopted by its members at an Extraordinary General Meeting held on 28 September 2009. The maximum period of the ESOS is 10 years, and has accordingly expired in September 2019.

The PSP was approved and adopted by its members at an Extraordinary General Meeting held on 30 April 2013.

The ESOS and PSP are administered by the Remuneration Committee (the "RC"), comprising Mr. Ahmad Subri Bin Abdullah, Chairman of the RC, Mr. James Kho Chung Wah and Mr. Lawrence Kwan.

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

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

ESOS

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

(a) Options granted

Options granted on 8 January 2013

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

22. **SHARE-BASED PAYMENT RESERVE** (CONTINUED)

ESOS (Continued)

(b) Unissued shares under options

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

Date of grant	At beginning of the year	Forfeited	Exercised during the year	At end of the year	Exercise price S$	Exercise period
8.1.2013	8,000,000	–	–	8,000,000	0.10	8.1.2014 to 8.1.2023

(c) Options termination

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

There was no option being exercised during the financial year.

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

PSP

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

(a) Eligible participants

(i) Employees

- confirmed full-time employees who have attained the age of 21 years on or before the date of award; or
- Executive Directors who are controlling shareholders and Executive Directors who are associates of controlling shareholders; and

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. SHARE-BASED PAYMENT RESERVE (CONTINUED)

PSP (Continued)

(b) Maximum allowable allotment

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

The following additional limits must not be exceeded:

(i) The aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under PSP; and

(ii) The number of shares available to each controlling shareholder of his associate must not exceed 10% of the shares available under PSP.

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

(c) Duration

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

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

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

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

23. FOREIGN CURRENCY TRANSLATION RESERVE

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

NOTES TO THE **FINANCIAL STATEMENTS**

24. OPERATING LEASE COMMITMENTS

Group and Company as a lessee

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

	Group and Company	
	2019	**2018**
	US$'000	**US$'000**
Future minimum lease payments payable:		
Within one year	**9**	34

On 15 June 2019, the lease agreement with a lessor for its previous office premise has expired. On 10 June 2019, the Company entered into a lease agreement with a lessor for its new office premise. The above operating lease commitments are based on existing rental rates at the end of the financial year and the lease of office premise and office equipment have remaining lease term of 5 months and 2 months respectively (2018: 5.5 months and 1 year). There are no contingent rental payments and restriction imposed in relation to the lease.

Management has accounted for the operating lease as short-term leases as the leases have a remaining term of less than twelve months from the date of lease commencement.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
With subsidiaries				
Payment on behalf of a subsidiary			**–**	3
Payment on behalf by a subsidiary			**–**	1
Waiver of debts to a subsidiary			**–**	968
With a joint venture				
Distribution received from a joint venture	**10**	–	**10**	–
Dividend from a joint venture	**–**	100	**–**	100

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

	Group	
	2019 US$'000	2018 US$'000
Directors' fees	**92**	80
Salaries and other short-term benefits	**481**	385
Post-employment benefits	**30**	20
	603	485
Comprise amounts paid to:		
Directors of the Company	**304**	295
Other key management personnel	**299**	190
	603	485

26. SEGMENT INFORMATION

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

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, PRC, Europe and United States of America. All these locations are engaged in providing products.

The Group has only one business segment which is the marketing and distribution segment. This segment includes sales of lifeboat accessories and spare parts to third parties. Accordingly no business segment information has been presented.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations in four main geographical areas contributed more than 10% of consolidated revenue and total assets. Revenue is based on the country in which the customer is located. Segment assets are shown by the geographical area in which the assets are located.

	Singapore US$'000	PRC US$'000	Europe US$'000	United States of America US$'000	Total US$'000
2019					
Revenue					
Revenue from external customers	**1**	**–**	**5**	**1**	**7**
Assets					
Segment assets	**11,669**	**3,077**	**–**	**–**	**14,746**
2018					
Revenue					
Revenue from external customers	17	–	–	5	22
Assets					
Segment assets	12,812	3,113	–	–	15,925

Major customers

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

	Group 2019 US$'000	Group 2018 US$'000
Customer A	**–**	17
Customer B	**1**	5
Customer C	**5**	–
Customer D	**1**	–
	7	22

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

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

27.1 Credit risks

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

The Group's and the Company's major classes of financial assets are cash and cash equivalents and trade and other receivables. Cash and cash equivalents are placed with creditworthy financial institutions, 100% (2018:100%) of the Group's and 100% (2018:100%) of the Company's cash and cash equivalents are placed with 3 (2018: 3) and 2 (2018: 2) financial institutions respectively.

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

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for Nil (2018: 1) trade receivable from a third party, which accounted for Nil (2018: 100%) of the total trade receivables of the Group and the Company.

The Company's non-trade receivables from a subsidiary accounted for 96% (2018: 94%) of the total trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

27.2 Market risks

(i) Foreign exchange risk management

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

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

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 foreign currency forward contracts.

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

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

	Assets		Liabilities	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Group				
SGD	**1,290**	2,573	**1,029**	340
RMB	**4,626**	4,700	**5**	8
Company				
SGD	**1,276**	2,554	**1,026**	337
RMB	**1,557**	1,596	**–**	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

27.2 Market risks (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to SGD and RMB. The following table details the Group's and the Company's sensitivity to a 5% (2018: 2%) change in SGD and RMB against the entity's functional currency. This sensitivity analysis assumes an instantaneous 5% (2018: 2%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The effect on profit or loss will have a corresponding effect on the equity.

	Profit or Loss Increase/(decrease)			
	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
SGD				
Strengthens against USD	**13**	45	**13**	44
Weakens against USD	**(13)**	(45)	**(13)**	(44)
RMB				
Strengthens against USD	**231**	94	**78**	32
Weakens against USD	**(231)**	(94)	**(78)**	(32)

(ii) Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to short-term bank deposits as shown in Note 14 to the financial statements.

The Group's and the Company's results are not significantly affected by the changes in interest rates as the short-term bank deposits are at fixed interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

27.3 Liquidity risks

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

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

As at 31 December 2019 and 31 December 2018, the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments was within the next 12 months. Therefore, the management considers the Group's and the Company's undiscounted cash flows of its financial instruments, based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay, would approximate their carrying amount of other payables.

27.4 Capital management policies and objectives

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

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2018.

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

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

The Group and the Company are not subject to externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

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

27.5 Fair value of financial assets and financial liabilities

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

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

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

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

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	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Financial assets				
Trade and other receivables, excluding prepayments and other recoverable	**87**	131	**2,767**	2,837
Cash and cash equivalents	**441**	15,725	**381**	12,627
Restricted deposits	**14,145**	–	**11,135**	–
Total financial assets at amortised cost	**14,673**	15,856	**14,283**	15,464
Financial liabilities				
Other payables	**348**	213	**340**	202
Provisions	**706**	135	**706**	135
Total financial liabilities at amortised cost	**1,054**	348	**1,046**	337

NOTES TO THE FINANCIAL STATEMENTS

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

In connection with the review of the NPT Transactions by PricewaterhouseCoopers Advisory Services Pte. Ltd. ("PwC") and the release of PwC's findings in the financial year ended 31 December 2016, Mr. Tan Woo Thian ("Mr. Tan") had commenced legal proceedings against PwC in the High Court of the Republic of Singapore (the "Suit"). Under the terms of engagement between the Company and PwC, the Company would be liable for any costs incurred by PwC in the event that third parties commenced proceedings against PwC in relation to the services it rendered to the Company.

On 20 August 2019, the Company announced that it has received an Originating Summons filed by PwC in the High Court of the Republic of Singapore against the Company. In the Originating Summons, the Company has been ordered to reimburse PwC all legal costs and disbursements incurred by PwC in relation to the legal proceedings filed by Mr. Tan against PwC and in respect of the Originating Summons.

During the current financial year, the Company received legal correspondence from Rajah & Tann Singapore LLP ("R&T"). Based on the legal correspondence, the Company had made a provision to recognise liabilities of US$591,000.

As at 31 December 2019, the Company had recognised liabilities of US$701,000 based on invoices and correspondences received from PwC and its legal advisor for the costs incurred by PwC in defending itself in the Suit.

Contingent liabilities

As at the date of these financial statements, the closing submission for the trial between Mr. Tan and PwC has been postponed beyond 4 May 2020 with dates to be determined. According to the Company's legal advisor's correspondence with R&T, it is premature to ascertain if there are further claims for the period subsequent to 31 December 2019 until the Suit is concluded.

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

Accordingly, a provision of RMB2.5 million (equivalent to US$373,000) for potential tax-related liabilities has been recorded in the Group's financial statements for the year ended 31 December 2017. The Board has assessed and determined that no further provision is required for the financial years ended 31 December 2019 and 2018 based on their consultation with the PRC tax advisors.

As announced by the Company on 25 May 2018, the Board appointed KordaMentha Pte Ltd ("KordaMentha") as the independent reviewer ("Independent Reviewer") to undertake a review of the matter(s) that may have given rise to the unauthorised Write-off in 2015, *inter-alia*, breaches in rules, laws and regulations as well as lapses in control (the "Independent Review").

On 20 June 2019, the Company announced that it had received a report from KordaMentha on the Independent Review (the "Report") which highlighted, among others, the following:

(a) Potential breaches of Catalist Rules in relation to the following matters:

(i) The Company received a promissory note ("Promissory Note") from one of the Placees, Millennium Marine Pte Ltd ("Millennium") on 31 October 2014, as an alternative to receiving cash for Millennium's subscription in respect of the 2014 Share Placement (the "Millennium Placement Shares"). Notwithstanding the above, the Company proceeded to announce the completion of the 2014 Share Placement, without disclosing that payment from Millennium has not been received and that the Company had only received the Promissory Note as a substitute of the consideration for the Millennium Placement Shares. Furthermore, in the event the Promissory Note cannot be considered as a payment for Millennium's subscription of the Millennium Placement Shares, the public may have been misled that the Company had received the consideration in full from Millennium for the Millennium Placement Shares.

(ii) In the event the Promissory Note is not considered a full satisfaction of the Millennium Placement Shares, the Company may have falsely lodged in its return of allotment of shares with the Accounting and Corporate Regulatory Authority ("ACRA") that the shares allotted and issued pursuant to the 2014 Share Placement were fully paid up.

(iii) Non-disclosure in the Company's announcements in relation to the use of proceeds from the 2014 Share Placement for the advance payment for a proposed acquisition of a China company in 2015 and payment of general and operating expenses of JSBI. KordaMentha also recommended that the balance of the funds from the 2014 Share Placement be transferred to a dedicated bank account for clear accounting of the use of proceeds.

(iv) Non-disclosure of the indemnity provided by two of the then Directors to Millennium in the 2014 Share Placement against potential financial loss that may arise in relation to Millennium's subscription for the Millennium Placement Shares. Such indemnity was not extended to the other investors of the 2014 Share Placement.

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

(b) Circumvention of internal controls as no approval was sought from the then Board of Directors for the Write-off; and

(c) Update the policies of the Company to include:

(i) a regular data backup to be performed on the server of the Company; and

(ii) the hard disks of employees to be kept for a period of at least five years before the destruction of these disks.

The Company's responses and follow up actions to the Report are as follow:

(a) The Company has appointed R&T as the independent legal advisor to advise the Company on the matters arising from the Report. Following R&T's review of the Report, the Company has not suffered any financial impact in relation to the unauthorised Write-off and no adjustment was made to the Company's financials and the JSBI Payables remains due to the Company.

(b) The cash proceeds of the Millennium Placement Shares had been collected in full as of 31 December 2014.

(c) The Company has reviewed its past payments made out of the net proceeds from the 2014 Share Placement and announced a summary of revised use of net proceeds on 25 November 2019.

(d) The Company became a cash company on 28 February 2019 and has placed 90% of its total cash existing at 28 February 2019 in escrow accounts as disclosed in Note 15 to the financial statements.

(e) The Company requires more time in the review of the impact of the Write-off, tax reporting requirements and other associated tax impact in the PRC.

(f) The Company has updated its policies to include:

(i) a regular data backup on the server of the Company; and

(ii) the hard disks of computers used by employees to be kept for a period of at least five years before the destruction of these disks.

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

- The Write-off had not resulted in any material direct financial loss to the Group and the Company;
- The Group's financial statements for the current and prior financial years are not materially misstated as the intercompany balances were eliminated on consolidation; and
- The amount receivable from JSBI of RMB17.3 million recognised in the Company's financial statements are recoverable and supported by the recoverable amounts of JSBI's net assets comprising mainly cash held by JSBI in restricted deposits as disclosed in Note 15 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

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

Contingent liabilities

As at the date of these financial statements, in respect of potential penalties and legal implications, no provision has been made as the follow up review by Singapore Exchange Regulation Pte Ltd ("SGX RegCo") on the Company regarding the findings highlighted in the Report is ongoing and has not been concluded. It is premature to ascertain if there are any potential penalties and legal implications prior to the conclusion of the follow up review.

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

On 20 December 2018, the Company announced the queries raised by the SGX RegCo and the corresponding responses by the Company in relation to the disposal of the Property held by JSBI.

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

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

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

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

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

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

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

  (i) the appointment of Suzhou Welsen;

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

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

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

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

(i) the appointment of professional advisors; and

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

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

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

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

Contingent liabilities

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

31. EXECUTION OF SHARE SALE AND PURCHASE AGREEMENT ("SPA") AND THE SUPPLEMENTAL AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION

Subsequent to the binding term sheet entered by the Company with Mr. Chan Kern Miang (the "Vendor") on 19 February 2019, the Company had, on 30 May 2019, entered into a share sale and purchase agreement ("SPA") with the Vendor for the acquisition of the entire issued and paid-up share capital of (i) Berlitz Offshore Limited, (ii) Berlitz Marine Pte. Ltd., (iii) Berlitz Continental Pte. Ltd., (iv) Berlitz Services Pte. Ltd., (v) Bes Sincere Pte. Ltd., (vi) Bes Savvy Pte. Ltd., (vii) Bes Solar Pte. Ltd., (viii) Bes Sparkle Pte. Ltd., (ix) Bes Regent Pte. Ltd., (x) Bes Power Pte. Ltd., (xi) Blue Ocean Services K Co Ltd and (xii) Bes Trust Pte. Ltd. (the "Proposed Acquisition").

Pursuant to the SPA, the consideration for the Proposed Acquisition is US$36 million to be satisfied by the issuance of the Company's shares at S$0.10 each at agreed exchange rate of US$1.00 to S$1.355, provided that

(a) the Company maintains a net cash amount of at least S$20 million upon the completion of the Proposed Acquisition; and

(b) the actual valuation, being valuation report to be issued by an independent valuer is not less than US$36 million.

NOTES TO THE **FINANCIAL STATEMENTS**

31. EXECUTION OF SHARE SALE AND PURCHASE AGREEMENT ("SPA") AND THE SUPPLEMENTAL AGREEMENT IN RELATION TO THE PROPOSED ACQUISITION (CONTINUED)

In addition, the Vendor shall be entitled to an earn-out payment of additional new ordinary shares in the capital of the Company, subject to the level of actual consolidated profit after tax of the Group after the Proposed Acquisition for financial year ending 31 December ("FY") 2020 and FY2021, up to a maximum cumulative earn-out payment of US$14 million.

On 20 February 2020, the Company announced that it had entered into a supplemental agreement to the SPA ("Supplemental Agreement") with the Vendor to extend the long stop date for the fulfilment and waiver of the conditions precedent relating to the Proposed Acquisition ("Long Stop Date") from 29 May 2020 to 31 August 2020, or such other date as mutually agreed in writing between the Parties or such date falling three months from the date on which the Whitewash Resolution is approved, whichever is earlier. Save for such amendment to the SPA, the other terms of the SPA remain intact and continue to have full force and effect.

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

STATISTICS OF **SHAREHOLDERS**

AS AT 18 MARCH 2020

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

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 99	–	–	–	–
100 – 1,000	11	2.97	5,300	0.00
1,001 – 10,000	77	20.81	567,900	0.23
10,001 – 1,000,000	253	68.38	33,759,600	13.52
1,000,001 and above	29	7.84	215,347,300	86.25
	370	100.00	249,680,100	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS
(as shown in the Register of Members)

No.	Name	No. of shares	%
1.	CE VENTURES OFFSHORE LTD	46,736,000	18.72
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	46,597,200	18.66
3.	HUI CHOON HO	19,774,200	7.92
4.	NG KIM MOY	10,197,200	4.08
5.	JADE CHEN JIAYU	9,900,000	3.97
6.	OCBC SECURITIES PRIVATE LTD	7,302,500	2.92
7.	VIJAY KUMAR S/O SREEKUMAR PILLAI	7,118,600	2.85
8.	GOH JU POH PAUL	7,051,300	2.82
9.	PHILLIP SECURITIES PTE LTD	6,834,800	2.74
10.	MAYBANK KIM ENG SECURITIES PTE LTD	4,928,800	1.97
11.	TAN LEE BUAY (CHEN LIMEI)	4,871,800	1.95
12.	PANG SHUN PEN	4,000,000	1.60
13.	ANPARASAN S/O KAMACHI	3,755,000	1.50
14.	SONG FEIFEI	3,650,900	1.46
15.	DBS NOMINEES PTE LTD	3,456,100	1.38
16.	PEH BENG YONG	3,448,900	1.38
17.	ADAM TEO HAN CHIAT	3,160,000	1.27
18.	MRS CHAU-CHAN SUI YUNG	3,128,600	1.25
19.	SARINDERJIT KAUR	2,500,000	1.00
20.	CHEN LIJING	2,280,000	0.91
	TOTAL	200,691,900	80.35

STATISTICS OF SHAREHOLDERS

AS AT 18 MARCH 2020

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2020

(as shown in the Register of Substantial Shareholders)

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

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

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

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

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

As at 18 March 2020, based on the Register of Members and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 52.83%. The Company is therefore in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

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