SBI Offshore Limited

ASSEMBLING A SOLID FOUNDATION

ANNUAL REPORT 2012

CONTENTS

This annual report has been prepared by the Company and reviewed by the Company’s sponsor, CNP Compliance Pte. Ltd. (“Sponsor”), for compliance with the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist.

The Sponsor has not verified the contents of this document including the accuracy or completeness of any of the information disclosed or the correctness of any of the statements or opinions made or reports contained in this document. This document has not been examined or approved by the SGX-ST. The Sponsor and the SGXST assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr. Thomas Lam at 36 Carpenter Street, Singapore 059915, telephone: (65) 6323 8383; email: tlam@cnplaw.com.

COMPANY PROFILE

SBI Offshore has been involved in delivering quality products and services within the marine and offshore industry since its inception in 1994. Over the years the company has progressed and evolved from marketing and distributing of OEM products to undertaking design, engineering and fabrication of offshore and marine projects such as drilling equipment system, deck machinery and material handling systems. The company has established close relationships with its customers within its marketing and distribution network in Asia, Middle East and the America.

From concept to commissioning, SBI Offshore works closely with its principals, suppliers and sub-contractors to ensure enhanced efficiency, timely project delivery and competitive pricing. With our dedicated project management team, design and engineering centre in Houston, and in-house QA/QC proficiencies, we ensure consistent quality and timely delivery throughout all project phases. Our offshore equipment manufacturing business in China provides one-stop turnkey solutions for shipyard customers who increasingly seek vendors capable of supplying fabrication, assembly and testing services in support of deliveries to rig-builders in Asia.

We offer viable integrated solutions to our geographically diverse customers through our representation number of major offshore equipment OEMs in the world. SBI Offshore has dedicated itself to bridging prevalent barriers within the industry between principals and end-users.

EXECUTIVE CHAIRMAN'S MESSAGE

Since the change in Board leadership, the Group has focused on resolving various operational issues, improving controls, plugging the management gaps and strengthening the management team. We are united in our commitment to shift SBI Offshore's focus from marketing and distribution to higher value-added contract manufacturing and engineering

DEAR SHAREHOLDERS,

Having been appointed in August 2012 as Executive Chairman, I am pleased to present the Annual Report for SBI Offshore Limited ("SBI Offshore" or the "Group") for the financial year ended 31 December 2012 ("FY'12"). It has been an eventful year marked by several key developments, notably:

- Securing the first Engineering, Procurement, Construction and Commissioning ("EPCC") project, worth an estimated US$30 million;
- Re-constitution of the Board of Directors and appointment of senior management; and
- Re-organisation of key business divisions.

FY'12 FINANCIAL REVIEW

Let me begin with the financial review. Revenue increased 32% to US$9.43 million in FY'12 from US$7.12 million in FY'11 mainly due to a 96%-increase in distribution segment to US$5.18 million from US$2.64 million a year ago.

Revenue for design, engineering and fabrication increased to US$1.98 million in FY'12 from US$0.09 million in FY'11 after commencement of projects secured by our Houston-based engineering solutions subsidiary Sea Reef International Inc. ("SRI"). Manufacturing revenue increased by 76% to US$0.85 million in FY'12 from US$0.48 million a year ago due to increased delivery of lifeboats and davits.

Net profit attributable to shareholders rose 144% to US$0.66 million in FY'12 from US$0.27 million in FY'11. Fully diluted earnings per share based on a share capital base of 121.68 million shares was 0.54 U.S. cent in FY'12 compared to 0.22 U.S. cent in FY'11. Net asset value per share increased to 8.31 U.S. cents as at 31 December 2012 from 7.85 U.S. cents as at 31 December 2011.

DIVIDEND

To reward shareholders, the Board of Directors has proposed a cash dividend of S$0.002 per share for the year ended 31 December 2012, which is consistent with last year's payout.

BOARD AND MANAGEMENT CHANGES

During the year under review the Board of Directors was re-constituted, a development which led to the change in my appointment from Independent Director to Executive Chairman in August 2012. The current composition of the Board is as follows:

Mr. Chan Lai Thong, Executive Chairman and Executive Director
Mr. Tan Woo Thian, Chief Executive Officer and Executive Director
Mr. Giang Sovann, Lead Independent Director
Mr. Mahtani Bhagwandas, Independent Director
Mr. Ahmad Subri Bin Abdullah, Independent Director
Ms. Chen Jiayu, Alternate Director to Mr. Tan Woo Thian

On behalf of the Board I wish to welcome Mr. Mahtani Bhagwandas and Mr. Abdullah as Independent Directors.

EXECUTIVE CHAIRMAN'S MESSAGE

CHANGES UNDER NEW LEADERSHIP

Since the change in Board leadership, the Group has focused on resolving various operational issues, improving controls, plugging the management gaps and strengthening the management team. Our senior management has been embellished by the appointments of two very experienced professionals – Mr. Andrew Seet as Chief Financial Officer in August 2012, followed seven months later by Mr. Chan Kin Seng as Chief Operating Officer.

I am confident that with a solid team in place, the Group is well-poised to capture new opportunities and take SBI Offshore to a new chapter of growth and transformation.

STRATEGIC FOCUS

The Directors are united in their commitment to shift SBI Offshore's focus from marketing and distribution to higher value-added contract manufacturing and engineering. While this was the stated ambition at the time of our IPO, the execution has been slower than expected.

Hence, I have directed the entire team to prioritise the successful completion and delivery of the first EPCC project on schedule in mid-2013 and to leverage on this track record to secure more projects of such nature.

At the same time, we will build up our engineering solutions business. Our China subsidiary Jiangyin SBI Offshore Equipment Co. Ltd ("JSBI") has been directed to grow the business and secure alliances with a view to securing local contracts within China. The JSBI yard has already been qualified by Aker MH AS of Norway for contract manufacturing and the time has come for this unit to rise to the occasion in securing and executing such projects.

Beyond the organic growth plans outlined above, the Group remains on the lookout for opportunities in mergers and acquisitions especially in the area of maintenance, repair and overhaul of offshore rig equipment.

SHARE PLACEMENT SUBSEQUENT TO THE YEAR END

I am heartened that this strategy unveiled as we presented our FY'12 results in early March 2013 has received the endorsement of investors. Subsequent to the year end, the Group on 27 March 2013 placed out 34 million new ordinary shares to various individual investors at an issue price of S$0.108 per share.

The Company intends to use net proceeds of approximately S$3.67 million from the Placement for general working capital for existing projects, strategic alliances, market expansion and new business opportunities as and when they arise.

BUSINESS OUTLOOK

The Group's order book as at 27 February 2013 stood at approximately US$59 million. With specific targets set for each of the business divisions within SBI Offshore, I am confident of growing the order book in FY'13. The overall offshore and marine sector remains buoyant in view of relatively high prices of oil and increased exploration in deep waters.

Barring any unforeseen circumstances, the Group expects the FY'13 revenue and net profit to exceed that of FY'12.

ACKNOWLEDGEMENT

I would like to take this chance to express my deep appreciation to management and staff at all levels for their contribution to the growth of the Company. I also want to thank our customers, our bankers, professional advisers and business partners for their faith as we embark on a new chapter of growth to make SBI Offshore a better and stronger Company.

CHAN LAI THONG
Executive Chairman

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

REVENUE AND MARGIN

Distribution revenue increased 96% to US$5.18 million in FY'12 from US$2.64 million a year ago. This was due to the increase in demand from Singapore segment. Revenue for design, engineering and fabrication increased to US$1.98 million in FY'12 from US$0.09 million in FY'11 due to the commencement of projects secured by our Houston-based subsidiary, SRI, on a BOP Transporter and BOP Crane. Manufacturing revenue increased by 76% to US$0.85 million in FY'12 from US$0.48 million a year ago due to the increase of delivery of lifeboats and davits.

The increase in other income of 48% to US$0.59 million in FY'12 from US$0.40 million in FY'11 was due to the compensation income received for use of the facility and utilities of our factory by a third party amounting US$0.28 million and gain in disposal of US$0.27 million arising from compensation received following the compulsory acquisition of 2,693.6 square meters out of the 20,843 square meters of land owned by the Company's 98%-owned subsidiary in China, JSBI, for road widening purposes.

Gross profit decreased by 31% to US$2.61 million in FY'12 from US$3.77 million in FY'11 due to the decline of 64% on marketing income to US$1.42 million in FY'12 from US$3.91 million in FY'11. Gross profit margin declined to 28% in FY'12 from 53% in FY11.

EXPENSES

General and administrative expenses for FY'12 amounted to US$3.03 million compared to US$3.77 million a year ago. Employment costs and expenses of approximately US$0.76 million were charged to work in progress for a US$30 million EPCC project in Malaysia secured by the Group in FY'12. These costs and expenses will be recognised as cost of sales when the related revenues are booked once the equipment is shipped in FY'13. Depreciation expense increased by 9% to US$0.41 million in FY'12 from US$0.37 million in FY'11 due to increase in property, plant and equipment in FY'12. Finance cost for FY'12 amounting to US$0.12 million decreased by 15% from US$0.14 million in FY'11 due to the repayment of bank borrowings in FY'12.

The share of results of joint venture soared to US$0.47 million in FY'12 from US$0.04 million in FY'11 as RBV received orders from a new customer.

PROFIT BEFORE AND AFTER TAX

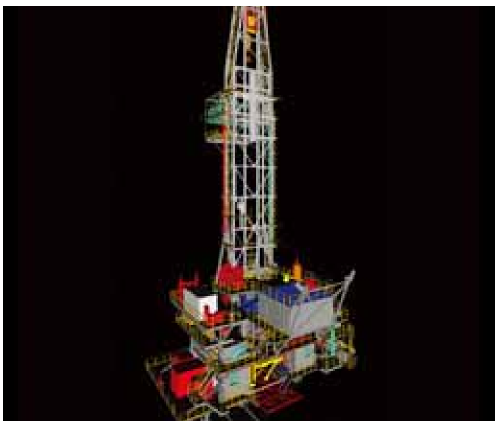
After taking into account all expenses together with share of results of an associate and joint venture, the Group's profit before income tax increased to US$0.68 million in FY'12 from US$0.46 million in FY'11. The Group's profit after tax increased to US$0.65 million in FY'12 from US$0.26 million in FY'11.

Fully diluted earnings per share based on a share capital base of 121,680,100 shares was 0.54 U.S. cent in FY'12 compared to 0.22 U.S. cent in FY'11 (121,680,100 shares).

FINANCIAL POSITION

Non-current assets increased to US$9.87 million as at 31 December 2012 from US$9.43 million as at 31 December 2011, mainly due to the purchase of additional property, plant and equipment and investment in joint ventures & associate. Current assets increased to US$23.05 million as at 31 December 2012 from US$3.63 million as at 31 December 2011. This was mainly due to the increase in trade and other receivables resulting from the progress billing for the EPCC Project of approximately US$7.77 million, comprising billings to its customers of approximately US$2.93 million and deposits of approximately US$4.84 million paid to suppliers for the EPCC Project. Work-

FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW



in-progress stood at US$3.33 million as at 31 December 2012 due to direct labour costs and third-party design and engineering costs being incurred for the EPCC Project, while the increase in cash and cash equivalents of US$6.34 million was mainly due to the collection of down-payment for the EPCC Project. This was offset partially by the decrease in inventory of US$0.15 million in FY'12 from US$0.36 million in FY'11 due to sales of davits by JSBI.

Current liabilities increased to US$22.94 million as at 31 December 2012 from US$3.51 million as at 31 December 2011. This was mainly attributable to the increase in trade and other payables to US$17.42 million in FY'12 from US$2.26 million in FY'11 due mainly to the deferred income derived from the progress billings for the EPCC Project amounting to US$13.4 million, and increased bank borrowings of US$4.31 million, from additional loans undertaken, partially offset by repayment of bank borrowings during FY'12.

The increase in capital and reserves to US$10.01 million as at 31 December 2012 from US$9.45 million as at 31 December 2011 was mainly due to the profit from FY'12, offset partially by the dividend declared for FY'11 which was paid out in FY'12.

Net asset value per share increased to 8.31 U.S. cents as at 31 December 2012 from 7.85 U.S. cents as at 31 December 2011.

CASH FLOW

The Group reported an increase in cash and bank balances (net of fixed deposits pledged) of US$0.34 million to US$1.67 million as at 31 December 2012 from US$1.33 million as at 31 December 2011.

Net cash generated from operating activities, which amounted to US$2.15 million in FY'12, was mainly due to collections of milestone payments from EPCC Project amounting to US$9.55 million. This increase was partially offset by deposit payments to vendors for the EPCC Project of US$4.84 million, and payments to direct labour and third-parties for design and engineering costs incurred on the EPCC Project, amounting to US$2.12 million.

Net cash from investing activities, which amounted to US$0.08 million in FY'12, was mainly due to the return of paid-up capital from HS Offshore of US$0.30 million and proceeds from disposal of plant and equipment of US$0.72 million. This was offset by purchase of additional fixed assets of US$0.94 million.

Net cash used in financing activities, which amounted to US$1.88 million, comprised mainly of deposit pledge with banker to secure the bank guarantee facility.

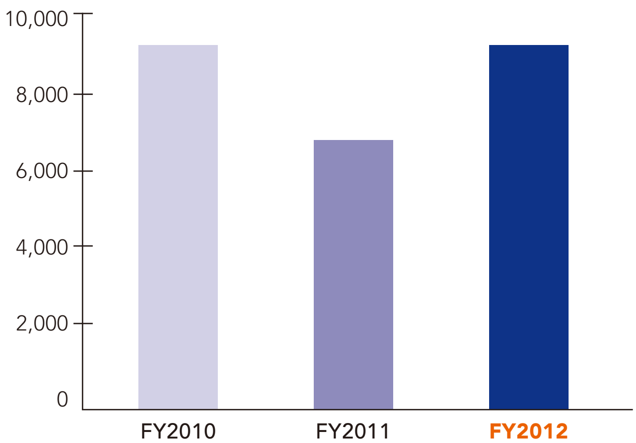
SHARE PLACEMENT SUBSEQUENT TO THE YEAR END

On 27 March 2013, the Group completed the placement of 34 million new ordinary shares to individual investors at an issue price of S$0.108 per share. With the completion of the placement, the issued share capital of the Company has increased from 121.68 million shares to 155.68 million shares. The new shares represent approximately 22% of the enlarged issued share capital of the Company.

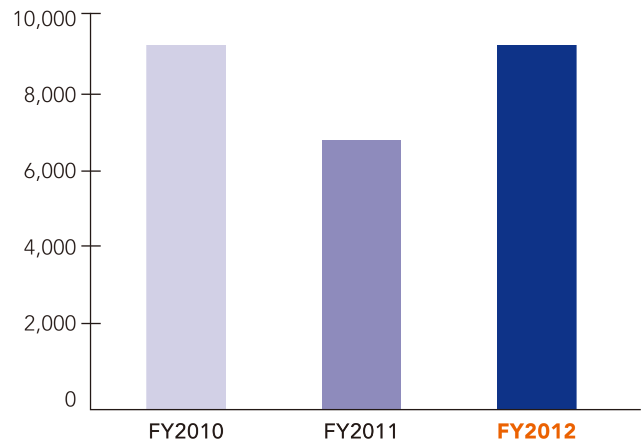
Based on the audited consolidated financial statement of the Group for the financial year ended 31 December 2011, the Group's net asset value per Share was 7.85 U.S. cents. Assuming that the placement had been effected on 31 December 2011 and that all the New Shares were issued on the same date, the Group's net asset value per share, after adjusting for the issue of the new shares, would be 8.03 U.S. cents.

FINANCIAL HIGHLIGHTS

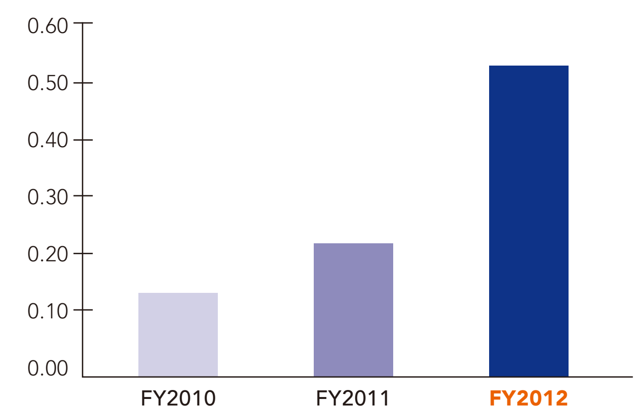
Revenue



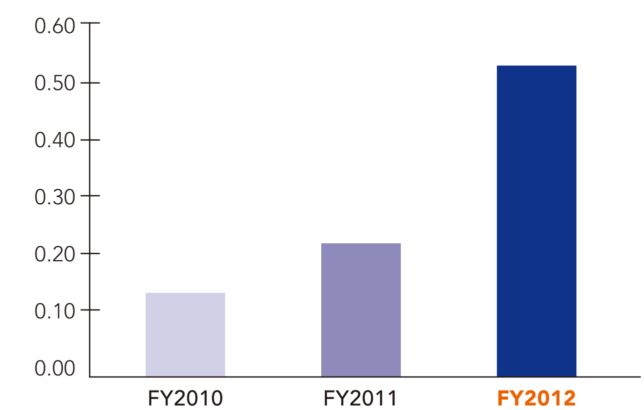
Net Earnings



EPS

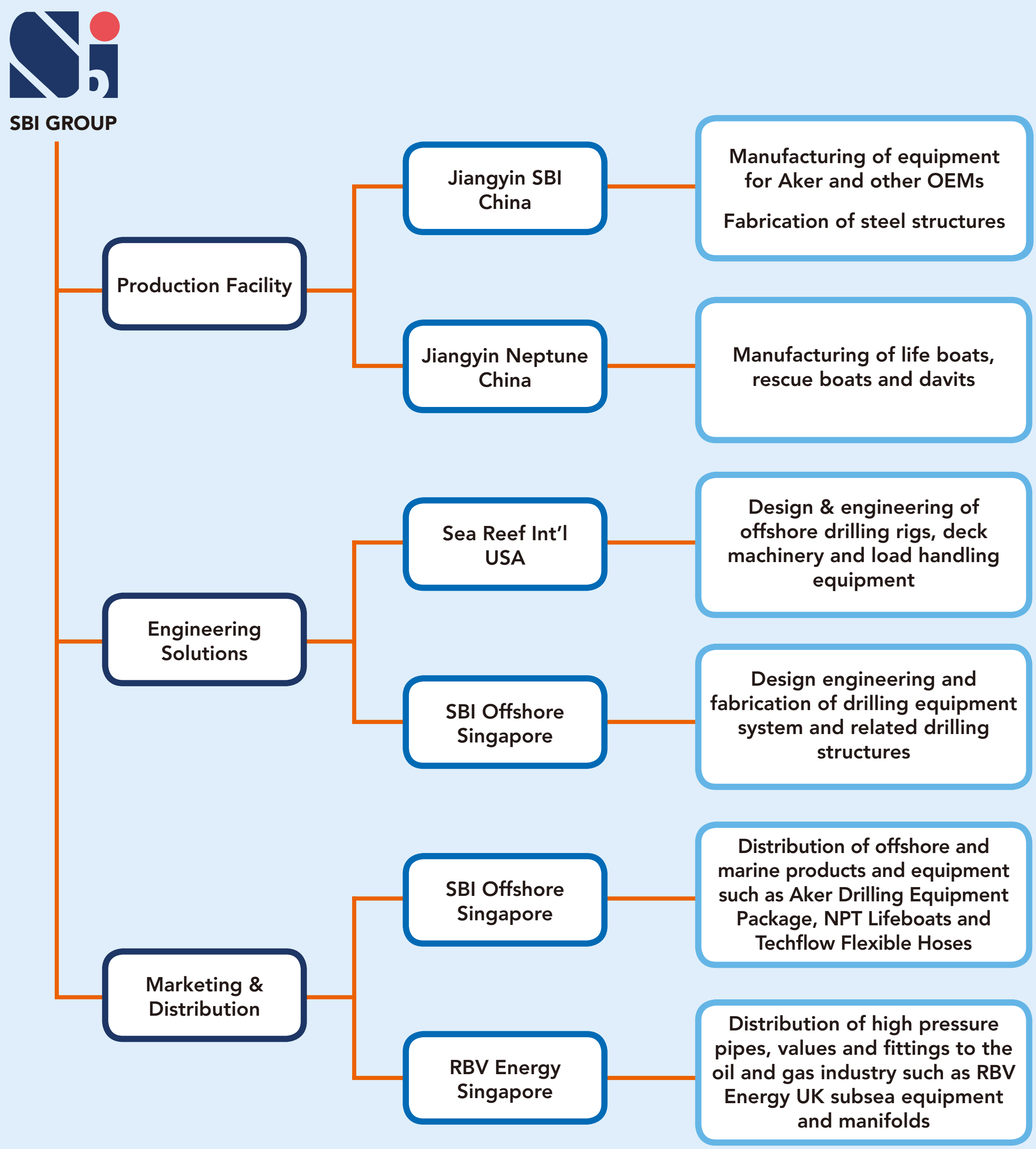


NAV



	FY2010	FY2011	**FY2012**
Revenue (USD’000)	9,339	7,121	**9,433**
Net Earnings (USD’000)	135	268	**655**
Earnings Per Share (EPS) (USD Cents)	0.12	0.22	**0.54**
Net Asset Value Per Share (NAV) (USD Cents)	7.95	7.85	**8.31**
Revenue Growth Rate	(0.23)	(0.24)	**0.32**
Net Earnings Growth Rate	(0.93)	0.98	**1.45**

GROUP STRUCTURE



BOARD OF DIRECTORS

MR. CHAN LAI THONG
Executive Chairman

MR. TAN WOO THIAN
Chief Executive Officer

MR. GIANG SOVANN
Lead Independent Director

MR. CHAN LAI THONG
Executive Chairman

Mr. Chan Lai Thong was designated as Executive Chairman on 17 August 2012. He was appointed as Independent Director of the Company on 28 September 2009. Mr Chan started his career at Keppel in 1980 and was involved business development in various parts of the world including Southeast Asia, Middle East, Australia, Eastern Europe, Central Asia and China. He was instrumental in starting Keppel's business in the Middle East, Bulgaria, Azerbaijan and Kazakhstan. He joined the Al Bawardi Group in United Arab Emirates in 1985 as its vice-president and was responsible for streamlining its operations and spearheading its business development efforts. As Group General Manager for Keppel, he was responsible for strategizing and developing the Eastern Europe and Central Asian markets. In 2004, Mr. Chan ventured into China and was involved in property development in Sichuan, Chongqing and Hunan. Currently, he is a director of Saudi MTD Capital Ltd, Chongqing Panxin Industry Co. Ltd, ANC Holdings Pte Ltd and Sichuan Weatherock China Ltd. He is also Senior Advisor to Hunan Shende Industrial Development Co. Ltd.

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

MR. TAN WOO THIAN
Chief Executive Officer

Mr. Tan Woo Thian is the founder of the Company and has been appointed as Executive Director since 1998. He was appointed as Chief Executive Officer on 17 August 2012 and was instrumental in securing agency agreements from various offshore engineering-related multinational companies such as Wilhelmsen Callenberg for HVAC Systems, Jiangyin Neptune for lifeboats and davits, and Aker MH for drilling equipment. From 1973 to 1996, Mr. Tan held various management positions within the Keppel Group and was involved in various aspects of the rig-building, shipbuilding and ship-repairing operations. Between 2004 and 2006, he was the Managing Director of Aker MH Singapore Pte Ltd and was subsequently appointed the Business Manager of Aker MH in charge of developing the China market.

MR. GIANG SOVANN
Lead Independent Director

Mr. Giang Sovann is our Lead Independent Director and was appointed on 28 September 2009. He started his career as a public accountant with Arthur Young, Canada & Singapore and was promoted to senior audit manager. He has over 30 years of financial and business management experience with various companies including as Finance Director and General Manager of Dowty Aerospace, Executive Director and Regional Financial Controller of Golden Polindo Industries Group, Chief Financial Officer of Singapore Island Country Club, Innovalues Ltd and Sunmoon Food Company Ltd. He is currently the Executive Director of the Singapore Institute of Directors.

Mr. Sovann graduated with a Bachelor of Administration degree with high distinction from University

BOARD OF DIRECTORS

MR. MAHTANI BHAGWANDAS
Independent Director

MR. AHMAD SUBRI BIN ABDULLAH
Independent Director

MS. CHEN JIAYU
Human Resource Manager and Alternate Director

of Regina, Canada, and was qualified as a Chartered Accountant with the Canadian Institute of Chartered Accountants. He is also a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and a member of the Singapore Institute of Directors.

MR. MAHTANI BHAGWANDAS

Independent Director

Mr. Mahtani Bhagwandas was appointed to the Board as Independent Director on 14 September 2012. He is a lawyer by profession and commenced practice as an advocate and solicitor of the Supreme Court of Singapore since 1993. Currently, he is a partner with LegalStandard LLP, a law firm in Singapore and specializes in commercial practice including commercial litigation work. Mr. Bhagwandas is currently an Independent Director of GKE Corporation Ltd, a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). He was formerly an Independent Director of Next-Generation Satellite Company Ltd, Singapore. Mr. Bhagwandas is also a director of several privately held companies including UEI Investments Pte Ltd, IBIS Capital Pte Ltd, Arpharma Pte Ltd and Superbound Technologies Pte Ltd.

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

MR. AHMAD SUBRI BIN ABDULLAH

Independent Director

Mr. Subri was appointed to the Board as Independent Director on 10 January 2013. He is the presently the Executive Chairman of Crave Capital Sdn. Bhd. and RCL International Sdn. Bhd. Mr. Subri brings with him over 30 years of experience in the insurance and finance industry. In the last 18 years he has been Chief Executive Officer of various companies including Trust International Insurance, MCIS Insurance, Mayban Life Assurance and Malaysia National Insurance Bhd. Currently, he is an Independent Director of ECS ICT Bhd., a company listed on the main board of the Bursa Saham Malaysia. Mr. Subri spent over 11 years in Maybank Group and was the Executive Director and CEO of Mayban Life Assurance. He was instrumental in successfully implementing the Bancassurance business practice in Maybank Group. Under his stewardship, Mayban Life won the coveted Asia's Life Insurance Company of the Year 1999.

Mr. Subri is a Fellow of the Chartered Insurance Institute (UK) and a Fellow of the Malaysian Insurance Institute.

MS. CHEN JIAYU

Alternate Director to Mr. Tan Woo Thian

Ms. Chen is our Human Resource Manager and alternate Director to Mr. Tan Woo Thian. She was appointed as Alternate Director to Mr. Tan on 18 July 2008. From 2007 to 2009, Ms. Chen was a director of Sea Breeze International Pte Ltd who was responsible for operational, human resources and finance matters.

KEY MANAGEMENT

MR. CHAN KIN SENG
Chief Operating Officer

Mr. Chan Kin Seng was appointed as Chief Operating Officer on 2 April 2013 and he joined the Company on 10 December 2012 as General Manager (Operations). He has over 40 years of experience in offshore and marine industry including 20 years in shipyards and rig-building yards. He has previously held senior positions in operations, engineering, quality assurance and project management in various companies in the offshore and marine industry. Prior to joining SBI Offshore Limited, Mr. Chan was General Manager (Operations) of Engineering and Marines Services Pte Ltd, Project Director at PengLai Jutal Offshore Engineering Heavy Industries Co. Ltd in China and Senior Project Manager at Triyards Pte Ltd (part of Ezra Holdings Ltd) in Vietnam.

Mr. Chan holds a Bachelor of Science degree in Naval Architecture from University of Strathclyde in UK. He also attended the Executive Management Program at Banff School of Advanced Management in Canada.

MR. ANDREW SEET CHONG JENG
Chief Financial Officer

Mr. Andrew Seet was appointed as Chief Financial Officer on 15 August 2012. He has previously held senior management positions and directorships with various multi-national American companies in the oil and gas industry. Mr. Seet was Regional Director of Finance for Asia Pacific & Middle East of Cameron (Singapore) Pte Ltd, Regional Director of Finance and Administration for Asia Pacific Operations of Tuboscope Pte Ltd (part of NOV Group), Regional Financial Controller for Asia Pacific of TD Williamson Inc., and Group Accountant/Company Secretary of Galax Marine Group. His last position was Director for Corporate Services at the Society for the Physically Disabled in Singapore.

Mr. Seet holds a Bachelor of Accounting degree and an MBA in International Business from the University of California, Los Angeles. He completed his ACCA and is a Certified Public Accountant. He has attended courses conducted by Singapore Institute of Directors on directors' responsibilities and corporate governance, as well as programme for senior executives at the Harvard Business School in Boston.

MS. CHEN JIAYU
Human Resource Manager

Ms. Chen is the Human Resource Manager who is in charge of all personnel and administrative matters of the Company. She was re-designated as Human Resource Manager from Customer Support Director with effect from 2 April 2013. She is the Alternate Director to Mr. Tan Woo Thian since 18 July 2008. From 2007 to 2009, Ms. Chen was a Director of Sea Breeze International Pte Ltd and was responsible for operational, human resources and financial matters.

Ms. Chen has a Bachelor of Arts (Social Sciences) degree from the National University of Singapore.

MR. ERIC LIM LIP HIAP
Finance Manager

Mr. Eric Lim was appointed as Finance Manager on 1 October 2012. He is a Certified Public Accountant with over 10 years of experience in the field of accounting, auditing and finance in various industries. Mr. Lim also has good knowledge on treasury function and compliance regulations for SGX listings and corporate governance.

Mr. Lim holds a Bachelor of Commerce degree from University of Southern Queensland in Australia and a Diploma in Business Studies from HELP Institute in Malaysia.

KEY MANAGEMENT

HEAD OF SUBSIDIARY

MR. VINCENT WONG HOCK LEONG

Assistant General Manager, RBV Energy Singapore Pte Ltd, Singapore

Mr. Vincent Wong was appointed as Assistant General Manager of RBV Energy Singapore Pte Ltd ("RBV") on 26 November 2012. He has more than 14 years of experience in the oil and gas industry and was involved in sales, engineering, construction and quality assurance. He is currently responsible for the daily operation and management of RBV.

Mr. Wong holds a Bachelor of Science in Engineering Business Management (First Class Honours) degree from Coventry University in England and a Diploma in Manufacturing Engineering from Singapore Polytechnic.

MR. THOMAS M. STAUDT

President of Sea Reef International Inc., U.S.A.

Mr. Thomas Staudt was appointed as President of Sea Reef International Inc. ("SRI"), an indirect wholly-owned subsidiary of SBI Offshore Limited, on 2 April 2013. Prior to this, he was Sales Manager/Acting President of SRI. Mr. Staudt is responsible for the overall operation and management of SRI. He has over 30 years of experience with various equipment manufacturers serving OEMs, distributors and end users from USA, Canada and other countries. Mr. Stuadt has extensive background in management, manufacturing, sales and marketing in the offshore and shipping industries.

MR. KEN HUANG THIAM GUAN

Assistant General Manager, Jiangyin SBI Offshore Equipment Co. Ltd, China

Mr. Ken Huang was appointed as Assistant General Manager of Jiangyin SBI Offshore Equipment Co. Ltd ("JSBI") in China on 14 November 2012. He is responsible for the daily operation and management of JSBI. In his 11 years of working experience, Mr. Huang has held various management positions such as in business development, sales management and factory operations. Prior to joining SBI Offshore Limited, he was Operations Director for STAR Guangzhou Pte Ltd in China, subsidiary of ST Kinetics Ltd, and Head of Quality, Environment, Health and Safety Department in Singapore Technologies Kinetics Ltd.

Mr. Huang holds a Master of Engineering (Technology Management) degree from University of South Australia, a Bachelor of Arts (Business Administration) degree from Ottawa University, USA, and a Diploma in Manufacturing Engineering from Singapore Polytechnic.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chan Lai Thong
Executive Chairman and Executive Director

Tan Woo Thian
Executive Director and Chief Executive Officer

Chen Jiayu (Alternate Director to Tan Woo Thian)

Giang Sovann
Lead Independent Director

Mahtani Bhagwandas
Independent Director

Ahmad Subri Bin Abdullah
Independent Director

AUDIT COMMITTEE

Giang Sovann (Chairman)

Mahtani Bhagwandas

Ahmad Subri Bin Abdullah

NOMINATING COMMITTEE

Ahmad Subri Bin Abdullah (Chairman)

Giang Sovann

Chan Lai Thong

REMUNERATION COMMITTEE

Mahtani Bhagwandas (Chairman)

Giang Sovann

Ahmad Subri Bin Abdullah

COMPANY SECRETARY

Chan Lai Yin, ACIS

SPONSOR

CNP Compliance Pte Ltd
36 Carpenter Street
Singapore 059915

REGISTERED OFFICE

31 International Business Park #05-05
Creative Resource
Singapore 609921
Tel: +65 6848 1033
Fax: +65 6848 1011
Website: http://www.sbioffshore.com

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
80 Robinson Road #02-00
Singapore 068898

AUDITORS

BDO LLP
Public Accountants and Certified Public Accountants
21 Merchant Road
#05-01 Royal Merukh S.E.A. Building
Singapore 058267

Partner-in-charge: Goh Chern Ni
(First appointed for the financial year ended
31 December 2012)

PRINCIPAL BANKERS

DBS Bank Ltd
12 Marina Boulevard Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982

Hong Leong Finance Limited
16 Raffles Quay
#01-05 Hong Leong Building
Singapore 048581

United Overseas Bank Limited
80 Raffles Place #12-00 UOB Plaza 1
Singapore 048624

CIMB Bank
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company (the "**Board**") 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 level of the Group's business. The Board aspires to discharge its principal responsibility towards protecting and enhancing long-term shareholders' value and investors' interest.

Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Rules of Catalist**"), the Board is pleased to outline below the manner the Group has applied the principles of the Code of Corporate Governance 2005 (the "**Code**") during the financial year ended 31 December 2012 ("**FY2012**"), except where otherwise stated. The Company has complied with the principles of the Code where appropriate. Although the Code of Corporate Governance 2012 ("**Code 2012**") will only take effect for the Company in respect of the financial year commencing 1 January 2013, the Board has complied with some of the principles of the Code 2012, and will continue to improve with developments in corporate governance by enhancing its practices and framework.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

SBI Offshore Limited is directed by an effective Board to lead and control 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 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. The Board recognizes its responsibility to safeguard shareholders' interests and the Company's assets. All Directors objectively make decisions in the fiduciary interests of the Company.

The Board has identified matters reserved for its approval and the Board reserved matters had been formalised in writing. This would provide clear directions to Management on matters that must be approved by the Board. Some of the matters reserved for the Board are:

- Approval of periodic financial results announcements and annual audited financial statements;
- Declaration of dividends and other returns to shareholders;
- Major corporate policies on key areas of operation;
- Corporate or financial restructuring and share issuances;
- Mergers and acquisitions;

CORPORATE GOVERNANCE STATEMENT

- Material acquisitions and disposals;
- Approval of transactions involving interested person transactions; and
- Appointment of new Directors.

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

The Board meets quarterly. 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 proceedings and resolutions reached at each Board meeting are minuted and signed by the Chairman of the meeting. Minutes of all Board Committees and Board meetings are circulated to members for review and confirmation. These minutes could also enable Directors to be kept abreast of matters discussed at such meetings. Besides Board meetings, the Board exercises control on matters that require Board's deliberation and approval through the circulation of Directors' resolution(s).

To improve management efficiency, certain functions have been delegated to committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**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.

CORPORATE GOVERNANCE STATEMENT

The attendance of the Directors at every Board and Board Committees meetings held during FY2012 are presented below.

Directors	Board		AC		NC		RC	
	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Tan Woo Thian	5	5	–	–	–	–	–	–
Chan Lai Thong	5	5	3	3	–	–	3	3
Chen Jiayu (Alternate Director to Tan Woo Thian)	5	–	–	–	–	–	–	–
Giang Sovann	5	5	4	4	1	1	3	3
Mahtani Bhagwandas [1]	2	2	1	1	–	–	–	–
Hui Choon Ho [2]	3	3	–	–	1	1	–	–
Wong Kok Hoe [3]	4	4	4	4	1	1	3	3

[1] Appointed on 14 September 2012

[2] Resigned on 14 September 2012

[3] Resigned on 1 December 2012

New appointments to the Board will be briefed by management on the Group's business operations, governance practices and Directors' duties and obligations to ensure that new Directors have an insight of the Group. Upon appointment, the Director will also be provided with formal letters, setting out their duties and obligations.

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. During 2012, the Board was briefed on the enhances of requirements on disclosure of interests in Listed Companies.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board currently comprises two Executive Directors, three Independent Non-Executive Directors and an Alternate Director.

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

Chan Lai Thong, Executive Chairman and Executive Director
Tan Woo Thian, Executive Director and Chief Executive Officer
Chen Jiayu, Alternate Director to Tan Woo Thian
Giang Sovann, Lead Independent Director
Mahtani Bhagwandas, Independent Director
Ahmad Subri Bin Abdullah, Independent Director (appointed on 10 January 2013)

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

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company and Group. The NC has reviewed and determined that the said Directors are independent.

The Board comprises business leaders and professionals with industry and financial backgrounds and its composition enables management to benefit from a diverse and objective external perspective on issues raised before the Board. The Board will constantly examine its size annually with a view of determining its impact on its effectiveness. The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making and believes that the experience, skills and expertise of the Board members in areas such as accounting, legal and business would contribute to the Group's objective.

Non-Executive Directors monitor and review the performance of management and meet regularly without the presence of management.

The Board is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. These include audit, finance, banking, accounting and legal with entrepreneurial and management experience, industry experience and familiarity with regulatory requirement and risk management. Profiles of the Directors are set out on pages 7 to 8 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer ("**CEO**") are separately held by two persons. The Chairman of the Board, Mr Chan Lai Thong is an executive director. The CEO is Mr Tan Woo Thian, who is also an executive director of the Company. The Chairman and CEO are not immediate family members and are not related to each other.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO. The Executive Chairman is responsible for the daily overall management of the Group and ensures that the Group's business are kept distinct, increasing the accountability and capacity of the Board for independent decision making.

The Executive Chairman's roles includes:

a. Schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

b. Review meeting agenda;

c. Exercise control over quality, quantity and timeliness of the flow of information between management and the Board;

d. Ensure effective communication with shareholders; and

e. Assist in ensuring compliance with the Group's guidelines on corporate governance.

The CEO is responsible for the conduct of the Group's daily business directions and operational decisions.

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

For good corporate governance, Mr Giang Sovann has been appointed as Lead Independent Director and he shall be available to shareholders who have concerns and for which contact through the normal channels of the Executive Chairman and CEO or Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 4: BOARD MEMBERSHIP

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

Ahmad Subri Bin Abdullah – Chairman, Independent Director
Giang Sovann – Member, Lead Independent Director
Chan Lai Thong – Member, Executive Chairman and Executive Director

There is a written terms of reference. The NC is scheduled to meet at least once a year. Its role is to establish an objective and transparent process for the appointment, re-appointment or resignation of members of the Board and of the various Board Committees, as well as to evaluate and assess the effectiveness of the Board as a whole, and the effectiveness and contribution of each Director to the Board.

For new appointments, the NC will take into consideration the current Board size and its mix and determine if the candidate's background, experience and knowledge in 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.

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 has reviewed the credentials and working experiences of Mr Mahtani Bhagwandas and Mr Ahmad Subri Bin Abdullah who was appointed as a Director on 14 September 2012 and 10 January 2013 respectively. The Board was of the view that their skills and knowledge will contribute to the core competencies of the Board.

The NC is also charged with the responsibility of determining annually whether a director is independent. Each NC member will not take part in determining his own re-nomination or independence. During the financial year, the NC had reviewed and determined that Mr Giang Sovann, Mr Mahtani Bhagwandas and Mr Ahmad Subri Bin Abdullah are independent.

Under the provisions of Article 99 of the Company's Articles of Association, newly appointed directors are required to hold office until the next annual general meeting ("**AGM**") and at least one third of the Directors to retire by rotation at every AGM. A retiring Director is eligible for re-election by the shareholders of the Company at the annual general meeting. During the year, the newly appointed directors, namely Mr Mahtani Bhagwandas and Mr Ahmad Subri Bin Abdullah are due for retirement pursuant to Article 99 above. They are eligible for re-election at the forthcoming AGM. Mr Mahtani Bhagwandas upon re-election, remain as the Chairman of RC and member of AC. Mr Ahmad Subri Bin Abdullah will upon re-election, remain as Chairman of NC, member of AC and RC. They will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist. In making the recommendation, the NC had considered the Directors' overall contribution and performance.

CORPORATE GOVERNANCE STATEMENT

The NC also recommended to the Board the re-election of Mr Tan Woo Thian, who is due for retirement at the AGM pursuant to Article 93 of the Articles of Association of the Company. The Board has accepted the recommendation of the NC.

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2012

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/chairmanship both present and those held over the preceding three years in other listed company
Hui Choon Ho	17 March 2008 (resigned on 14 September 2012)	20 April 2011	Non-Independent and Non-Executive Director (redesignated on 17 August 2012)	Member of NC	None
Tan Woo Thian	1 July 1997	23 April 2010	Chief Executive Officer/Executive Director (redesignated on 17 August 2012)	None	None
Chen Jiayu (Alternate Director to Tan Woo Thian)	18 July 2008	18 May 2009	Customer Support Director	None	None
Giang Sovann	28 September 2009	25 April 2012	Lead Independent Non-Executive Director	Chairman of AC, Member of NC and RC	None
Chan Lai Thong	28 September 2009	20 April 2011	Executive Chairman/ Executive Director (redesignated on 17 August 2012)	Member of NC	None
Wong Kok Hoe	28 September 2009 (resigned on 1 December 2012)	25 April 2012	Independent Non-Executive Director	Chairman of NC, Member of AC and RC	1. Lifebrandz Ltd. 2. Hartawan Holdings Limited 3. Centurion Corporation Limited 4. CFM Holdings Limited
Mahtani Bhagwandas	14 September 2012	Not Applicable	Independent Non-Executive Director	Chairman of RC and Member of AC	1. GKE Corporation Limited 2. Next-Generation Satelite Communications Limited (Resigned on 25 March 2009)

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5: BOARD PERFORMANCE

The Board has a formal process for assessing the effectiveness of the Board as a whole with objective performance criteria. The NC decides on how the Board's performance is to be evaluated and propose objective performance criteria, subject to the Board's approval. Such performance criteria allowed comparison with industry peers and addressed how the Board has enhanced long-term shareholders' value. The Board has also conducted an assessment of the functions and effectiveness of the Board as a whole and the contribution from each Director to the effectiveness of 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. As part of its review process, the NC considered a general rule to address competing time commitments by directors serving on multiple boards. As a general rule, each director should hold no more than five listed companies. Such multiple board representations will widen the experience of the Board and provide it with a broader perspective and at the same time, the Board addresses competent time commitments by directors serving on multiple boards. The NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

The results of the evaluation process will be used by the NC, in consultation with the Chairman of the Board, to effect continuing improvements on Board processes. The NC has looked into the comments and suggestions raised during the evaluation process and reported to the Board.

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.

PRINCIPLE 6: ACCESS TO INFORMATION

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

The Directors, whether individually or as a group, in the furtherance of their duties require professional advice, may engage independent professional at the Company's expense 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

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Mahtani Bhagwandas – Chairman, Independent Non-Executive Director
Giang Sovann – Member, Lead Independent Non-Executive Director
Ahmad Subri Bin Abdullah – Member, Independent Non-Executive Director

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 Executive Directors, the CEO and key officers without being excessive, and thereby maximise shareholders' value. The recommendations should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind;

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

- To administer the Company's Employees Share Option Scheme or any long-term incentive scheme.

The RC may obtain independent external legal and other professional advice as it deems necessary on the Company's recommendation matters and the expenses of such advice shall be borne by the Company.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

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

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

The Company had entered into service agreement with the Executive Director, Mr Tan Woo Thian on 1 August 2009 for a period of five years with effect from the date of admission of the Company to the Official list of the SGX-Catalist. The Company had also entered into service agreement with Mr Chan Lai Thong on 17 August 2012 who has been redesignated as Executive Chairman and Executive Director of the Company with effect from 17 August 2012.

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.

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

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The remuneration packages of Directors and top key executives of the Group for FY2012 are as follows:

	Salary %	Bonus %	Others %	Fees %	Total %
Directors					
Below S$250,000					
Executive Directors:					
Tan Woo Thian	91	9	0	0	100
Chan Lai Thong (redesignated on 17 August 2012)	83	17	0	0	100
Chen Jiayu (Alternate Director to Tan Woo Thian)					
Hui Choon Ho (resigned on 14 September 2012)	100	0	0	0	100
Independent Directors:					
Giang Sovann				100	100
Chan Lai Thong (redesignated on 17 August 2012)				100	100
Mahtani Bhagwandas (appointed on 14 September 2012)				100	100
Wong Kok Hoe (resigned on 1 December 2012)				100	100
Key Executives					
Below S$250,000					
Chen Jiayu	92	8	0	0	100
Steven H Cox	100	0	0	0	100
Tay Sin Tor Clive	100	0	0	0	100
Seet Chong Jeng (appointed on 15 August 2012)	92	8	0	0	100
Chan Kin Seng (appointed on 10 December 2012)	100	0	0	0	100
Loh Chua Meng, Rick (resigned on 25 June 2012)	100	0	0	0	100
M.Sharifuz Zaman (resigned on 5 November 2012)	100	0	0	0	100
Tan Seow Chee (resigned on 21 September 2012)	100	0	0	0	100

Further information on the Directors and key executives are found on pages 7 to 10 of this report.

The above remuneration has been prorated according to their date of appointment or date of resignation.

CORPORATE GOVERNANCE STATEMENT

Immediate family members of a Director or CEO

The Company does not have any employee who is an immediate family member of the Directors or the CEO and whose remuneration exceeds S$150,000 during FY2012.

Share option scheme

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

Information on the options granted under the Share Option Scheme to participants is as follows:

Options granted to	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to the end of financial year under review	Aggregate options lapsed since commencement of scheme to the end of financial year under review	Aggregate options outstanding as at end of financial year under review
Employees	3,000,000	3,400,000	3,400,000	Nil

There were 3,000,000 options granted on 19 March 2012 at an exercise price of S$0.21 per share to an employee pursuant to the Share Option Scheme. The said options are vested over various vesting periods after the first, second, third, fourth and fifth anniversary in respect of 20% respectively of the options granted and exercisable until 19 March 2022. The exercise period expires on 19 March 2022.

On 8 January 2013 ("**Grant Date**"), the Company has offered to grant options of 10,000,000 shares on pursuant to the Share Option Scheme to a Director, Mr Chan Lai Thong. The exercise price of option granted is $0.10 which was the average of the last dealt prices for the shares on Catalist for a period of five consecutive trading days immediately preceding the Grant Date. The options are vested over various vesting periods after the first, second, third, fourth and fifth anniversary in respect of 20% respectively of the options granted and exercisable until 8 January 2023. The exercise period expires on 8 January 2023.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 10: ACCOUNTABILITY

The Board is accountable to the shareholders while the Management is accountable to the Board. The Board's primary role is to disseminate information on the Group's performance, position and prospects through the half-year and full-year results announcements and annual reports and where appropriate, press releases and media and analyst briefings. The management provides the Board with understandable and detailed information of the Group's performance, position and prospects on a quarterly basis. Such information and explanation to allow Directors make informed decisions shall be provided to the Directors.

PRINCIPLE 11: AUDIT COMMITTEE

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

Giang Sovann – Chairman, Lead Independent Director
Mahtani Bhagwandas – Member, Independent Director
Ahmad Subri Bin Abdullah – Member, Independent Director

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

The main functions of the AC 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, rising from the interim and final audits;

- Review the independence of the external auditors annually, recommend the appointment of the auditors and their level of audit fees;

- Review the adequacy of the Company's internal controls and effectiveness of the internal audit function;

- Review the Group's half-year and full-year results announcements prior to its recommendations to the Board for approval; and

- Review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist.

The AC has explicit authority by the Board to investigate any matter within its terms of reference. All employees shall

CORPORATE GOVERNANCE STATEMENT

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

During the financial year, the AC has reviewed the scope and quality of the audits and the independence and objectivity of the external auditors as well as the cost effectiveness. The AC is satisfied that the external auditors, BDO LLP is able to meet the audit requirements and statutory obligation of the Company. During the review of all audit and non-audit fee provided by the external auditors, Messrs BDO LLP during the year, the AC noted that there was no non-audit services provided by Messrs BDO LLP. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors.

The AC has recommended Messrs BDO LLP (the "**External Auditors**") for re-appointment as external auditors of the Company at the forthcoming AGM. Details of the audit and non-audit fees is set out on page 68 of this Annual Report.

The AC meets with the external auditors without the presence of the Company's management at least once a year.

The Company has appointed different auditors for its oversea subsidiaries. The Board and the Committee are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the Company's audit. The Company confirms that it is in compliance with Rules 712 and 716 of the Rules of Catalist.

The Company has formulated the guidelines for a whistle-blowing policy to provide a channel for employees 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 could approach the AC Chairman directly on any concerns that they may have. Matters raised may be investigated by management, internal audit and the AC. This policy will be reviewed, prior to the start of each calendar year, by the Board of Directors so as to ensure the continuing effectiveness of the same.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 12: INTERNAL CONTROLS

The Group has in place a system of internal controls to safeguard shareholders' investment and the Group's assets. The Company's External Auditors during their statutory audit, will review the effectiveness of the Company's material internal controls annually. Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations are reported to the AC. The Board and the AC also work with the External Auditors on their recommendations and institute and execute relevant controls with a view to managing business risks. The Board regularly reviews the Group's businesses and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews significant control policies and procedures and highlights all significant matters to the Directors and the AC.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's management throughout the financial year up to the date of this report is adequate to meet the needs of the Company in its current business environment. The system of 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 considers it is necessary to increase emphasis on risk management and internal controls in a complex business and economic environment. The Board has adopted an Enterprise Risk Management to ensure that a robust risk management and internal controls are in place through the formalisation of Risk Management Committee ("**RMC**"). RMC comprises of the Executive Director, Independent Director and also key management staff of the Company.

The Board through the AC, reviews the adequacy of the Group's risk management framework and internal controls, with the assistance of the auditors, to ensure that robust risk management and internal controls in place. These include assessment of the key risks relating to financial, operational and compliance matters. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2012.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 13: INTERNAL AUDIT

The Company had appointed the public accounting firm, Messrs Grant Thornton Advisory Services Pte Ltd. (the "**Internal Auditors**"), as the internal auditor to review the adequacy and integrity of the Group's internal control system. The Internal Auditors meet the standard for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditors reports directly to the AC Chairman.

The scope of the internal audit is:

- to review the effectiveness of the Group's material internal controls;
- to provide assurance that key business and operational risks are identified and managed;
- to determine that internal controls are in place and functioning as intended; and
- to evaluate that operations are conducted in an effective and efficient manner.

The AC had reviewed with the Internal Auditors their audit plan and their evaluation of the system of internal controls, their audit findings and management's processes to those findings, the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group for FY2012. The AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

Based on information provided by the External and Internal Auditors on the system of internal controls put in place, the Board, with the concurrence of the AC, has assessed the internal controls and is of the opinion that there are adequate internal controls in place within the Group addressing financial, operational and compliance risks.

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS

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

The Articles of Association of the Company allow shareholders of the Company the right to appoint proxies to attend and vote on their behalf on the shareholders' meetings.

CORPORATE GOVERNANCE STATEMENT

All shareholders of the Company will receive the annual report and notice of annual general meeting. The Board regards the annual general meeting as the main forum where dialogue with shareholders can be effectively conducted. The Executive Chairman and chairperson of the Board Committees together with the External Auditors attend the annual general meeting and are available to answer questions from shareholders. Shareholders are encouraged to attend the annual general meeting of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Minutes of general meetings include substantial and relevant queries or comments from shareholders relating to the agenda of the meeting and responses from the Board and Management. These minutes would be available to shareholders upon their request.

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

DEALINGS IN SECURITIES

The Group has adopted an internal code of conduct to provide guidance to 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 Officers of the Group while in possession of unpublished price-sensitive information. The Officers of the Group should not deal in the Company's securities on short-term considerations and during the period commencing one month before the announcement of the Group's half-year and full-year results and ending on the date of the announcement of the results. The Officers are also required to adhere to any other relevant regulations with regard to their securities transactions.

INTERESTED PERSON TRANSACTIONS ("IPT")

All IPT will be documented and submitted periodically to the AC 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.

The Company does not have a general shareholders' mandate for recurrent interested person transactions.

The Company confirms that there were no IPT which fall within the ambit of the disclosure requirements under Chapter 9 of the Rules of Catalist during FY2012.

CORPORATE GOVERNANCE STATEMENT

MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors and the Company and the supplemental agreement entered into between the Company, the Executive Director, Mr Tan Woo Thian, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the controlling shareholder or Director, which are either still subsisting at the end of FY2012 or if not then subsisting, entered into since the end of the previous financial year.

SPONSOR

The Board has appointed CNP Compliance Pte Ltd as its Continuing Sponsor with effect from 1 January 2013, in place of PrimePartners Corporate Finance Pte Ltd ("**PPCF**"), whose engagement as the Company's current Continuing Sponsor has ceased on 31 December 2012 pursuant to mutual consent between PPCF and the Company.

No fees relating to non-sponsorship activities were paid to the previous Sponsor, PPCF during the financial year under review.

REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012 and the statement of changes in equity of the Company for the financial year ended 31 December 2012.

1. Directors

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

Chan Lai Thong	
Tan Woo Thian	
Giang Sovann	
Mahtani Bhagwandas	(Appointed on 14 September 2012)
Ahmad Subri Bin Abdullah	(Appointed on 10 January 2013)
Chen Jiayu	(Alternate director to Tan Woo Thian)

2. 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 is 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.

3. Directors' interests in shares or debentures

According to the Register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors holding office at the end of the financial year had any interest in the shares, debentures and share options of the Company and its related corporations except as detailed below:

	Shareholdings registered in the name of Directors			Shareholdings in which Directors are deemed to have an interest		
	Balance at 1 January 2012 or date of appointment, if later	Balance at 31 December 2012	Balance at 21 January 2013	Balance at 1 January 2012 or date of appointment, if later	Balance at 31 December 2012	Balance at 21 January 2013
	Number of ordinary shares					
Company						
Tan Woo Thian	45,900,000	39,900,000	39,900,000	–	6,000,000	6,000,000
Chan Lai Thong	10,000	10,000	10,010,000	–	–	–
Giang Sovann	10,000	10,000	10,000	–	–	–
Mahtani Bhagwandas	–	117,000	117,000	–	–	–

By virtue of Section 7 of the Act, Tan Woo Thian is deemed to have an interest in all the subsidiaries of the Company at the beginning and end of the financial year.

REPORT OF THE DIRECTORS

4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act by reason of a contract made by the Company or by a related corporation with the Director of the Company, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements.

5. Share options

The Company has a share option scheme under the SBI Offshore Employee Share Option Scheme (the "Scheme"). The Scheme is administered by the Remuneration Committee. The Scheme was approved and adopted by the shareholders on 28 September 2009.

Options are exercisable at price based on the average of the last done prices for the shares of the Company on the Singapore Exchange Securities Limited ("SGX-ST") for the five market days preceding the date of grant. The Remuneration Committee 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 12 March 2010

250,000 share options were granted to eligible participants at the exercise price of S$0.194 on 12 March 2010 whereby 50,000 share options were forfeited during the financial year ended 31 December 2010 and 200,000 share options were granted to General Manager of Sales, Jeremy Chng Tien Siang, all of whom are not controlling shareholders or their associates. 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 11 March 2020. No participants under the Scheme have received 5% or more of the total number of shares under option available under the Scheme.

Options granted on 29 April 2011

150,000 share options were granted to eligible participant at the exercise price of S$0.235 to General Manager of Sales, Jeremy Chng Tien Siang, who is not a controlling shareholders or their associate. 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 28 April 2021. No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme.

REPORT OF THE DIRECTORS

5. Share options (Continued)

a) Options granted (Continued)

Options granted on 19 March 2012

3,000,000 share options were granted to eligible participant at the exercise price of S$0.21 to Engineering Director, M. Sharifuz Zaman, who is not a controlling shareholder or their associate. 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 18 March 2022. No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme.

b) Unissued shares under option

At the end of the financial year, the number of unissued shares under option in relation to the Scheme was as follows:

Date of grant	At beginning of the year or date of grant, if later	Forfeited/ cancelled	Exercised during the year	At end of the year	Original exercise price (S$)	Exercise period
12.3.2010	250,000	(250,000)	–	–	0.194	12.3.2011 to 11.3.2021
29.4.2011	150,000	(150,000)	–	–	0.235	29.4.2012 to 28.4.2021
19.3.2012	3,000,000	(3,000,000)	–	–	0.210	19.3.2013 to 18.3.2022

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.

REPORT OF THE DIRECTORS

6. Audit committee

The Audit Committee comprises the following members who, including the Chairman, are all Independent Non-Executive Directors of the Company. The members of the Audit Committee during the financial year and at the date of this report are:

Giang Sovann (Chairman)
Mahtani Bhagwandas
Ahmad Subri Bin Abdullah

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

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

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

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

REPORT OF THE DIRECTORS

7. Auditors

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

On behalf of the Board of Directors

Chan Lai Thong	**Tan Woo Thian**
Director	Director

Singapore
2 April 2013

STATEMENT BY 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 ad Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; 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.

On behalf of the Board of Directors

Chan Lai Thong
Director

Tan Woo Thian
Director

Singapore
2 April 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBI OFFSHORE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SBI Offshore Limited (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 107 which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, and the consolidated statement of comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

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

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
2 April 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
Revenue	4	**9,432,952**	7,121,398
Cost of sales		**(6,825,472)**	(3,355,100)
Gross profit		**2,607,480**	3,766,298
Other items of income			
Interest income		**4,553**	1,418
Other income	5	**590,111**	399,631
Other items of expense			
General and administrative expenses		**(3,035,337)**	(3,769,722)
Finance costs	6	**(121,030)**	(142,372)
Share of results of an associate, net of tax		**161,107**	165,783
Share of results of joint ventures, net of tax		**474,136**	42,420
Profit before income tax	7	**681,020**	463,456
Income tax expense	8	**(30,225)**	(206,953)
Profit for the financial year		**650,795**	256,503
Other comprehensive income:			
Exchange differences arising from translation of foreign operations, net of tax amounting to US$Nil		**97,271**	207,585
Total comprehensive income for the financial year		**748,066**	464,088
Profit attributable to:			
Owners of the parent		**655,310**	267,550
Non-controlling interests		**(4,515)**	(11,047)
		650,795	256,503
Total comprehensive income attributable to:			
Owners of the parent		**750,707**	470,912
Non-controlling interests		**(2,641)**	(6,824)
		748,066	464,088
Earnings per share (in cents)	9		
– Basic		**0.54**	0.22
– Diluted		**0.54**	0.22

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	Group 2012 US$	Group 2011 US$	Company 2012 US$	Company 2011 US$
Non-current assets					
Property, plant and equipment	10	**5,511,002**	5,263,849	**51,649**	118,980
Investments in subsidiaries	11	**–**	–	**5,880,000**	5,880,000
Investment in an associate	12	**2,533,945**	2,372,838	**1,800,000**	1,800,000
Investment in joint ventures	13	**566,556**	392,420	**50,000**	350,000
Intangible assets	14	**1,260,231**	1,405,565	**–**	–
		9,871,734	9,434,672	**7,781,649**	8,148,980
Current assets					
Inventories	15	**3,332,784**	363,150	**2,758,160**	35,562
Trade and other receivables	16	**11,707,472**	1,653,283	**16,777,672**	5,242,292
Cash and cash equivalents	17	**7,954,707**	1,610,481	**7,379,502**	1,295,221
		22,994,963	3,626,914	**26,915,318**	6,573,075
Less:					
Current liabilities					
Trade and other payables	18	**17,208,870**	2,260,017	**17,102,532**	1,069,268
Current income tax payable		**13,634**	52,448	**13,634**	52,448
Bank borrowings	19	**5,503,234**	1,195,779	**4,780,783**	1,195,779
		22,725,738	3,508,244	**21,896,949**	2,317,495
Net current assets		**269,225**	118,670	**5,018,369**	4,255,580
Less:					
Non-current liabilities					
Deferred tax liabilities	20	**33,595**	4,271	**4,271**	4,271
Net assets		**10,107,364**	9,549,071	**12,795,763**	12,400,289
Equity					
Share capital	21	**6,397,479**	6,397,479	**6,397,479**	6,397,479
Foreign currency translation reserve	22	**463,787**	368,390	**–**	–
Accumulated profits		**3,152,869**	2,687,332	**6,398,284**	6,002,810
Equity attributable to owners of the parent		**10,014,135**	9,453,201	**12,795,763**	12,400,289
Non-controlling interests		**93,229**	95,870	**–**	–
Total equity		**10,107,364**	9,549,071	**12,795,763**	12,400,289

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Group	Note	Share capital US$	Foreign currency translation reserve US$	Accumulated profits US$	Equity attributable to owners of the parent US$	Non-controlling interests US$	Total equity US$
Balance at 1 January 2012		6,397,479	368,390	2,687,332	9,453,201	95,870	9,549,071
Total comprehensive income for the financial year							
Profit for the financial year		–	–	655,310	655,310	(4,515)	650,795
Other comprehensive income							
Exchange differences arising from translation of foreign operations, net of tax amounting to US$Nil		–	95,397	–	95,397	1,874	97,271
Total comprehensive income for the financial year		–	95,397	655,310	750,707	(2,641)	748,066
Transactions with owners of the parent recognised directly in equity							
Dividends	24	–	–	(189,773)	(189,773)	–	(189,773)
Total transactions with owners of the parent		–	–	(189,773)	(189,773)	–	(189,773)
Balance at 31 December 2012		6,397,479	463,787	3,152,869	10,014,135	93,229	10,107,364

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Group	Note	Share capital US$	Foreign currency translation reserve US$	Share option reserve US$	Accumulated profits US$	Equity attributable to owners of the parent US$	Non-controlling interests US$	Total equity US$
Balance at 1 January 2011		6,397,479	165,028	6,423	2,617,218	9,186,148	102,694	9,288,842
Total comprehensive income for the financial year								
Profit for the financial year		–	–	–	267,550	267,550	(11,047)	256,503
Other comprehensive income								
Exchange differences arising from translation of foreign operations, net of tax amounting to US$Nil		–	203,362	–	–	203,362	4,223	207,585
Total comprehensive income for the financial year		–	203,362	–	267,550	470,912	(6,824)	464,088
Transactions with owners of the parent recognised directly in equity								
Share option expense	23	–	–	(6,423)	–	(6,423)	–	(6,423)
Dividends	24	–	–	–	(197,436)	(197,436)	–	(197,436)
Total transactions with owners of the parent		–	–	(6,423)	(197,436)	(203,859)	–	(203,859)
Balance at 31 December 2011		6,397,479	368,390	–	2,687,332	9,453,201	95,870	9,549,071

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Company	Note	Share capital US$	Share option reserve US$	Accumulated profits US$	Total equity US$
Balance at 1 January 2012		**6,397,479**	**–**	**6,002,810**	**12,400,289**
Total comprehensive income for the financial year					
Profit for the financial year		**–**	**–**	**585,247**	**585,247**
Transactions with owners of the parent recognised directly in equity					
Dividends	24	**–**	**–**	**(189,773)**	**(189,773)**
Total transactions with owners of the parent		**–**	**–**	**(189,773)**	**(189,773)**
Balance at 31 December 2012		**6,397,479**	**–**	**6,398,284**	**12,795,763**
Balance at 1 January 2011		6,397,479	6,423	4,278,392	10,682,294
Total comprehensive income for the financial year					
Profit for the financial year		–	–	1,921,854	1,921,854
Transactions with owners of the parent recognised directly in equity					
Share option expense	23	–	(6,423)	–	(6,423)
Dividends	24	–	–	(197,436)	(197,436)
Total transactions with owners of the parent		–	(6,423)	(197,436)	(203,859)
Balance at 31 December 2011		6,397,479	–	6,002,810	12,400,289

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
Operating activities			
Profit before income tax		**681,020**	463,456
Adjustments for:			
Amortisation of intangible assets		**51,894**	28,132
Depreciation of property, plant and equipment		**393,586**	377,072
Gain on disposal of property held for sale		**–**	(40,968)
Gain on disposal of property, plant and equipment		**(268,884)**	(337,071)
Interest income		**(4,553)**	(1,418)
Interest expense		**121,030**	142,372
Share of results of an associate		**(161,107)**	(165,783)
Share of results of joint ventures		**(474,137)**	(42,420)
Share option expense		**–**	(6,423)
Operating cash flows before working capital changes		**338,849**	416,949
Working capital changes:			
Inventories		**(2,970,110)**	(176,143)
Trade and other receivables		**(10,054,681)**	1,451,317
Trade and other payables		**14,931,337**	(672,628)
Cash generated from operations		**2,245,395**	1,019,495
Interest income		**4,553**	1,418
Interest expense		**(121,030)**	(142,372)
Income tax paid		**(39,715)**	(161,505)
Net cash from operating activities		**2,089,203**	717,036
Investing activities			
Decrease in non-trade payables due to an associate, net		**–**	(1,179,125)
Increase in non-trade receivables due from joint ventures, net		**–**	(11,070)
Purchase of property, plant and equipment	10	**(712,619)**	(142,988)
Purchase of computer software		**(126,826)**	–
Proceeds from disposal of property, plant and equipment		**521,771**	938,116
Proceeds from disposal of intangible assets		**166,095**	–
Return on striking off a joint venture	13	**300,000**	–
Investment in joint ventures	13	**–**	(350,000)
Proceeds from disposal of property held for sale		**–**	245,770
Net cash from/(used) in investing activities		**148,421**	(499,297)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
Financing activities			
Repayment of bank borrowings		**(742,241)**	(1,379,250)
Repayment of finance lease obligation		**–**	(15,084)
Pledge of bank deposits with banks		**(5,882,876)**	–
Pledge of fixed deposits with banks		**(208,700)**	–
Proceeds from bank borrowings		**5,049,696**	1,085,311
Dividends paid	24	**(189,773)**	(197,436)
Net cash used in financing activities		**(1,973,894)**	(506,459)
Net change in cash and cash equivalents		**263,730**	(288,720)
Cash and cash equivalents at beginning of financial year		**1,330,225**	1,607,143
Effect of foreign exchange rate changes in cash and cash equivalents		**(11,080)**	11,802
Cash and cash equivalents at end of financial year	17	**1,582,875**	1,330,225

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

1. GENERAL CORPORATE INFORMATION

SBI Offshore Limited (the "Company") is a public limited liability company incorporated and domiciled in the Republic of Singapore.

The Company was admitted to the official list of Catalist under Singapore Exchange Securities Trading Limited on 11 November 2009.

The Company's registered office address and principal place of business is at 31 International Business Park, #05-05 Creative Resource Singapore 609921. The Company's registration number is 199407121D.

The principal activities of the Company are those of investment holding and marketing and distribution of offshore rig equipment and design and manufacture of offshore marine equipment.

The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2012 were authorised for issue by the Board of Directors on 2 April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("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 preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

During the financial year, the Group and the Company has adopted all the new or revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

As at the date of authorisation of these financial statements, the Group and the Company has not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19 (Revised)	Employee Benefits	1 January 2013
FRS 27 (Revised)	Separate Financial Statements	1 January 2014
FRS 28 (Revised)	Investments in Associates and Joint Ventures	1 January 2014
FRS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 101 (Amendments)	Government Loans	1 January 2013
FRS 107 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
FRS 113	Fair Value Measurement	1 January 2013
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
FRS 110, 112 and 27 (Amendments)	Investment Entities	1 January 2014
Improvements to FRSs 2012		1 January 2013
– FRS 1 (Amendments)	Presentation of Financial Statements	
– FRS 16 (Amendments)	Property, Plant and Equipment	
– FRS 32 (Amendments)	Financial Instruments: Presentation	

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

The Group and the Company expect that the adoption of the above FRS and INT FRS in future periods, if applicable, will have no material impact on the financial statements of the Group and the Company in the period of initial adoption, except as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

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

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, the Group and the Company do not expect any impact on their financial position or performance upon adoption of this standard in the financial year beginning 1 January 2013.

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110, management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 January 2014 with full retrospective application. Management is currently in the process of determining the impact on the Group and does not expect any changes to the entities being consolidated by the Group.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to provide more extensive disclosures regarding the nature of any risks associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. As this is a disclosure standard, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 January 2014.

FRS 113 Fair Value Measurement

FRS 113 is a new standard that applies to both financial and non-financial items providing guidance on how to measure fair value in situations where fair value measurement is required by other FRSs. It provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, as well as disclosure requirements. FRS 113 will be effective prospectively from the financial year beginning on 1 January 2013.

The Group does not expect that the adoption of FRS 113 will have any impact on the financial position or financial performance of the Group. However, there may be changes to disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

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.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

If the initial accounting for a business combination is incomplete by the end of the financial year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being 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 previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

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

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

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

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

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition

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

Sale of goods

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

Rendering of services

Revenue from rendering of services is recognised when the services have been performed and accepted by the customers in accordance to the relevant terms and conditions of the contracts.

Rental income

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

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Employee benefits

Retirement benefit costs

The Group participates in the national schemes as defined by the laws of the countries in which it has operates.

Singapore

The Group and the Company makes contribution to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme.

People's Republic of China ("PRC")

A subsidiary, incorporated and operating in the PRC, are required to provide certain retirement plan contribution to their employees under existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are charged as an expense in profit or loss in the financial year as the employment that gives rise to the contributions.

2.6 Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 Income tax

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

Current income tax

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

Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Unrecognised deferred tax assets are reassessed at the end of each financial year and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

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 where there is intention to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

Sales tax

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

- when the sales tax that is incurred on purchase of assets or services in not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.9 Foreign currency transactions and translations

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currency transactions and translations (Continued)

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

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

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

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

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

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

2.10 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property, plant and equipment

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

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

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the property, plant and equipment before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

	Years
Leasehold property	30
Computers	3
Furniture and fittings	3 to 10
Office equipment	8
Renovation	3 to 10
Motor vehicles	5
Site equipment	3

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The residual values, useful lives and depreciation method are reviewed at the end of each financial year to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Intangible assets

Goodwill

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

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

Land use right

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less accumulated amortisation and accumulated impairment losses, if any. The land use right is amortised over the remaining useful life of the lease term of 50 years.

Computer software

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding, of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated at cost on the Company's statement of financial position less impairment loss, if any.

2.14 Associate

Associates are entities over which the Group has significant influence, but that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits after its share of the profits equals the share of losses not recognised.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. This applies to unrealised losses which are also eliminated but only to the extent that there is no impairment.

Investment in an associate is stated at cost on the Company's statement of financial position less impairment loss, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment loss of individual investments. Losses of an 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 in the joint venture) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. If the joint ventures subsequently reports profits, the Group resumes recognising its share of those profits after its share of the profits equals the share of losses not recognised.

Where a Group entity transacts with an joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture. This applies to unrealised losses which are also eliminated but only to the extent that there is no impairment.

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

2.16 Impairment of tangible and intangible assets excluding goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of tangible and intangible assets excluding goodwill (Continued)

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.17 Financial instruments

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

Effective interest method

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

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

Derecognition of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by 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.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and 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, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials is determined on a "first-in, first-out" basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured goods, cost includes costs of materials, direct labour and an appropriate portion of manufacturing overheads.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow-moving and defective inventories.

2.19 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits net of fixed deposits pledged and bank deposits pledged.

2.20 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 decisions.

2.21 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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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, 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 management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investments in subsidiaries, associate and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether an investment or a financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2012 were US$5,511,002 (2011: US$5,263,849) and US$51,649 (2011: US$118,980) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Allowance for obsolete inventories

Inventories are stated at the lower of cost and net realisable value. The management determines cost of inventories using the "first-in, first-out" basis. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provides for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities and related margin of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amounts of the Group's and the Company's inventories as at 31 December 2012 were US$3,332,784 (2011: US$363,150) and US$2,758,152 (2011: US$35,562) respectively.

(iii) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when it believes that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables, excluding prepayments, advance payments to suppliers and other recoverable, as at 31 December 2012 were US$6,746,257 (2011: US$1,570,103) and US$11,884,279 (2011: US$5,230,181) respectively.

(iv) Income taxes

The Group and the Company recognise liabilities for expected income tax liabilities based on estimates of income tax payable. There are certain transactions and computations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the current income tax and deferred tax provisions in the financial years in which such determination is made. The carrying amount of the Group's and the Company's current income tax payable as at 31 December 2012 was US$13,634 (2011: US$52,448). The carrying amounts of the Group's and the Company's deferred tax liabilities as at 31 December 2012 were US$33,595 (2011: US$4,271) and US$4,271 (2011: US$4,271) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. REVENUE

	Group	
	2012	**2011**
	US$	**US$**
Sale of goods	**4,782,471**	2,640,367
Services rendered	**1,818,330**	3,909,971
Design, engineering and fabrication	**1,979,586**	86,650
Manufacturing of offshore rig equipment	**852,565**	484,410
	9,432,952	7,121,398

5. OTHER INCOME

	Group	
	2012	**2011**
	US$	**US$**
Gain on disposal of property held for sale	–	40,968
Gain on disposal of property, plants and equipments	**268,884**	337,071
Rental income	**793**	19,355
Miscellaneous income	**320,434**	2,237
	590,111	399,631

In the current financial year, miscellaneous income included an amount of US$281,511 comprising reimbursement income from an associate for the use of its subsidiary's factory space and other utility charges.

6. FINANCE COSTS

	Group	
	2012	**2011**
	US$	**US$**
Bank loan interests	**121,030**	141,552
Finance lease interests	–	820
	121,030	142,372

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

7. PROFIT BEFORE INCOME TAX

The above is arrived at after charging/(crediting):

	Group	
	2012	2011
	US$	US$
Cost of sales		
Depreciation of property, plant and equipment	**110,662**	15,956
General and administrative expenses		
Audit fees		
- auditors of the Company	**52,973**	68,943
- other auditors	**1,110**	2,778
Non-audit fees		
- auditors of the Company	**–**	–
- other auditors	**–**	–
Amortisation of intangible asset	**51,894**	28,132
Consultation fee	**64,103**	432,089
Depreciation of property, plant and equipment	**282,924**	361,116
Foreign exchange (gain)/loss, net	**74,567**	(12,542)
Transportation and travelling	**393,579**	225,230
Operating lease expenses	**138,664**	199,997

The profit before income tax also includes the following:

	Group	
	2012	2011
	US$	US$
Staff costs		
Salaries, bonuses and allowances	**1,829,782**	1,869,230
Contribution to defined contribution plans	**112,657**	91,850
Other employee benefits	**52,618**	40,003
	1,995,057	2,001,083

Staff costs are recognised in the following line items in the consolidated statement of comprehensive income:

	Group	
	2012	**2011**
	US$	**US$**
Cost of sales	**749,537**	8,810
General and administrative expenses	**1,245,520**	1,992,273
	1,995,057	2,001,083

Staff costs included key management remuneration as shown in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

8. INCOME TAX EXPENSE

	Group	
	2012	**2011**
	US$	**US$**
Current income tax		
- current year	**7,888**	62,636
- (over)/underprovision in prior years	**(6,987)**	144,317
	901	206,953
Deferred tax		
- current year	**24,957**	–
- underprovision in prior years	**4,367**	–
	29,324	–
Total income tax expense	**30,225**	206,953

Domestic income tax is calculated at 17% (2011: 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% (2011: 17%) to profit before income tax as a result of the following differences:

	Group	
	2012	**2011**
	US$	**US$**
Profit before income tax	**681,020**	463,456
Income tax calculated at statutory income tax rate	**115,774**	78,788
Effect of different tax rate in other countries	**26,988**	(44,188)
Tax effect of expenses not deductible	**32,288**	148,825
Tax effect of income not subject to tax	**(120,379)**	(91,210)
Statutory stepped income tax exemption	**(16,890)**	(19,965)
Unrecognised deferred tax assets	**7,089**	–
(Over)/underprovision of current income tax in prior years	**(6,987)**	144,317
Underprovision of deferred tax liabilities in prior years	**4,367**	–
Tax incentive under Productivity and Innovation Credit	**(19,080)**	(3,066)
Others	**7,055**	(6,548)
	30,225	206,953

Under the group tax relief system introduced by the Inland Revenue Authority of Singapore ("IRAS"), a Singapore incorporated company may, upon satisfaction of the criteria set out by the IRAS, transfer its current year's trade losses to another company belonging to the same group, to be deducted against the assessable income of the latter company. At the end of the financial year, the tax effect of the Group's utilisation of a subsidiary's tax losses amounted to US$86,652 (2011: US$238,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

8. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets are attributable to the following items:

	Group	
	2012	**2011**
	US$	**US$**
Excess of tax written down value of plant and equipment over net book value	**482**	11,678
Unutilised tax losses	**18,285**	–
	18,767	11,678

The deferred tax asset has not been recognised in the financial statements due to unpredictability of future revenue streams. The use of these potential tax benefits of approximately US$18,767 (2011: US$11,678) is subject to the agreement of the relevant tax authority.

9. EARNINGS PER SHARE

Basic and diluted earnings per ordinary share is calculated by dividing the Group's profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

The calculation of basic and diluted earnings per share is based on:

	Group	
	2012	**2011**
	US$	**US$**
Profit attributable to owners of the parent	**655,310**	267,550
	Number of shares	**Number of shares**
Weighted average number of ordinary shares		
- Basic	**121,680,100**	121,680,100
- Diluted	**121,680,100**	121,680,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property US$	Computers US$	Furniture and fittings US$	Office equipment US$	Renovation US$	Motor vehicles US$	Site equipment US$	Total US$
Cost								
Balance at 1 January 2012	4,825,404	61,509	101,783	16,052	483,265	152,130	317,135	5,957,278
Additions	366,695	103,048	20,158	13,486	–	–	209,232	712,619
Disposals	(203,352)	(15,006)	(1,144)	–	(3,811)	(115,428)	–	(338,741)
Reclassification from/(to) intangible assets (Note 14)	101,844	(22,210)	–	–	–	–	–	79,634
Currency realignment	95,675	–	1,641	60	8,407	728	6,288	112,799
Balance at 31 December 2012	5,186,266	127,341	122,438	29,598	487,861	37,430	532,655	6,523,589
Accumulated depreciation								
Balance at 1 January 2012	311,019	18,466	57,050	6,581	189,412	62,576	48,325	693,429
Depreciation for the financial year	164,037	27,629	33,097	5,026	102,412	24,747	36,638	393,586
Disposals	(11,440)	(9,624)	(1,143)	–	(3,811)	(59,836)	–	(85,854)
Currency realignment	9,582	–	874	23	1,671	360	(1,084)	11,426
Balance at 31 December 2012	473,198	36,471	89,878	11,630	289,684	27,847	83,879	1,012,587
Net carrying amount								
At 31 December 2012	4,713,068	90,870	32,560	17,968	198,177	9,583	448,776	5,511,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold property US$	Computers US$	Furniture and fittings US$	Office equipment US$	Renovation US$	Motor vehicles US$	Site equipment US$	Total US$
Cost								
Balance at 1 January 2011	5,266,636	22,435	83,779	8,417	456,515	150,124	203,264	6,191,170
Additions	178,892	39,074	14,955	7,526	11,677	800	68,956	321,880
Disposals	(775,481)	–	–	–	–	–	–	(775,481)
Reclassification	(31,486)	–	–	–	–	–	31,486	–
Currency realignment	186,843	–	3,049	109	15,073	1,206	13,429	219,709
Balance at 31 December 2011	4,825,404	61,509	101,783	16,052	483,265	152,130	317,135	5,957,278
Accumulated depreciation								
Balance at 1 January 2011	307,930	7,974	21,329	1,901	86,394	28,200	19,583	473,311
Depreciation for the financial year	167,680	10,492	35,031	4,555	100,292	32,039	26,983	377,072
Disposals	(174,436)	–	–	–	–	–	–	(174,436)
Reclassification	(1,050)	–	–	–	–	–	1,050	–
Currency realignment	10,895	–	690	125	2,726	2,337	709	17,482
Balance at 31 December 2011	311,019	18,466	57,050	6,581	189,412	62,576	48,325	693,429
Net carrying amount								
At 31 December 2011	4,514,385	43,043	44,733	9,471	293,853	89,554	268,810	5,263,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers US$	Furniture and fittings US$	Office equipment US$	Renovation US$	Motor vehicles US$	Total US$
Cost						
Balance at 1 January 2012	**26,275**	**11,065**	**11,137**	**59,275**	**115,428**	**223,180**
Additions	**37,412**	**4,413**	**2,763**	**–**	**–**	**44,588**
Disposals	**(1,439)**	**(1,143)**	**–**	**(3,811)**	**(115,428)**	**(121,821)**
Balance at 31 December 2012	**62,248**	**14,335**	**13,900**	**55,464**	**–**	**145,947**
Accumulated depreciation						
Balance at 1 January 2012	**13,064**	**6,465**	**4,213**	**36,012**	**44,446**	**104,200**
Depreciation for the financial year	**15,992**	**4,187**	**3,747**	**15,933**	**15,390**	**55,249**
Disposals	**(361)**	**(1,143)**	**–**	**(3,811)**	**(59,836)**	**(65,151)**
Balance at 31 December 2012	**28,695**	**9,509**	**7,960**	**48,134**	**–**	**94,298**
Net carrying amount						
At 31 December 2012	**33,553**	**4,826**	**5,940**	**7,330**	**–**	**51,649**

Company	Leasehold property US$	Computers US$	Furniture and fittings US$	Office equipment US$	Renovation US$	Motor vehicles US$	Total US$
Cost							
Balance at 1 January 2011	775,481	15,169	6,212	4,242	47,599	115,428	964,131
Additions	–	11,106	4,853	6,895	11,676	–	34,530
Disposals	(775,481)	–	–	–	–	–	(775,481)
Balance at 31 December 2011	–	26,275	11,065	11,137	59,275	115,428	223,180
Accumulated depreciation							
Balance at 1 January 2011	159,531	7,030	3,043	1,501	18,620	21,361	211,086
Depreciation for the financial year	14,905	6,034	3,422	2,712	17,392	23,085	67,550
Disposals	(174,436)	–	–	–	–	–	(174,436)
Balance at 31 December 2011	–	13,064	6,465	4,213	36,012	44,446	104,200
Net carrying amount							
At 31 December 2011	–	13,211	4,600	6,924	23,263	70,982	118,980

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, the Group's additions to property, plant and equipment were financed as follows:

	2012	**2011**
	US$	**US$**
Additions to property, plant and equipment	**712,619**	321,880
Amount owing to an associate	**–**	(178,892)
Cash payments to acquire property, plant and equipment	**712,619**	142,988

As at 31 December 2012, the certificate of ownership of the Group's leasehold property with carrying amount of US$4,713,068 (2011: US$4,514,385) is still in the process of application. The management expects the application of the certificate of ownership will be completed in the next financial year.

Details of the Group's leasehold property are as follows:

Company	**Location**	**Description**	**Tenure**
Jiangyin SBI Offshore Equipment Co., Ltd.	28 Beihuan Road, Yuecheng Town, Jiangyin, Jiangsu, China 214404 (People's Republic of China)	Office premises and factory	30 years

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	**2011**
	US$	**US$**
Unquoted equity shares, at cost	**5,880,000**	5,880,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

11. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation/operation)	Principal activities	Effective equity interest held by the Company 2012 %	2011 %
Held by SBI Offshore Limited			
Jiangyin SBI Offshore Equipment Co., Ltd.[1] (People's Republic of China)	Manufacturing of offshore rig equipment	**98**	98
Sea Reef Offshore Pte. Ltd.[2] (Singapore)	Designing, engineering, of offshore equipment	**100**	100
Sea Reef do Brazil Ltda[3] (Brazil)	Dormant	**60**	60
Held by Sea Reef Offshore Pte. Ltd.			
Sea Reef International Inc.[4] (United States of America)	Marketing and distribution of offshore equipment	**100**	100

Notes:

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

(2) Audited by BDO LLP, Singapore

(3) Not required to be audited under the laws of country of incorporation. The entity has no transactions since its incorporation on 22 October 2010

(4) Audited by BDO LLP, Singapore, for consolidation purposes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

12. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Unquoted equity shares, at cost			**1,800,000**	1,800,000
Share of net assets of an associate as at acquisition date	**1,235,418**	1,235,418		
Goodwill on acquisition	**564,582**	564,582		
Share of post-acquisition results	**733,945**	572,838		
Carrying amount	**2,533,945**	2,372,838		

The details of the associate are as follows:

Name of associate (Country of incorporation/operation)	**Principal activities**	**Effective equity interest held by the Group**	
		2012	**2011**
		%	**%**
Jiangyin Neptune Marine Appliance Co., Ltd.[1] (People's Republic of China)	Manufacturing of marine equipment, fittings and boats	**35**	35

Note:

(1) Audited by Jiangyin Jiyang Certified Public Accountant Co., Ltd., People's Republic of China

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group and the Company is as follows:

	Group	
	2012	**2011**
	US$	**US$**
Assets	**14,714,666**	11,584,670
Liabilities	**10,123,967**	7,394,682
Revenue	**15,675,981**	14,238,790
Net profit after income tax	**460,306**	418,902

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

13. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2012	2011	**2012**	2011
	US$	US$	**US$**	US$
Unquoted equity shares, at cost			**50,000**	350,000
Share of net assets of joint ventures as at acquisition date	**350,000**	350,000		
Return on striking off a joint venture	**(300,000)**	–		
Share of post-acquisition results	**516,556**	42,420		
Carrying amount	**566,556**	392,420		

Establishment of joint ventures

RBV Energy (Singapore) Pte. Ltd.

On 17 November 2011, the Company entered into a joint venture arrangement with RBV Energy Ltd, a company incorporated in the United Kingdom, to establish a joint venture company, RBV Energy (Singapore) Pte. Ltd., incorporated in Singapore with an issued and paid-up capital of US$100,000 of which the Company has paid US$50,000 (equivalent to 50% shareholding).

HS Offshore Pte. Ltd. ("HS Offshore")

On 26 July 2011, the Company entered into a joint venture agreement with Honghua Holdings Limited, a wholly-owned subsidiary of Honghua Group Limited which is listed on the Hong Kong Stock Exchange, to establish a joint venture company, HS Offshore Pte. Ltd., incorporated in Singapore with an issued and paid-up capital of US$1,000,000 of which the Company has paid US$300,000 (equivalent to 30% shareholdings). On 28 June 2012, the shareholders of HS Offshore, in which Hong Hua holds a 70% interest and the Company holds a 30% interest, have mutually agreed to strike-off HS Offshore. The total paid-up capital in HS Offshore was returned to its shareholders, whereby Hong Hua and the Company received US$700,000 and US$300,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

13. INVESTMENT IN JOINT VENTURES (CONTINUED)

The details of the joint ventures are as follows:

Name of joint ventures (Country of incorporation/operation)	Principal activities	Effective equity interest held by the Group 2012 %	2011 %
RBV Energy (Singapore) Pte. Ltd.[(1)] (Singapore)	Manufacture and supply of equipment for marine/offshore industry	**50**	50
HS Offshore Pte. Ltd.[(1)] (Singapore)	Manufacture and supply of equipment for marine/offshore industry	**–**	30

Note:

(1) Audited by Y M Kew and Co., Certified Public Accountants, Singapore

The summarised financial information of the joint ventures, not adjusted for the proportion of ownership interest held by the Group and the Company is as follows:

	Group 2012 US$	2011 US$
Assets	**4,122,991**	1,748,144
Liabilities	**2,998,408**	564,084
Revenue	**7,878,175**	254,522
Net profit after income tax	**948,272**	84,840

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

14. INTANGIBLE ASSETS

Group	Land use right US$	Computer software US$	Total US$
2012			
Cost			
Balance at 1 January 2012	**1,439,208**	**–**	**1,439,208**
Additions	**–**	**126,826**	**126,826**
Disposals	**(166,095)**	**–**	**(166,095)**
Reclassified from/(to) property, plant and equipment (Note 10)	**(101,844)**	**22,210**	**(79,634)**
Currency realignment	**26,487**	**–**	**26,487**
Balance at 31 December 2012	**1,197,756**	**149,036**	**1,346,792**
Accumulated amortisation			
Balance at 1 January 2012	**33,643**	**–**	**33,643**
Amortisation for the financial year	**28,989**	**22,905**	**51,894**
Currency realignment	**1,024**	**–**	**1,024**
Balance at 31 December 2012	**63,656**	**22,905**	**86,561**
Net carrying amount			
At 31 December 2012	**1,134,100**	**126,131**	**1,260,231**
Average remaining useful lives	**47 years**	**2 years**	
2011			
Cost			
Balance at 1 January 2011	1,382,722	–	1,382,722
Currency realignment	56,486	–	56,486
Balance at 31 December 2011	1,439,208	–	1,439,208
Accumulated amortisation			
Balance at 1 January 2011	4,676	–	4,676
Amortisation for the financial year	28,132	–	28,132
Currency realignment	835	–	835
Balance at 31 December 2011	33,643	–	33,643
Net carrying amount			
At 31 December 2011	1,405,565	–	1,405,565
Average remaining useful lives	48 years	–	

The Group's land use right of US$1,134,100 (2011: US$1,405,565) has been pledged to a financial institution in the People's Republic of China as a collateral for short term loans granted to a subsidiary as set out in Note 19 to the financial statements.

Amortisation expense was included in "General and administrative expenses" in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

15. INVENTORIES

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
Raw materials	**117,799**	77,939	**2,746,400**	–
Work-in-progress	**3,159,051**	285,211	**11,760**	35,562
Finished goods	**55,934**	–	**–**	–
	3,332,784	363,150	**2,758,160**	35,562

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
Trade receivables				
- third parties	**5,145,856**	1,413,988	**5,145,856**	1,102,114
- associate	**49,910**	–	**–**	37
- subsidiary	**–**	–	**588,057**	–
Non-trade receivables				
- third parties	**582,506**	15,414	**437,383**	616
- subsidiaries	**–**	–	**4,748,186**	4,089,332
- associate	**132,784**	97,184	**132,784**	–
- joint ventures	**792,880**	11,070	**792,692**	11,070
Other recoverable	**13,079**	48,714	**–**	–
Rental and other deposits	**42,321**	32,447	**39,321**	27,012
Advance payments to suppliers	**4,887,510**	–	**4,887,560**	–
Prepayments	**60,626**	34,466	**5,833**	12,111
	11,707,472	1,653,283	**16,777,672**	5,242,292

Trade receivables are non-interest bearing and generally on 30 days (2011: 30 days) credit terms.

The non-trade receivables due from associate and joint ventures which comprised advances are unsecured, non-interest bearing and repayable on demand.

The non-trade receivables due from subsidiaries which comprised advances are unsecured, non-interest bearing and repayable on demand, except for an amount of approximately US$800,000 (2011: US$800,000), which bears interest at 1% (2011: 1%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2012 US$	2011 US$	2012 US$	2011 US$
United States dollar	**10,714,402**	1,410,101	**15,169,132**	4,372,287
Singapore dollar	**146,807**	69,524	**984,626**	845,400
British Pound	**571,711**	–	**571,711**	–
Chinese Renminbi	**222,349**	173,658	**–**	–
Others	**52,203**	–	**52,203**	24,605
	11,707,472	1,653,283	**16,777,672**	5,242,292

17. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2012 US$	2011 US$	2012 US$	2011 US$
Cash and bank balances	**7,465,751**	1,330,225	**6,890,546**	1,014,965
Fixed deposits	**488,956**	280,256	**488,956**	280,256
Cash and cash equivalents as per statements of financial position	**7,954,707**	1,610,481	**7,379,502**	1,295,221
Fixed deposits pledged	**(488,956)**	(280,256)		
Bank deposits pledged	**(5,882,876)**	–		
Cash and cash equivalents as per consolidated statement of cash flows	**1,582,875**	1,330,225		

Fixed deposits with a financial institution mature on varying periods within 12 months (2011: 12 months) from the end of the financial year with an interest rate of 0.8% (2011: 0.5%) per annum.

The fixed deposits of US$488,956 (2011: US$280,256) and bank deposits of US$5,882,876 (2011: US$Nil) have been pledged as securities for banking facilities granted to the Group and the Company as set out in Note 19 to the financial statements.

As at 31 December 2012, the Group has cash and bank balances deposited with banks in the People's Republic of China ("PRC"), denominated in Chinese Renminbi ("RMB") amounting to approximately RMB3,304,002 (2011: RMB1,151,000). The RMB is not freely convertible into foreign currencies. In accordance with the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

17. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
United States dollar	**7,194,024**	930,943	**7,157,835**	801,755
Singapore dollar	**228,698**	366,777	**220,122**	361,852
British Pound	**1,365**	131,614	**1,365**	131,614
Chinese Renminbi	**530,440**	181,147	**–**	–
Others	**180**	–	**180**	–
	7,954,707	1,610,481	**7,379,502**	1,295,221

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
Trade payables				
- third parties	**448,296**	593,503	**163,802**	299,146
- subsidiary	**–**	–	**250,327**	550
- an associate	**691,033**	185,787	**691,033**	185,787
- joint venture	**290,163**	–	**290,163**	–
Advance payments from customers	**13,646,484**	522,661	**13,607,380**	174,090
Non-trade payables				
- third parties	**139,595**	25,873	**91,168**	–
- an associate	**–**	499,120	**–**	–
Accrued operating expenses	**1,993,299**	433,073	**2,008,659**	409,695
	17,208,870	2,260,017	**17,102,532**	1,069,268

Trade payables are non-interest bearing and are normally settled between 30 to 60 days (2011: 30 to 60 days) credit term.

The non-trade payable due to an associate which comprised advances was unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

18. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
United States dollar	**16,193,772**	1,084,822	**16,335,575**	729,674
Singapore dollar	**434,242**	308,590	**429,348**	302,437
British Pound	**314,080**	–	**314,080**	–
Chinese Renminbi	**243,247**	829,448	**–**	–
Others	**23,529**	37,157	**23,529**	37,157
	17,208,870	2,260,017	**17,102,532**	1,069,268

19. BANK BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
Bank loan 1 – Unsecured	**259,697**	648,955	**259,697**	648,955
Bank loan 2 – Secured	**309,704**	546,824	**309,704**	546,824
Bank loan 3 – Secured	**375,117**	–	**375,117**	–
Revolving credit	**150,000**	–	**150,000**	–
Trust receipts	**752,465**	–	**752,465**	–
Short term loan 1	**722,451**	–	**–**	–
Short term loan 2	**2,933,800**	–	**2,933,800**	–
	5,503,234	1,195,779	**4,780,783**	1,195,779

Bank loan 1 is repayable within 48 months commencing from August 2010 and bears effective interest rate at 5% (2011: 5%) per annum on monthly rest with monthly instalment of approximately US$36,944 (equivalent to S$46,059) per month.

Bank loan 2 is repayable within 36 months commencing from February 2011 and bears effective interest rate at 5% (2011: 5%) per annum on monthly rest with monthly instalment of approximately US$24,040 (equivalent to S$29,971) per month.

Bank loan 3 is repayable within 36 months commencing from April 2012 and bears effective interest rate at 5% per annum on monthly rest with monthly instalment of approximately US$14,424 (equivalent to S$17,983) per month.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

19. BANK BORROWINGS (CONTINUED)

Bank loans 1 to 3 have repayment on demand clause which gives the lenders an unconditional right to call the loan at any time. As such, bank borrowings are classified as current liabilities.

Revolving credit and trust receipts bear interest rate at 2.31% to 2.76% per annum are repayable on demand.

Bank loan 2, bank loan 3, revolving credit and trust receipts are secured by fixed deposits of US$488,956 (2011: US$280,256) as set out in Note 17 to the financial statements.

Short term loan 1 bears interest at a rate of 6.9% per annum and is repayable within 12 months. It is secured by way of charge on the Group's land use right of $1,134,100 as set out in Note 14 to the financial statements.

Short term loan 2 bears interest at a rate of 2.36% to 2.39% per annum and is payable by 30 June 2013. It is secured against bank deposits of US$5,882,876 as set out in Note 17 to the financial statements.

The interest rates may be revised by the banks to reflect the movement in market rates.

The carrying amounts of bank borrowings approximate their fair values.

At the end of the financial year, the Group and the Company have banking facilities as follows:

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
Banking facilities granted	**18,632,471**	3,709,395	**17,910,021**	3,709,395
Banking facilities utilised	**11,613,785**	1,393,159	**10,891,335**	1,393,159

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
United States dollar	**3,836,265**	–	**3,836,265**	–
Singapore dollar	**944,518**	1,195,779	**944,518**	1,195,779
Chinese Renminbi	**722,451**	–	**–**	–
	5,503,234	1,195,779	**4,780,783**	1,195,779

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

20. DEFERRED TAX LIABILITIES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
At beginning of financial year	**4,271**	4,271	**4,271**	4,271
Charge to profit or loss	**29,324**	–	**–**	–
At end of financial year	**33,595**	4,271	**4,271**	4,271

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the financial year.

	Accelerated tax depreciation	Others	Total
	US$	**US$**	**US$**
Group			
At 1 January 2011 and 1 January 2012	4,271	–	4,271
Charge/(Credit) to profit or loss	31,124	(1,800)	29,324
At 31 December 2012	35,395	(1,800)	33,595

There was no movement in respect of the Company's deferred tax liabilities which comprised accelerated tax deprecation.

Temporary differences arising in connection with interests in associates and jointly controlled entities are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

21. SHARE CAPITAL

	Group and Company		Group and Company	
	2012	2011	2012	2011
	Number of ordinary shares		US$	US$
Issued and paid up:				
At beginning and end of financial year	**121,680,100**	121,680,100	**6,397,479**	6,397,479

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.

22. FOREIGN CURRENCY TRANSLATION RESERVE

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

23. SHARE OPTIONS

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options. Movement in this reserve is set out in the statements of changes in equity.

Equity-settled share options scheme

The Remuneration Committee 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 expire. Options are forfeited if the employees leave the Group before the options vest.

On 19 March 2012, 3,000,000 share options were granted to an eligible participant at the exercise price of S$0.21 to Engineering Director, M. Sharifuz Zaman, who is not a controlling shareholder or their associate. The options are vested over vesting period after the first, second, third, fourth and fifth anniversary in respect of 20% respectively of the options granted and exercisable until 19 March 2022. No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme. On 5 November 2012, M. Sharifuz Zaman had resigned and 3,000,000 share options granted were forfeited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

23. SHARE OPTIONS (CONTINUED)

Equity-settled share options scheme (Continued)

On 12 March 2010, 250,000 share options were granted to eligible participants at the exercise price of S$0.194 whereby 50,000 share options were forfeited during the financial year ended 31 December 2010 and 200,000 share options were granted to General Manager of Sales, Jeremy Chng Tien Siang, all of whom are not controlling shareholders or their associates. In addition, on 29 April 2011, 150,000 share options were granted to Jeremy Chng Tien Siang at the exercise price of S$0.235. 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. The exercise period expires 10 years after the respective grant date. No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme. On 20 August 2011, Jeremy Chng Tien Siang has resigned and the share options granted to him were forfeited.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the financial year.

	Group and Company			
	2012		2011	
	Number of share options	Weighted average exercise price S$	Number of share options	Weighted average exercise price S$
Outstanding at beginning of financial year	**–**	**–**	250,000	0.194
Granted during the financial year	**3,000,000**	**0.210**	150,000	0.235
Forfeited during the financial year	**(3,000,000)**	**0.210**	(350,000)	0.212
Outstanding at end of financial year	**–**		–	
Exercisable at end of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

24. DIVIDENDS

	Group and Company	
	2012	2011
	US$	US$
Final tax exempt dividend declared and paid of approximately S$0.002 per ordinary share for the financial year ended 31 December 2010	–	197,436
Final tax exempt dividend declared and paid of approximately S$0.002 per ordinary share for the financial year ended 31 December 2011	**189,773**	–
	189,773	197,436

The Directors of the Company propose a final tax exempt dividend of S$0.002 per ordinary share amounting to a total of S$243,360 (approximately US$199,133 equivalent) for the financial year ended 31 December 2012. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been recognised as a liability in these financial statements.

25. OPERATING LEASE COMMITMENTS

Group and Company as a lessee

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

	Group and Company	
	2012	2011
	US$	US$
Future minimum lease payments payable:		
Within one year	**131,576**	71,323
After one year but within five years	–	6,808
Total	**131,576**	78,131

The above operating lease commitments are based on existing rental rates at the end of the financial year and have remaining lease term of 6 to 12 months. Operating lease of office premise has an option to renew for a further period of 3 years at rates to be agreed with the landlord. There are no contingent rental payments and restriction imposed in relation to the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2012	2011	2012	2011
	US$	US$	US$	US$
With subsidiaries				
Advances to a subsidiary	**–**	–	**800,000**	–
Loans to a subsidiary	**–**	–	**301,855**	1,833,920
Payment on behalf of subsidiaries	**–**	–	**103,288**	228,310
Purchases from a subsidiary	**–**	–	**629,762**	272,885
Sales to a subsidiary	**–**	–	**853,106**	–
Services rendered from a subsidiary	**–**	–	**660,327**	–
With an associate				
Advances to an associate	**–**	97,147	**–**	–
Miscellaneous income from an associate	**218,181**	–	**–**	–
Payment on behalf by an associate	**–**	178,892	**–**	–
Purchase deposits paid to an associate	**115,450**	–	**115,450**	–
Purchases from an associate	**1,104,581**	622,088	**1,104,581**	622,088
Purchase of property, plant and equipment at net carrying value	**378,726**	–	**–**	–
Services rendered to an associate	**–**	6,045	**–**	6,045
With joint ventures				
Advances to a joint venture	**217,600**	–	**217,600**	–
Loans to a joint venture	**500,000**	–	**500,000**	–
Payment on behalf of joint ventures	**89,970**	11,070	**89,970**	11,070
Purchase from a joint venture	**1,357,500**	–	**1,357,500**	–
With a related party				
Sales to a related party	**–**	69,480	**–**	69,840

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of the key management personnel included under staff costs in Note 7 were as follows:

	Group	
	2012	**2011**
	US$	**US$**
Directors' fees	**46,755**	46,206
Salaries and other short-term benefits	**1,079,172**	715,081
Post-employment benefits	**31,505**	40,205
	1,157,432	801,492
Comprise amounts paid to:		
Directors of the Company	**500,025**	393,516
Other key management personnel	**657,407**	407,976
	1,157,432	801,492

27. CONTINGENT LIABILITIES – UNSECURED

The Company had given undertakings to a subsidiary to provide financial support to this subsidiary to enable it to operate as going concern and to meet its obligations as and when it fall due for at least twelve months from the end of the financial year. As at the end of the financial year, this subsidiary had a capital deficiency totalling US$3,095,047 including amount due from the subsidiary to the Company of US$3,660,569. In the opinion of the Directors, no loss is anticipated from these contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.20).

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

The Group is primarily engaged in three business segments namely:

(i) Marketing and distribution;
(ii) Design, engineering and fabrication; and
(iii) Manufacturing.

The Group adopts these three business segments for its primary segment information.

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

The design, engineering and fabrication segment provides such related services on offshore marine equipment for third parties to other parties.

The manufacturing segment provides manufacturing services of offshore marine equipment for third parties to other parties.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

In the previous financial year, the Group used the two business segments as follows:

(i) Marketing and distribution; and
(ii) Manufacturing.

In view of the services attributable to design, engineering and fabrication segment has grown during the current financial year, the management has separately identified this segment to review the segment profit or loss. Accordingly, the comparative information have been presented using the same measurement methods for the current financial year.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. SEGMENT INFORMATION (CONTINUED)

Business segments

2012	Marketing and distribution US$	Design, engineering and fabrication US$	Manufacturing US$	Elimination US$	Consolidated US$
Revenue					
Revenue from external customers	6,600,801	1,979,586	852,565	–	9,432,952
Inter-segment revenues	–	–	614,804	(614,804)	–
	6,600,801	1,979,586	1,467,369	(614,804)	9,432,952
Results					
Segment results	360,488	(346,316)	(442,029)	–	(427,857)
Other income	62,904	7,865	523,895	–	594,664
Finance costs	(78,070)	(69)	(42,891)	–	(121,030)
Share of results of an associate	–	–	161,107	–	161,107
Share of results of joint ventures	474,136	–	–	–	474,136
Profit before income tax	819,458	(338,520)	200,082	–	681,020
Income tax expense	(7,907)	(22,318)	–	–	(30,225)
Profit for the financial year	811,551	(360,838)	200,082	–	650,795
Non-controlling interests	–	–	4,515	–	4,515
Profit attributable to owners of the parent	811,551	(360,838)	204,597	–	655,310
Capital expenditure	44,589	215,798	579,058	–	839,445
Depreciation and amortisation expenses	55,248	35,955	354,277	–	445,480
Gain on disposal of property, plant and equipment	36,501	–	232,383	–	268,884
Assets and Liabilities					
Segment assets	24,727,101	549,245	7,577,272	–	32,853,618
Other recoverable					13,079
Total assets					32,866,697
Segment liabilities	21,399,884	217,644	1,094,576	–	22,712,104
Current income tax payable					13,634
Deferred tax liabilities					33,595
Total liabilities					22,759,333

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

2011	Marketing and distribution US$	Design, engineering and fabrication US$	Manufacturing US$	Elimination US$	Consolidated US$
Revenue					
Revenue from external customers	6,550,338	86,650	484,410	–	7,121,398
Inter-segment revenues	–	–	269,664	(269,664)	–
	6,550,338	86,650	754,074	(269,664)	7,121,398
Results					
Segment results	1,746,223	(1,406,130)	(343,517)	–	(3,424)
Other income	401,049	–	–	–	401,049
Finance costs	(96,804)	–	(45,568)	–	(142,372)
Share of results of an associate	–	–	165,783	–	165,783
Share of results of joint ventures	42,420	–	–	–	42,420
Profit before income tax	2,092,888	(1,406,130)	(223,302)	–	463,456
Income tax expense	(188,317)	(18,636)	–	–	(206,953)
Profit for the financial year	1,904,571	(1,424,766)	(223,302)	–	256,503
Non-controlling interests	–	–	11,047	–	11,047
Profit attributable to owners of the parent	1,904,571	(1,424,766)	(212,255)	–	267,550
Capital expenditure	20,549	44,069	257,262	–	321,880
Depreciation and amortisation expenses	67,550	12,119	325,535	–	405,204
Gain on disposal of property, plant and equipment	337,071	–	–	–	337,071
Assets and Liabilities					
Segment assets	5,367,974	469,834	7,175,064	–	13,012,872
Other recoverable					48,714
Total assets					13,061,586
Segment liabilities	2,236,280	366,154	853,362	–	3,455,796
Current income tax payable					52,448
Deferred tax liabilities					4,271
Total liabilities					3,512,515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. SEGMENT INFORMATION (CONTINUED)

Geographical information

Three of the Group's business segments operate in five 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. Capital expenditure comprises additions to property, plant and equipment and intangible assets. Segment assets and capital expenditure are shown by the geographical area in which the assets are located.

	Singapore US$	People's Republic of China US$	Southeast Asia other than Singapore US$	Europe US$	United States of America US$	Others US$	Total US$
2012							
Revenue							
Revenue from external customers	**5,594,292**	**112,217**	**429,095**	**1,318,537**	**1,976,511**	**2,300**	**9,432,952**
Assets							
Segment assets	**21,953,308**	**10,111,217**	**–**	**–**	**789,093**	**–**	**32,853,618**
Other recoverable	**–**	**13,079**	**–**	**–**	**–**	**–**	**13,079**
	21,953,308	**10,124,296**	**–**	**–**	**789,093**	**–**	**32,866,697**
2011							
Revenue							
Revenue from external customers	2,276,908	356,260	990,542	3,252,941	86,650	158,097	7,121,398
Assets							
Segment assets	3,033,150	9,547,902	–	–	431,820	–	13,012,872
Other recoverable	–	48,714	–	–	–	–	48,714
	3,033,150	9,596,616	–	–	431,820	–	13,061,586

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Location of non-current assets

	Singapore US$	People's Republic of China US$	United States of America US$	Total US$
2012				
Location of non-current assets	**618,205**	**9,046,039**	**207,490**	**9,871,734**
2011				
Location of non-current assets	514,235	8,891,321	29,116	9,434,672

Non-current assets consist of property, plant and equipment, investment in an associate, investment in joint ventures and intangible assets.

Major customers

The revenue from two customers of the Group's marketing and distribution segment for the financial year are as follows:

	Group	
	2012 US$	2011 US$
Customer A	**2,545,880**	3,835,371
Customer B	**2,506,447**	1,447,511
	5,052,327	5,282,882

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

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

29.1 Credit risk

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

The Group and the Company have a credit policy in place and the exposure to credit risk is monitored on an on-going basis and generally do not require a collateral.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's and the Company's maximum exposure to credit risk.

The Group's and the Company's major classes of financial assets are cash and cash equivalents and trade and other receivables.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top 3 (2011: 3) trade receivables from third parties, which accounted for 92% (2011: 65%) of the total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.1 Credit risk (Continued)

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company.

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

	Group		Company	
	Gross receivables 2012 US$	Gross receivables 2011 US$	Gross receivables 2012 US$	Gross receivables 2011 US$
Past due 1 to 2 months	**1,164,837**	233,414	**1,164,837**	233,414
Past due 2 to 3 months	**2,907,161**	54,510	**2,907,161**	54,510
Past due over 3 months	**468,668**	70,004	**468,668**	70,004

29.2 Market risk

(i) Foreign exchange risk management

The Group and the Company operate in 3 countries with dominant operations in Singapore whose functional currency is United States dollar ("USD"), and People's Republic of China whose functional currency is Chinese Renminbi ("RMB") and incur foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currency. The currencies giving rise to this risk are primarily USD, Singapore dollar ("SGD"), Euro dollar ("EUR") and British Pound ("GBP").

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 financial year, there are no outstanding forward foreign currency contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.2 Market risk (Continued)

(i) *Foreign exchange risk management* (Continued)

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 reserves.

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	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Group				
USD	**9,120**	22,901	**28,045**	526,366
SGD	**991,383**	424,197	**1,378,760**	1,504,369
GBP	**573,076**	131,614	**314,080**	–
EUR	**30,392**	–	**–**	–
Others	**180**	24,605	**23,529**	37,157
Company				
SGD	**1,198,915**	1,195,148	**314,080**	1,498,216
GBP	**573,076**	131,614	**1,373,866**	–
EUR	**52,203**	–	**–**	–
Others	**180**	24,605	**23,529**	37,157

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.2 Market risk (Continued)

(i) *Foreign exchange risk management* (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to SGD and GBP. The following table details the Group's and the Company's sensitivity to a 5% change in SGD and GBP against the entity's functional currency. This sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the reporting dates, with all other variables held constant.

The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD and GBP are included in the analysis.

	Profit or Loss Increase/(Decrease)			
	Group		Company	
	2012 US$	2011 US$	2012 US$	2011 US$
SGD				
Strengthens against USD	**(19,369)**	(54,009)	**(8,748)**	(15,153)
Weakens against USD	**19,369**	54,009	**8,748**	15,153
GBP				
Strengthens against USD	**12,950**	6,581	**12,950**	6,581
Weakens against USD	**(12,950)**	(6,581)	**(12,950)**	(6,581)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.2 Market risk (Continued)

(ii) Interest rate risk

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to short-term bank deposits and bank borrowings as shown in Notes 17 and 19 to the financial statements.

The Group's and the Company's results are affected by changes in interest rates due to the impact of such changes on interest income and expenses from short-term bank deposits and bank borrowings which are at floating 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.

The Group's and the Company's bank borrowings at variable rates are denominated in Singapore dollar and Chinese Renminbi. If there is a 100 basis points change in the interest rates with all other variables including tax rate being held constant, the Group's profit after income tax will be lower or higher by approximately US$762 (2011: US$225) as a result of higher or lower interest expense on bank borrowings.

29.3 Liquidity risk

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

The Group and the Company actively manages 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 minimises 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.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay. The table includes both interest and principle cash flows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.3 Liquidity risk (Continued)

Contractual maturity analysis

	Financial assets		Financial liabilities	
	Non-interest bearing US$	Interest bearing US$	Non-interest bearing US$	Interest bearing US$
Group				
2012				
Within one year	**8,329,132**	**6,380,867**	**3,562,386**	**5,394,981**
After one year but within five years	**–**	**–**	**–**	**198,536**
	8,329,132	**6,380,867**	**3,562,386**	**5,593,517**
2011				
Within one year	2,949,042	280,256	2,260,017	702,612
After one year but within five years	–	–	–	973,983
	2,949,042	280,256	2,260,017	1,676,595
Company				
2012				
Within one year	**12,083,948**	**7,188,867**	**3,492,153**	**4,622,682**
After one year but within five years	**–**	**–**	**–**	**198,536**
	12,083,948	**7,188,867**	**3,492,153**	**4,821,218**
2011				
Within one year	5,445,146	1,080,256	1,069,268	702,612
After one year but within five years	–	–	–	973,983
	5,445,146	1,080,256	1,069,268	1,676,595

The Group's and the Company's operations are financed mainly through equity, accumulated profits, and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. Certain bank loans have repayment on demand clause which gives the lenders an unconditional right to call the loan at any time. As such, these bank borrowings were classified as current liabilities as disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.4 Capital management policies and objectives

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

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2011.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt. The Group and the Company include within net debt, trade and other payables, and bank borrowings less cash and cash equivalents. Equity attributable to owners of the parent consists of total capital plus foreign currency translation reserve, and accumulated profits.

	Group		Company	
	2012 US$	2011 US$	2012 US$	2011 US$
Trade and other payables	**17,208,870**	2,260,017	**17,102,532**	1,069,268
Bank borrowings	**5,503,234**	1,195,779	**4,780,783**	1,195,779
Cash and cash equivalents	**(7,954,707)**	(1,610,481)	**(7,379,502)**	(1,295,221)
Net debt	**14,757,397**	1,845,315	**14,503,813**	969,826
Total equity	**10,014,135**	9,453,201	**12,795,763**	12,400,289
Total capital	**24,771,532**	11,298,516	**27,299,576**	13,370,115
Gearing ratio	**59.6%**	16.3%	**53.3%**	7.25%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.5 Fair value of financial assets and financial liabilities

The carrying amounts of the cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of bank borrowings are disclosed in Note 19 to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

(a) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);

(b) in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).

(c) in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

(d) the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair hierarchy).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

29.5 Fair value of financial assets and financial liabilities (Continued)

The carrying amounts of financial assets and financial liabilities recorded at amortised costs, which approximate their fair value, are detailed in the following table.

	Group		Company	
	2012	2011	2012	2011
	US$	US$	US$	US$
Financial assets				
Trade and other receivables, excluding prepayments, advance payments to suppliers and other recoverable	**6,746,257**	1,570,103	**11,884,279**	5,230,181
Cash and cash equivalents	**7,954,707**	1,610,481	**7,379,502**	1,295,221
	14,700,964	3,180,584	**19,263,781**	6,525,402
Financial liabilities				
Trade and other payables excluding advance payments from customers	**3,562,386**	1,737,356	**3,495,152**	895,178
Borrowings	**5,503,234**	1,195,779	**4,780,783**	1,195,779
	9,065,620	2,933,135	**8,275,935**	2,090,957

30. EVENTS SUBSEQUENT TO THE REPORTING DATE

(i) Share options

On 8 January 2013 ("Grant Date"), the Company granted 10,000,000 share options pursuant to the SBI Offshore Employee Share Option Scheme to a Director at the exercise price of S$0.10, which was the average of the last dealt prices for the shares on Catalist for a period of five consecutive trading days immediately preceding the Grant Date. 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.

The estimated fair value of the share options granted is US$370,000 and will be accounted for in the financial statements with effect from the Grant Date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

30. EVENTS SUBSEQUENT TO THE REPORTING DATE (CONTINUED)

(ii) Share Placement

On 6 March 2013, the Company has entered into separate subscription agreement with the subscribers for placement of 34,000,000 new ordinary shares ("Placement Shares") at an issue price of S$0.108 ("Placement Price"). The Placement Price represent a discount of approximately 10% to the volume weighted average price of S$0.12 for trades done on Catalist Board of Singapore Exchange Securities Limited ("SGX-ST") on 5 March 2013.

The Company intends to use the net proceeds of approximately S$3,672,000 from the Placement for the following purposes:

(a) General working capital for existing projects; and
(b) Other strategic alliances, market expansion and such business development plans when opportunities arise;

Upon completion of the Placement, the number of ordinary shares of the Company will increase from 121,680,100 to 155,680,100.

STATISTICS OF SHAREHOLDERS

AS AT 25 MARCH 2013

Total number of issued shares excluding treasury shares	–	121,680,100
Number of treasury shares	–	Nil
Class of Shares	–	Ordinary shares
Voting Rights	–	One Vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 999	1	0.38	100	0.00
1,000 – 10,000	82	31.54	628,000	0.52
10,001 – 1,000,000	165	63.46	17,707,000	14.55
1,000,001 and above	12	4.62	103,345,000	84.93
	260	100.00	121,680,100	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	Tan Woo Thian	45,900,000	37.72
2	Hui Choon Ho	16,704,000	13.73
3	Hong Leong Finance Nominees Pte Ltd	13,444,000	11.05
4	Maybank Nominees (S) Pte Ltd	6,000,000	4.93
5	Chan Lai Thong	4,010,000	3.30
6	AMfraser Securities Pte. Ltd.	3,824,000	3.14
7	OCBC Securities Private Ltd	3,773,000	3.10
8	HSBC (Singapore) Nominees Pte Ltd	2,500,000	2.05
9	Vision Capital Private Limited	2,500,000	2.05
10	Goh Khoon Lim	2,100,000	1.73
11	Ramesh S/O Pritamdas Chandiramani	1,400,000	1.15
12	Lim Guan Teck	1,190,000	0.98
13	Bank Of Singapore Nominees Pte Ltd	1,000,000	0.82
14	Hui Choon Kit	1,000,000	0.82
15	Hui Chung Chow	1,000,000	0.82
16	Khoo Kuan Lee	1,000,000	0.82
17	Sim Soon Ngee Glenndle	1,000,000	0.82
18	UOB Kay Hian Pte Ltd	846,000	0.70
19	Tan Kong Luen	780,000	0.64
20	Neo Kim Kuek	610,000	0.50
	TOTAL	110,581,000	90.87

STATISTICS OF SHAREHOLDERS

AS AT 25 MARCH 2013

SUBSTANTIAL SHAREHOLDERS AS AT 25 MARCH 2013

(as shown in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interest		Total Interest	
No.	**Name of Shareholder**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Tan Woo Thian	45,900,000	37.72	–	–	45,900,000	37.72
2.	Chan Lai Thong	10,010,000[(1)]	8.23	–	–	10,010,000	8.23
3.	Hui Choon Ho	16,704,000	13.73	13,444,000[(2)]	11.05	30,148,000	24.78

(1) 6,000,000 ordinary shares are registered in the name of Maybank Nominees (S) Pte Ltd.

(2) 13,444,000 ordinary shares are held in the name of Hong Leong Finance Nominees Pte Ltd.

COMPLIANCE WITH RULE 723 OF THE RULES OF CATALIST

As at 25 March 2013, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 29.17% The Company is therefore in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of SBI Offshore Limited (the "**Company**") will be held at 31 International Business Park, Creative Resource, Function Room, Singapore 609921 on Tuesday, 30 April 2013 at 10.30 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (1-tier) dividend of S$0.002 per ordinary share for the financial year ended 31 December 2012. **(Resolution 2)**

3. To re-elect Mr Tan Woo Thian who is retiring pursuant to Article 93 of the Articles of Association of the Company. **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 99 of the Articles of Association of the Company:

   Mr. Mahtani Bhagwandas **(Resolution 4)**
   Mr. Ahmad Subri Bin Abdullah **(Resolution 5)**

   *Mr. Mahtani Bhagwandas will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and member of the Audit Committee. He will be considered independent for the purposes of Rule 704(7) of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Rules of Catalist**").*

   Mr. Ahmad Subri Bin Abdullah will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, member of the Audit Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

5. To approve the payment of the Directors' fees of S$72,917 for the financial year ended 31 December 2012. **(Resolution 6)**

6. To re-appoint Messrs BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

As Special Business

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

8. Authority to allot and issue shares in the capital of the Company (the "**Share Issue Mandate**")

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

(a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force), issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent. (100%) of the Company's total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below).

NOTICE OF ANNUAL GENERAL MEETING

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares (excluding treasury shares) is based on the Company's total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of convertible securities outstanding or subsisting at the time this Resolution is passed;

(ii) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be), were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

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

(3) in exercising the authority conferred by this Resolution, the Directors shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act, and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note(i)] **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

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

"That, pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Act**"), the Directors of the Company be and are hereby authorised and empowered to issue shares in the capital of the Company ("**Shares**") to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the SBI Offshore Employee Share Option Scheme (the "**Scheme**") upon the exercise of such options and in accordance with the Scheme, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Scheme, (including options granted under the Scheme and any other scheme or plan for the time being of the Company), shall not exceed fifteen per cent. (15%) of the Company's total issued Shares (excluding treasury shares) from time to time and such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting or the expiration of period within which the next annual general meeting is required by law to be held, whichever is earlier."

[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 15 April 2013

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the above AGM until the date of the next annual general meeting, to allot and issue Shares and/or Instruments in the Company. The aggregate number of Shares (including any Shares issued pursuant to Instruments made or granted) which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent. (100%) of the Company's total number of issued Shares (excluding treasury shares). For issues of Shares other than on a pro-rata basis to all shareholders, the aggregate number of Shares to be issued will not exceed fifty per cent. (50%) of Company's total number of issued Shares (excluding treasury shares). This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any Instruments made or granted under this authority.

(ii) Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above AGM until the date of the next annual general meeting to grant options and to allot and issue Shares pursuant to the exercise of such options under the Scheme of up to a number not exceeding in total fifteen per cent. (15%) of the total issued Shares (excluding treasury shares) of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

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

2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 31 International Business Park, #05-05 Creative Resource, Singapore 609921 not less than forty-eight hours (48) before the time for holding the AGM.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of SBI Offshore Limited (the "**Company**") will be closed on 9 May 2013 for the preparation of dividend warrants for the proposed final tax exempt (1-tier) dividend of S$0.002 per ordinary share for the financial year ended 31 December 2012 (the "**Proposed Final Dividend**").

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services of 80 Robinson Road, #02-00 Singapore 068898 up to 5.00 p.m. on 8 May 2013 will be registered to determine members' entitlements to the Proposed Final Dividend. Members (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 8 May 2013 will be entitled to the Proposed Final Dividend.

Payment of the Proposed Final Dividend, if approved by the members at the annual general meeting to be held on 30 April 2013, will be made on or about 23 May 2013.

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 15 April 2013

SBI OFFSHORE LIMITED

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

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT: FOR CPF INVESTOR ONLY

1. This Annual Report 2012 is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We (Name) ____

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

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at 31 International Business Park, Creative Resource, Function Room, Singapore 609921, on Tuesday, 30 April 2013, at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1.	Adoption of Directors' Report and Audited Financial Statements for the financial year ended 31 December 2012		
2.	Payment of proposed final tax exempt (1-tier) dividend for the financial year ended 31 December 2012		
3.	Re-election of Mr. Tan Woo Thian as a Director		
4.	Re-election of Mr. Mahtani Bhagwandas as a Director		
5.	Re-election of Mr Ahmad Subri Bin Abdullah as a Director		
6.	Approval for the payment of Directors' fees for the financial year ended 31 December 2012		
7.	Re-appointment of Messrs BDO LLP as Auditors of the Company		
8.	Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore		
9.	Authority to allot and issue shares under the SBI Offshore Employee Share Option Scheme		

Dated this ______________ day of ______________ 2013.

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

____

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

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at **31 International Business Park, #05-05 Creative Resource, Singapore 609921**, not less than **48** hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

SBI Offshore Limited

Company Registration No. 199407121D

31 International Business Park
#05-05 Creative Resource
Singapore 609921

Tel: +65 6848 1033
Fax: +65 6848 1011

www.sbioffshore.com