



SBI Offshore Limited

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

TERM SHEET IN RELATION TO PROPOSED ACQUISITION

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of SBI Offshore Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company had, on 19 February 2019, entered into a binding term sheet (“**Term Sheet**”) with Chan Kern Ming (the “**Vendor**”) in relation to the proposed acquisition by the Company of the entire issued and paid-up share capital of (i) Berlitz Offshore Limited, (ii) Berlitz Marine Pte. Ltd., (iii) Berlitz Continental Pte. Ltd., (iv) Berlitz Services Pte. Ltd., (v) Bes Sincere Pte. Ltd., (vi) Bes Savvy Pte. Ltd., (vii) Bes Solar Pte. Ltd., (viii) Bes Sparkle Pte. Ltd., (ix) Bes Regent Pte. Ltd., (x) Bes Power Pte. Ltd., and (xi) Blue Ocean Services K Co Ltd, which shall collectively be referred to herein as the “**Target Companies**” (the “**Proposed Acquisition**”).

The Term Sheet sets out certain terms and conditions which will form the broad basis of the definitive agreement(s) to be entered into in relation to the Proposed Acquisition (the “**Share Sale Agreement**”). Notwithstanding that the Term Sheet is legally binding, Shareholders should note that the Term Sheet does not address all the material terms of the Proposed Acquisition, and is subject to, amongst other matters, the execution of the Share Sale Agreement. The Company and the Vendor have agreed that the list of target companies to be acquired pursuant to the Proposed Acquisition is subject to change, and shall be agreed upon in the Share Sale Agreement.

The Proposed Acquisition, if successfully completed, will constitute a reverse takeover of the Company as defined under Chapter 10 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”). In accordance with Chapter 10 of the Catalist Rules, the Proposed Acquisition will subject to, amongst others, the approval of the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened pursuant to Rule 1015 of the Catalist Rules. Please refer to paragraph 9 of this announcement for the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules.

2. INFORMATION ON THE VENDOR AND THE TARGET COMPANIES

The information on the Vendor and the Target Companies in this paragraph 2 was provided by the Vendor. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

The Target Companies are marine offshore and solutions providers, engaged in vessel owning, operating and ship management services in the oil and gas sector. The beneficial owner of each of the Target Companies is the Vendor.

The Vendor is not related to the Company, the Directors or controlling shareholders of the Company, and their respective associates. As of the date of this announcement, the Vendor does not hold any shares in the share capital of the Company.

As at the date of this announcement, the financial statements of the Target Companies are not available and the Company will announce (i) the requisite financial information of the Target Companies in accordance with Rules 1010(5) and (7) of the Catalist Rules (i.e. book value, net tangible assets value and net profits of the Target Companies), and (ii) the requisite information in accordance with Rule 1015(1)(a)(ii) of the Catalist Rules (i.e. the latest two years of historical financial information

of the Target Companies and one year of proforma financial information of the enlarged group), when it enters into the Share Sale Agreement.

No independent valuation of the Target Companies was available as at the date of the Term Sheet.

3. RATIONALE FOR THE PROPOSED ACQUISITION

On 19 July 2018, the Singapore Exchange Regulation Pte Ltd ("**SGX Regco**") informed the Company that it should demonstrate to the SGX Regco that it has a viable business to maintain its listing status by 28 February 2019, whether in the form of securing contracts on a sustainable basis in the current business, and/or introduction of a new viable business. The Group had been exploring strategic business and investment opportunities while working towards demonstrating to the SGX Regco that it has a viable business to maintain its listing status by 28 February 2019. Barring any unforeseen circumstances, the Directors are of the view that the Proposed Acquisition, if completed, will generate a sustainable revenue stream for the Group and enhance the long term interests of the Shareholders.

However, Shareholders should note that there is no assurance that the Proposed Acquisition will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

4. CONSIDERATION

The aggregate consideration for the Proposed Acquisition is US\$36.0 million ("**Purchase Consideration**"), and was arrived at following arm's length negotiations, on a willing buyer willing seller basis, based on (i) an agreed price to revalued net tangible asset value ("**RNTA**") of the Target Companies as at 31 December 2018 of one (1) time, (ii) the RNTA of the Target Companies being at least US\$36.0 million, and (iii) the independent valuation of the Target Companies being not less than US\$36.0 million.

The Purchase Consideration is to be satisfied by the allotment and issue of an aggregate of such number of new ordinary shares in the capital of the Company ("**Consideration Shares**"), at an issue price of S\$0.10 per Consideration Share ("**Issue Price**"), equivalent to an aggregate of US\$36.0 million, on completion of the Proposed Acquisition ("**Completion**").

The Issue Price is subject to the Company maintaining a net cash amount of at least S\$20.0 million upon the completion of the Proposed Acquisition. The net cash amount is made up of cash and cash equivalents of the Company prior to the completion of the Proposed Acquisition, such sum being inclusive of (i) all receivables and deposit, which shall not exceed US\$200,000 in aggregate; and (ii) all professional fees in relation to the Proposed Acquisition, whether paid or payable under the respective mandates (i.e. all such professional fees being added back), less all liabilities of the Company and any proceeds received by the Company from the exercise of any warrants or options (if any).

The Vendor shall be entitled to an earn-out payment of additional new ordinary shares in the capital of the Company (the "**Additional Consideration Shares**") at an issue price of S\$0.10 per Additional Consideration Share (such issue price being based on the pre-consolidation share capital of the Company), subject to the level of actual consolidated profit after tax of the Group after the Proposed Acquisition ("**PAT**") for the financial years ending 31 December ("**FY**") 2020 and FY2021, up to a maximum cumulative earn-out payment of US\$14.0 million.

For the avoidance of any doubt:

- (a) the calculation of PAT shall exclude all expenses incurred in connection with the Proposed Acquisition;
- (b) the earn-out payment to the Vendor shall be determined based on the price-to-earnings multiple of 8.5 times the PAT for each FY, less the Purchase Consideration and earn-out payment in the prior year (where applicable). The earn-out payment to the Vendor in FY2021 will be calculated based on actual PAT in FY2021 and subject to adjustments based on actual PAT in FY2020, details of which will be set out in the Share Sale Agreement; and

- (c) the PAT for FY2020 and FY2021 will be based on the consolidated audited accounts of the Group after completion of the Proposed Acquisition (incorporating the audited accounts of the Group post-Proposed Acquisition).

Further details of the earn-out mechanism shall be set forth in the Share Sale Agreement.

5. CONDITIONS PRECEDENT

Completion of the Proposed Acquisition is subject to, the Company and the Vendor having entered into the Share Sale Agreement and the conditions precedent thereunder, including but not limited to the following being fulfilled:

- (a) approval from the SGX-ST and any other relevant authority;
- (b) approval from the Shareholders; and
- (c) other customary conditions precedent which shall be set forth in the Share Sale Agreement.

6. SHARE SALE AGREEMENT

Following the execution of the Term Sheet, the Vendor and the Company will, in good faith, negotiate and agree on the terms of the Share Sale Agreement by 31 May 2019 (or as may be mutually extended) ("**Long Stop Date**"). In the event the Share Sale Agreement is not entered into by the Long Stop Date, the Term Sheet shall lapse and cease to have any effect, save for any accrued rights of any party or as expressly provided in the Term Sheet.

7. PROPOSED SHARE CONSOLIDATION

Rule 429 of the Catalist Rules stipulates that the issue price of the equity securities offered for subscription or sale, for which listing is sought, must be at least S\$0.20 each. Accordingly, in conjunction with the Proposed Acquisition and subject to Shareholders' approval being obtained, the Company will undertake a share consolidation exercise ("**Proposed Share Consolidation**") based on such ratio as may be mutually agreed between the Company and the Vendor, which shall satisfy the aforementioned requirements of Rule 429 of the Catalist Rules on or before Completion. The details of the Proposed Share Consolidation will be set out in the circular to Shareholders which will be despatched in due course.

8. WAIVER FROM MANDATORY GENERAL OFFER

On completion of the Proposed Acquisition, the Vendor will own more than thirty per cent (30%) of the enlarged voting share capital of the Company. In such event, pursuant to Rule 14 of the Singapore Code on Takeovers and Mergers (the "**Code**"), the Vendor and its concert parties will incur an obligation to make a mandatory general offer for all the remaining issued shares of the Company not already owned, controlled or agreed to be acquired by the Vendor and its concert parties, at the highest price paid or agreed to be paid by the Vendor and its concert parties for the Shares in the preceding six (6) months period.

It is intended that the following conditions precedent be included in the Share Sale Agreement: (a) the Singapore Industry Council (the "**SIC**") grants the Vendor and parties acting in concert with it, and does not revoke or repeal such grant, waiver of their obligation to make a mandatory offer under Rule 14 of the Code for all the Shares not owned or controlled by them (the "**Whitewash Waiver**"); and (b) independent Shareholders approve at the EGM a whitewash resolution for the waiver of their right to receive such a mandatory general offer from the Vendor and parties acting in concert with it.

As such, an application will be made to the SIC in due course to seek the Whitewash Waiver and the Company shall procure and/or do all things as may be required and necessary to assist the Vendor with attaining the Whitewash Waiver.

9. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 June 2018 (“1H2018”), the relative figures of the Proposed Acquisition as computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	Relative figures for the Proposed Acquisition
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	Net profits ⁽¹⁾ attributable to the assets acquired, compared with the Group’s net profits	Not meaningful ⁽²⁾
(c)	Aggregate value of the consideration given, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	543% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	271% ⁽⁴⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

Notes:

- (1) Under Rule 1002(3)(b) of the Catalist Rules, “**net profits**” is defined to be profit or loss before income tax, minority interests and extraordinary items.
- (2) The relative figure for Rule 1006(b) is not meaningful as the Group recorded a loss before income tax, non-controlling interests and extraordinary items of approximately US\$0.3 million for 1H2018.
- (3) Computed based on (i) aggregate value of consideration for the Proposed Acquisition of US\$50.0 million (equivalent to approximately S\$67.75 million (“**Maximum Consideration**”) based on an agreed exchange rate of US\$1.00: S\$1.355 pursuant to the Term Sheet), comprising the Purchase Consideration of US\$36.0 million and assuming the maximum earn-out payment of US\$14.0 million; and (ii) the market capitalisation of the Company of approximately S\$12.48 million, computed based on the total number of shares in the capital of the Company (“**Shares**”) of 249,680,100 and the volume-weighted average price of the Company’s Shares of S\$0.050 per Share on 13 February 2019, being the last traded market day immediately preceding the date of the Term Sheet. The Company has no treasury shares.
- (4) Computed based on (i) the maximum number of new shares to be issued for the Proposed Acquisition of 677,500,000 (assuming the Maximum Consideration of approximately S\$67.75 million and the Issue Price of S\$0.10); and (ii) the total number of Shares of 249,680,100.

As the relative figures under Rules 1006(c) and 1006(d) of the Catalist Rules exceed 100%, and given that the Consideration Shares to be issued to the Vendor pursuant to the Proposed Acquisition will result in a change in control of the Company on Completion, the Proposed Acquisition constitutes a “Reverse Takeover” pursuant to Rule 1015 of the Catalist Rules. Accordingly, the Proposed Acquisition shall be conditional upon, *inter alia*, the approval of the Shareholders and the SGX-ST.

10. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

As at the date of this announcement, the financial statements of the Target Companies are not available and the Company will announce the financial effects of the Proposed Acquisition when it enters into the Share Sale Agreement.

11. SERVICE AGREEMENTS

As at the date of this announcement, the Company has not entered into any service agreement with any person proposed to be appointed as a Director or executive officer in connection with the Proposed Acquisition. It is envisaged that the Company will, on or prior to Completion, enter into service agreements on terms acceptable to the Company and the Vendor. The details of such appointments and service agreements (if any) will be set out in the circular to shareholders to be despatched in due course.

12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (other than in their capacity as Directors or Shareholders of the Company).

13. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Term Sheet will be made available for inspection at the registered address of the Company at 20 Pioneer Crescent #09-01 West Park BizCentral Singapore 628555, during normal business hours for a period of three (3) months commencing from the date of this announcement.

14. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) in relation to the Proposed Acquisition as and when there are material developments.

15. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when trading in the Shares, as the Proposed Acquisition is subject to the execution of the Share Sale Agreement, which shall contain certain conditions, and there is no certainty or assurance as at the date of this announcement that the Share Sale Agreement will be executed and/or the Proposed Acquisition will be completed. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition. Shareholders are advised to read this announcement and any further announcements by the Company carefully. In the event of any doubt as to the action they should take, Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors.

By Order of the Board

Mirzan Bin Mahathir
Executive Non-Independent Chairman

20 February 2019

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

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

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