



**SBI Offshore Limited**

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

---

**ANNUAL GENERAL MEETING FOR FY2019  
ADDITIONAL INFORMATION IN RESPONSE TO FURTHER QUESTIONS FROM SHAREHOLDERS**

---

**1. INTRODUCTION**

The board of directors ("**Board**") of SBI Offshore Limited ("**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 19 June 2020 setting out the Board's responses to substantial questions received from Shareholders ("**Previous Q&A Announcement**").

*Unless otherwise defined, capitalised terms used herein shall bear the meanings ascribed to them in the Previous Q&A Announcement.*

**2. RESPONSES TO FURTHER QUESTIONS FROM SHAREHOLDERS**

The Board has received further questions from Shareholders in relation to, *inter alia*, the agenda of the AGM and the Board's responses in the Previous Q&A Announcement, and has set out in the Appendix to this announcement a summary of the further substantial questions and the Board's responses to these questions.

**By Order of the Board**

**Mirzan Bin Mahathir**  
**Executive Non-Independent Chairman**

**26 June 2020**

---

*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**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

*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.*

**ANNUAL GENERAL MEETING FOR FY2019  
(QUESTIONS AND ANSWERS)**

**OVERVIEW**

- A. FINANCIAL PERFORMANCE AND BUSINESS OF THE GROUP**
- B. PROPOSED ACQUISITION OF THE BERLITZ GROUP AND RELATED MATTERS**
- C. COMPLIANCE WITH CATALIST RULE 1017(2) AND EXIT OFFER**
- D. MATTERS RELATING TO JIANGYIN SBI OFFSHORE EQUIPMENT CO., LTD.**
- E. MATTERS RELATING TO MR. MIRZAN BIN MAHATHIR**
- F. IMPACT OF RESOLUTIONS NOT BEING PASSED**
- G. OTHER MATTERS RELATING TO THE BOARD**

**A. FINANCIAL PERFORMANCE AND BUSINESS OF THE GROUP**

- 1. *Since his appointment in 2017 till now, Mr Mirzan Bin Mahathir is our Executive Non-Independent Chairman of SGX listed SBI Offshore Ltd (the Company). During this period, there is no revenue but the Company lost about US\$10m. Please justify the huge legal fees, the high operational costs when the income is practically nil. What is the reason for the practical no income activities for the Company during this said period?***
- 2. *Why was no activity for SBI in year 2019 and yet incurred high operating cost?***

Mr. Mirzan Bin Mahathir (“**Mr. Mirzan**”) was first appointed as a Non-Executive and Non-Independent Director in October 2014. He was approached by the Board to assume the role of Non-Executive Chairman in March 2016 and he was re-designated as Executive Chairman of the Board in June 2017.

Legacy Issues faced by the Company

Prior to and during his term as Chairman, the Company faced various legacy issues which required further investigations and resulted in a substantial drain on the Company’s financial and manpower resources. Such issues resulted from actions taken by the Company even prior to Mr. Mirzan’s initial appointment as Director in 2014 and mainly pertain to the following matters:

(a) NPT Transactions

The Company had in March 2009 acquired a 35% equity interest in Jiangyin Neptune Marine Appliance Co., Ltd (“**NPT Acquisition**”), a company incorporated in the PRC (“**Jiangyin Neptune**”) for a consideration of US\$1.75 million and in January 2016 disposed of such equity interest in Jiangyin Neptune to a Mr. Hua Hanshou at a consideration of US\$3.5 million (“**NPT Disposal**” and together with the NPT Acquisition, “**NPT Transactions**”).

In connection with completion of the NPT Disposal, certain issues relating to the NPT Transactions were brought to the Board's attention and PricewaterhouseCoopers Advisory Services Pte Ltd ("**PwC**") was appointed by the Audit and Risk Management Committee of the Company ("**ARMC**") to review the circumstances surrounding the NPT Transactions. PwC had highlighted in its findings dated 6 September 2016 that there were two (2) sets of agreements purportedly entered into in connection with each of the NPT Transactions. Further, no satisfactory explanation was provided to PwC as to the reason for having two (2) different sets of documents. Legal implications arising therefrom included possible breaches of PRC tax laws, the Securities and Futures Act (Chapter 289) of Singapore, and the Catalist Rules. The Company subsequently appointed UniLegal LLC ("**UniLegal**") as its legal adviser to perform a review of the PwC findings on the NPT Transactions.

(b) Property Transactions

The Company's subsidiary, Jiangyin SBI Offshore Equipment Co., Ltd. ("**JSBI**"), had in September 2010 acquired, *inter alia*, a factory located in Jiangyin, Jiangsu Province, PRC, and the related land use rights ("**Jiangyin Property**"), and in March 2018 completed the disposal to Jiangyin HF Investment Consultant Co., Ltd of the Jiangyin Property ("**Property Transactions**").

Subsequently, pursuant to a Notice of Compliance on 21 December 2018 issued by the Singapore Exchange Regulation Pte. Ltd. ("**SGX RegCo**"), the Company appointed RSM Corporate Advisory Pte Ltd ("**RSM**") to act as a special auditor to carry out the investigations on the Property Transactions as well as the circumstances which led to the initial acquisition in 2010 and the disposal of the Jiangyin Property in 2018. Such investigations were only concluded recently on 12 June 2020.

(c) Review of Payable Write-Off

The disposal of the Jiangyin Property was completed in March 2018. Shortly prior to the disposal in February 2018, the Board was made aware by the Company's auditors of an amount of RMB17.3 million (equivalent to US\$2.65 million) payable by JSBI to the Company ("**JSBI Payables**") that was written off in the audited financial statements of Jiangyin SBI for the financial year ended 31 December 2015 (the "**JSBI PRC Accounts**"), for statutory and tax filing purposes, without the authorisation of the Board (the "**Write-off**"). Whilst the Write-off was made in the JSBI PRC Accounts, the Write-off was not made or adjusted for in JSBI's accounting records to date. Hence, the intercompany balances were eliminated on consolidation for the Group's financial statements for the financial years ended 31 December 2015 and 2016 respectively. As announced by the Company on 25 May 2018, the Board appointed KordaMentha Pte. Ltd. ("**KordaMentha**") as the independent reviewer to undertake a review of the matter(s) that may have given rise to the unauthorised Write-off including, *inter alia*, breaches in rules, laws and regulations as well as lapses in control.

Costs incurred by PwC in connection with Suit commenced by Mr. Tan Woo Thian

In addition to the time and costs expended by the Board and the Company addressing the above issues, as announced by the Company on 20 August 2019, following the issuance of the findings by PwC on the NPT Transactions, Mr. Tan (who issued the Letter and the Addendum in May 2020) commenced legal proceedings against PwC in the High Court of the Republic of Singapore ("**High**

**Court**) on the basis of claims that "*PwC acted negligently in investigating the NPT Transactions and in presenting the Findings, causing him to lose influence in the Company*" ("**Suit**").

Under the terms of engagement between the Company and PwC, the Company would be liable for any costs incurred by PwC, other PwC firms, partners, employees and subcontractors in the event that third parties commence proceedings against such persons in relation to the services which were rendered to the Company, unless these claims are finally determined to have resulted from fraud or wilful misconduct by them. As a result of the Suit commenced by Mr. Tan, the Company received an originating summons filed by PwC in the High Court in which the Company was ordered to reimburse PwC the legal costs and disbursements incurred by PwC in relation to the Suit and in respect to such originating summons.

On 8 June 2020, the Company was informed that the Hearing of the Suit was held on 3 June 2020, and the High Court dismissed Mr. Tan's claims and will hear the submissions of PwC and Mr. Tan on costs on 17 June 2020.

As a result of the Suit commenced by Mr. Tan, as at 31 December 2019, the Company made a provision of approximately US\$701,000 (equivalent to approximately S\$954,000) based on the invoices and correspondences received from PwC and its legal adviser in relation to the costs incurred by PwC in defending itself in the Suit.

#### Decline in profitability of Group's Core Business

Prior to Mr. Mirzan's appointment as the Executive Chairman of the Board in June 2017, the Group was principally engaged in the business of providing integrated drilling equipment and engineering solutions to the oil and gas industry as well as the development and operation of solar photovoltaic energy systems and plants. The Group's businesses suffered a decline since 2014, mainly due to the sharp decline in global crude oil prices, which was outside of the Group's control. As a result, the Group's revenue decreased from US\$14.2 million in FY2014 to US\$7.1 million in FY2015, and to US\$1.3 million in FY2016.

At the time Mr. Mirzan assumed the role of Executive Chairman of the Board in June 2017, the Group already ceased any new ongoing business, and its existing contracts for the distribution of lifeboats and davits were completing and no new contracts were secured. The Company's proposed diversification into the solar power business and the proposed acquisition of certain assets from the Gräss Group of Germany, which had been approved by Shareholders at the extraordinary general meeting of the Company on 28 September 2015, was eventually not completed, and the Company had thereafter focused its efforts on acquiring a new business.

It should be noted that the net losses of the Group had decreased significantly from US\$4.7 million in FY2017 to US\$1.4 million in FY2018. The net losses of the Group of US\$1.9 million in FY2019 came about largely as a result of expenses incurred on the Proposed Acquisition and non-recurring expenses such as the reimbursement of legal fees incurred by PwC for the Suit filed by Mr. Tan against PwC (further details as set out above).

In FY2017, excluding non-recurring expenses, the Group incurred administrative expenses of US\$2.1 million. These included expenses for the Group's previous subsidiary, Solar Africa Investments (Pty) Limited, which had been set up for the purposes of undertaking a solar power project in Hopetown, South Africa, but was subsequently disposed of when the Company was unable to identify a viable project for it. In addition, some overseas travelling expenses and

entertainment expenses were incurred when the Company was sourcing for new business opportunities. The Group also incurred property management service fee, property tax and land tax for the Jiangyin Property before it was disposed of in March 2018.

In contrast, in FY2018, excluding non-recurring expenses, the Group incurred administrative expenses of US\$1.3 million, which further decreased in FY2019 to US\$1.0 million. Such reduction came about as the result of the Group's costs cutting measures under the stewardship of the current Board led by Mr. Mirzan.

Furthermore, staff-related costs decreased by 27%, from US\$1.1 million in FY2017 to US\$802,000 in FY2018, and decreased further by 20% to US\$644,000 in FY2019. Office expenses decreased by 46%, from US\$1.0 million in FY2017 to US\$543,000 in FY2018, and decreased further by 28% to US\$390,000 in FY2019.

- 3. *Since 2017, the Company had employed so many legal firms and professionals. During the said period, how many legal firms and professionals employed by the Company? Why so many firms employed? What are the legal cases still ongoing? What are the legal cases closed? In the end, what do we achieve except confronted by huge legal bills to pay?***

Notwithstanding that the Company is currently a cash company, it remains listed on the Catalist board of the SGX-ST, and must comply with ongoing statutory and regulatory obligations, resulting in the Company incurring various compliance costs, such as recurring audit fees, continuing sponsorship fees, corporate secretarial and tax services fees and annual listing fees payable to the SGX-ST. The Company also incurs basic office expenses to maintain its daily operations, including rental, software subscriptions, utilities bills, IT support services, and insurance premiums.

Since 2017, legal and professional fees were mainly incurred primarily in connection with the Group's legacy issues and resulting investigations on the Group's affairs prior to 2017 as well as the reimbursement of fees to PwC in connection with the Suit commenced by Mr. Tan against PwC (as detailed in the response to Questions 1 and 2 above), and the ongoing legal case relating to the filing of the Originating Summons (as mentioned in the response to Question 18 below). For these issues, the Company had engaged 10 legal and professional firms. These firms do not include legal advisors and professionals engaged in relation to the Proposed Acquisition.

## **B. PROPOSED ACQUISITION OF THE BERLITZ GROUP AND RELATED MATTERS**

- 4. *What are the revenue and profit can Mr KM Chan (the vendor) bring to our new Company after RTO? What will be the share value based on the successful RTO? Will we get some dividends (even as a gesture and goodwill) after RTO as we have no dividends since 2014.***
- 5. *In the 4th June 2019 SBI Announcement "Execution of Share Sale and Purchase Agreement in Relation to The Proposed Acquisition" Page 3 of 4, there is a mention of US\$101,488,000 net debts after the proposed acquisition of Berlitz Group that SBI will inherit from the RTO. In view of the current COVID-19 pandemic situation, what are the SBI Board of Directors (BOD)'s comments on the risks involved and its estimated time (in years) to turn around from this negative red to position black?***
- 6. *For proposed RTO in evaluating asset value what will be the recovery revenue if asset were sold out in current market condition?***

7. *I refer to page 5 of the 19 June Announcement, the Board states that “the current Board maintains its view as stated in the Company's announcement dated 30 May 2019 in relation to its entry into the Sale and Purchase Agreement that the Proposed Acquisition, if completed, is expected to generate a sustainable revenue stream for the Group and enhance the long term interests of the Shareholders”. My questions for the Board are:*
- (a) What is the expected timeline (in number of years) the current Board expects SBI to generate the said “sustainable revenue stream”?*
  - (b) When (in number of years) does the current Board expect the price of SBI's shares to improve (above 4 cents per share) after the completion of the Proposed Acquisition?*
  - (c) Will the current Board guarantee that the price of SBI's shares will improve upon the successful completion of the Proposed Acquisition?*
8. *What is the company's outlook and view on the price of oil as well as that of the oil and gas industry going forward?*
9. *What is the company's outlook and view on the demand and supply dynamics of oil going forward?*
10. *The Board announced for the first time on 11 May 2020 that SBI has an obligation under the SPA, prior to the completion contemplated by the SPA, to procure undertakings from its shareholders holding at least 45% of its issued and paid-up share capital to vote in favour of all resolutions to be proposed pursuant to the transaction contemplated in the SPA (“Obligations”). My questions are:*
- (a) Can the Board confirm that the announcement made on 11 May 2020 is the first time the Board disclosed to the shareholders on the existence of the Obligations?*
  - (b) Has SBI already fulfilled the Obligations, i.e., has the Board already obtain undertakings from its shareholders holding at least 45% of its issued and paid-up share capital to vote in favour of all resolutions to be proposed pursuant to the transaction contemplated in the SPA?*
  - (c) When did SBI obtain the undertakings from its shareholders holding at least 45% of its issued and paid-up share capital to vote in favour of all resolutions to be proposed pursuant to the transaction contemplated in the SPA?*
  - (d) Who are the shareholders comprising the said 45%?*
  - (e) What did the Board promise the said shareholders in exchange for their undertaking pursuant to the Obligations?*
  - (f) Did the Board give these shareholders the time and opportunity to obtain independent legal and financial advice before giving their undertaking?*

The Board is aware that Shareholders are keen to understand more about the progress of the Proposed Acquisition and would like to have more information on it. Whilst the Company would like

to address Shareholders' questions on the details of the Proposed Acquisition, it would not be appropriate to do so at this juncture due to the reasons set out below:

- (a) The Pre-Admission Notification in relation to the Proposed Acquisition enclosing, amongst others, the draft RTO Circular and other relevant documents in respect of the Proposed Acquisition, are currently under review by the SGX-ST. Details of the Proposed Acquisition and the Berlitz Group will be set out in the RTO Circular.
- (b) The RTO EGM, as opposed to the AGM, is the proper forum for Shareholders to consider, discuss and debate the merits and the viability of the Proposed Acquisition, and where Shareholders can ultimately vote and decide on the Proposed Acquisition. Subject to the approval of the SGX-ST of the Pre-Admission Notification, the Company may proceed to issue the RTO Circular on the SGX Catalodge, and information set out in the RTO Circular can then form the basis for questions that Shareholders may have on the Proposed Acquisition and the Berlitz Group. Shareholders who have queries on the Proposed Acquisition are invited to submit their questions in advance of the RTO EGM and before voting on the resolutions in respect of the Proposed Acquisition, in accordance with the procedures which will be contained in the RTO Circular and further announcements by the Company on the RTO EGM.
- (c) It would be pre-mature at this point in time to answer disclosure-related queries and/or clarifications in respect of the Proposed Acquisition or the RTO Circular. This is to avoid any misrepresentations or information asymmetry in respect of the Proposed Acquisition, of which such disclosures are pending finalisation of the final RTO Circular. Shareholders should instead have the opportunity to read the RTO Circular in its entirety and consider the information set out therein carefully.

Therefore, the Company appeals to Shareholders to give the Company and the Board more time to obtain approval from the SGX-ST on the Pre-Admission Notification, and once such approval is granted, the Company can then proceed to issue the RTO Circular on the SGX Catalodge. Accordingly, the RTO Circular and the information therein will be publicly available for the consideration of Shareholders.

The Company also requests for Shareholders' kind understanding and patience by providing questions after the issuance of the RTO Circular and upon convening of the RTO EGM. There will be sufficient time for all Shareholders to raise questions, and the Board will endeavour to address all substantial and relevant questions relating to the agenda of the RTO EGM.

All reports, analyses and material information in respect of, *inter alia*, the Proposed Acquisition and the Berlitz Group, where appropriate, necessary and as required to be disclosed pursuant to the relevant requirements under the Catalist Rules and the Fifth Schedule of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 ("SFR") shall be duly disclosed in the RTO Circular to be issued to Shareholders.

**11. *About the RTO, why is the due diligence taking such a long time to complete – 16 months when a normal process takes about 10 months or less?***

There is no concept of a "normal process" nor a normal timeframe for a due diligence exercise to be completed, as much would depend on the level of complexity of the transaction and the size of the target group in a reverse takeover exercise. In addition, the current COVID-19 pandemic (in

particular, the elevated set of safe distancing measures as “circuit breakers” implemented by the Singapore government during the period from 3 April 2020 to 1 June 2020) had inevitably affected the overall progress of the Proposed Acquisition.

The Proposed Acquisition is subject to the completion of satisfactory due diligence on the Berlitz Group, which was conducted by the Company and various professional teams, including the financial adviser, an independent valuer, an independent market researcher, and legal counsels.

Whilst time is of essence, the Board will ensure that the necessary due diligence investigations are carried out thoroughly, through a rigorous process, and concluded satisfactorily.

- 12. "As at the date of this announcement, the Pre-Admission Notification is pending review and approval by the SGX-ST. Subject to and upon the receipt of approval of the SGX-ST for the Pre-Admission Notification, the Company intends to convene and hold the extraordinary general meeting of the Company to consider the Proposed Acquisition (“RTO EGM”) by July 2020, with a view to fulfilling all the conditions under the Sale and Purchase Agreement prior to the long-stop date of 31 August 2020 under the Sale and Purchase Agreement, which also coincides with the Rule 1017(2) Deadline"**

***When does the company envisage it would be sending out the RTO circular? Is the company confident of meeting the timelines specified above, namely July 2002 and 31 August 2020?***

The RTO Circular will be issued together with the Notice of the RTO EGM, at least 21 days before the date of the RTO EGM (excluding the date of the notice and the date of the RTO EGM) in accordance with the Company's Constitution.

As at the date of this announcement, the Pre-Admission Notification remains subject to review by the SGX-ST, and the Company will keep Shareholders updated on the issuance of the RTO Circular and the convening of the RTO EGM via the appropriate announcements to be made on SGXNet.

- 13. *In the final due diligence process, does the team tasked with the RTO, consider the COVID-19 pandemic effects? As you are fully aware, any financial analysis done before the COVID-19 pandemic is completely wrong and can be completely discarded. The financial analysis for the RTO MUST take into consideration the huge financial negative impacts of COVID-19 pandemic. Has this been done?***

As stated in the response to Question 2 in the Previous Q&A Announcement, the Vendor has confirmed to the Company that whilst the COVID-19 pandemic has been disruptive to global markets and economies, as well as the business and operations of the Berlitz Group, the Berlitz Group remains operational and viable, and its banking relationships and financial liquidity remains healthy. The aforementioned matter was also considered by the appointed professionals, to the extent necessary for their due diligence on the Berlitz Group and the assessment on the Berlitz Group's suitability to list on the Catalist board of the SGX-ST.

As stated above, all reports, analyses and material information in respect of, *inter alia*, the Proposed Acquisition and the Berlitz Group (and its business prospects and future plans), where appropriate, necessary and as required to be disclosed pursuant to the relevant requirements under the Catalist Rules and the SFR, shall be duly disclosed in the RTO Circular to be issued by



the Company. The forthcoming RTO EGM will be the appropriate forum to discuss and deliberate this matter.

**14. With reference to <https://www.sgx.com/media-centre/20200422-regulators-column-what-sgx-expects-issuers-disclosures-during-covid-19>**

***How have the company's business or operations or the RTO progress been impacted by COVID-19?***

The Group's businesses of provision of integrated drilling equipment and engineering solutions to the oil and gas industry and the development and operation of solar photovoltaic energy systems and plants are currently dormant. The impact of COVID-19 to the Company is accordingly minimal.

Nonetheless, it has had an impact to the overall progress of the Proposed Acquisition as the process of completing the due diligence investigations on the Berlitz Group had been hampered due to logistical challenges arising from the circuit breaker measures.

**15. I refer to the attached SBI Offshore Ltd ("SBI") announcement dated 19 June 2020 ("19 June Announcement") on page 4. The Board of SBI ("the Board") stated that "key risk factors for the Proposed Acquisition has been identified and where appropriate, disclosed in the draft RTO Circular submitted to SGX-ST as part of the Pre-Admission Notification." My questions are:**

**(a) Can the Board confirm that the Board did not disclose to SGX-ST all the risks identified in the due diligence conducted for the Proposed Acquisition as part of the Pre-Admission Notification?**

**(b) Will the Board guarantee the shareholders that the Board will disclose to the shareholders, prior to the RTO EGM, all the risks identified in the due diligence conducted for the Proposed Acquisition, so that shareholders will be able to review them and ask the Board further questions in light of all the risk identified in the said due diligence?**

(a) Based on the representations by the proposed directors of the Company to be appointed to the Board following the Proposed Acquisition, to the best of their belief and knowledge, all risk factors which are material to investors in making an informed judgment of the Berlitz Group, have been included in the draft RTO Circular which was submitted to the SGX-ST under the Pre-Admission Notification, and will be disclosed in the final RTO Circular to be issued to Shareholders. Such risk factors relate principally to the industry in which the Berlitz Group operates, and which the group of companies comprising the Group and the Berlitz Group ("**Enlarged Group**") will operate following the completion of the Proposed Acquisition.

(b) Each of the existing Directors has provided an undertaking to the SGX-ST and the Sponsor in the form set out in Appendix 7H of the Catalist Rules (as required under Catalist Rule 720(1)) that he will use his best endeavours to comply with the requirements of SGX-ST pursuant to and in connection with the Catalist Rules from time to time in force and use his best endeavours to procure that the Company shall so comply with such requirements. This includes ensuring that the relevant risk factors as described above will be disclosed in the final RTO Circular to be issued to Shareholders.

16. ***"In March 2020, the Board received letters signed jointly by 7 parties (including Mr. Jonathan Hui, Mr. Paul Goh, Mr. Tan and Ms. Chen Jia Yu, the latter two of which had provided the Irrevocable Undertakings) stating that they held collectively more than 10% of the Company's shares and requesting the Board to terminate the Proposed Acquisition on the grounds of a purported material adverse change ("MAC") due to a recent sharp drop in oil and gas prices ("Termination Request") ("March 2020 Letters")."***

***What exactly constitutes Material Adverse Change?***

***I hope the company could define clearly the definition of Material Adverse Change as specified under the SPA or term sheet or agreement.***

***Because it appears to me to be very subjective and up to the interpretation of the beholder.***

***Would the fall of oil price below a certain price constitute material adverse change? If so, what price would that be?***

***Or would only a weighted average fall in the oil price below a certain price constitute material adverse change? If so, what price would that be?***

***Or would only a weighted average fall in the oil price below a certain price for a certain number of months constitute material adverse change? If so, what price would that be? And how many months would that be?***

***Would the non reelection of certain directors constitute material adverse change?***

***And so on and so forth..***

***In my opinion, there is much ambiguity as to what exactly constitutes material adverse change, and it might be good if the company provide a clarification as to the definition as specified in the contract.***

***I note that Temasek's offer for Keppel Corporation shares also included this material adverse change clause. They have come out recently to clarify and address market uncertainty as to the definition of material adverse change. I hope the company could do likewise.***

As stated in the Company's announcement of 30 May 2019 on the execution of the Sale and Purchase Agreement, ***"Material Adverse Change" means, in the reasonable opinion of the Company, (a) any change, event, circumstance or effect which is or is reasonably likely to be materially adverse to: (i) the value of the business or assets of the Target Group as a whole; (ii) the operations, financial position or profitability of the business or assets of the Target Group as a whole***". The interpretation is therefore subject to the Company's reasonable opinion, after taking into account *inter alia*, representations from the Vendor and feedback from the appointed advisers pursuant to the due diligence works in respect of the Proposed Acquisition, and not that of other parties.

Further details on the Berlitz Group, including information relating to sub-paragraphs (i) and (ii) above, will be disclosed in the RTO Circular.

**17. How much money has been expended so far in the pursuit of this RTO?**

From 1 March 2019 to 31 May 2020, the Company has incurred professional fees and expenses of approximately US\$308,000 in relation to the Proposed Acquisition.

**18. "Since Mr. Tan and Ms. Chen Jia Yu had, through the Termination Request and further correspondence, expressed their intention not to comply with their Irrevocable Undertakings, the Company had on 11 May 2020 submitted an application to file an Originating Summons against them in the High Court of the Republic of Singapore ("High Court") to compel performance of the Irrevocable Undertakings ("Originating Summons"). As at the date of this announcement, the Originating Summons is still ongoing and the Board will update Shareholders if there are any material developments in this regard."**

*It seems that this matter is now before the Courts, and that the company intends to hold an EGM before the end of July 2020. Will the failure to resolve the issue of the irrevocable undertaking affect the company's ability to hold the EGM? (And consequently affect the company's ability to complete the proposed acquisition by the long-stop date) Personally, I would think that the more than 10% votes held by Mr Tan and Ms Chen would sway the outcome of the RTO EGM.*

***When is the next court hearing due?***

The Company is still required to hold the RTO EGM, as it is one of the obligations to be fulfilled by the Company, under the Sale and Purchase Agreement.

Any material developments relating to the Originating Summons will be announced in due course.

**C. COMPLIANCE WITH CATALIST RULE 1017(2) AND EXIT OFFER**

**19. I refer to the Board's answers given for questions 7 to 9 in the 19 June Announcement. My questions are:**

- (a) Is it the current Board's position that it intends not to comply with Rule 1017 of the Catalist Rules when SBI is delisted pursuant to the said Rule?**
- (b) In particular, is it the current Board's position that it intends not to make a cash exit offer in accordance with Rule 1308 of the Catalist Rules to SBI's shareholders within 6 months of being de-listed (if SBI becomes de-listed)?**

The current Board wishes to emphasise that it is fully committed to ensuring compliance with the Catalist Rules, and each Director has provided an undertaking to the SGX-ST and the Sponsor in the form set out in Appendix 7H of the Catalist Rules (as required under Catalist Rule 720(1)) that he will use his best endeavours to comply with the requirements of SGX-ST pursuant to and in connection with the Catalist Rules from time to time in force and use his best endeavours to procure that the Company shall so comply with such requirements.

In the event that the Proposed Acquisition is not approved by Shareholders at the RTO EGM, the current Board will use its best endeavours to procure the Company to comply with the Catalist Rules, in particular in this instance, Rules 1017(2) and 1308 of the Catalist Rules

before the Company is to be delisted, and to explore all possible options for the Company prior to its delisting, in consultation with the Sponsor and the SGX-ST. Such options may include a cash exit offer for the Company, a sale of the Group's assets to raise proceeds, and/or other alternative means of cash distribution such as a members' voluntary liquidation or a capital reduction exercise. The Company will seek the necessary Shareholders' approval for such corporate action to be undertaken.

Whilst the current Board may use its best endeavours to seek proposals for the Company's controlling Shareholders to put forward a proposal for an exit offer, there can be no assurance that any of the controlling Shareholders of the Company will be able to or will express any intention to make an exit offer.

**(c) *Is it the current Board's position that the Board intends to use the monies in the Escrow Accounts for purposes other than for the purpose of the cash exit offer to all SBI shareholders?***

The Escrow Amounts that are placed in the escrow account cannot be drawn down until the completion of acquisition of a business which is able to satisfy the SGX-ST's requirements for a new listing (such as the Proposed Acquisition which is currently pending the SGX-ST's review), except for payment of expenses incurred in a reverse takeover approved by Shareholders and pro-rata distributions to Shareholders and/or as may be approved by the SGX-ST.

As mentioned above, in the event that the Company is to be removed from the Official List of the SGX-ST under Rule 1017(2) of the Catalist Rules, the current Board will explore all possible options for the Company, in consultation with the Sponsor and the SGX-ST, including a cash distribution by way of a members' voluntary liquidation or a capital reduction exercise, prior to the delisting of the Company on the Catalist. In which case, the Escrow Amounts will form part of the pool of assets to be distributed to Shareholders according to their rights and interests, subject to the provisions of the Companies Act and the Company's Constitution.

**(d) *Will the current Board guarantee that it will seek SBI's shareholder approval at a General Meeting before it utilise any monies in the Escrow Account after SBI is de-listed (in the event that it becomes de-listed)?***

As mentioned above, in the event that the Proposed Acquisition is not approved by Shareholders at the RTO EGM, the current Board will use its best endeavours to procure the Company to comply with Rules 1017(2) and 1308 of the Catalist Rules before the Company is to be delisted, and to explore all possible options for the Company prior to its delisting, in consultation with the Sponsor and the SGX-ST. Such options may include a cash exit offer for the Company, a sale of the Group's assets to raise proceeds, and/or other alternative means of cash distribution such as a members' voluntary liquidation or a capital reduction exercise, prior to the delisting of the Company on the Catalist.

In undertaking any such corporate actions, including a members' voluntary liquidation or a capital reduction exercise which will have the effect of distributing the Escrow Amounts to Shareholders, the Board will procure that the Company complies with all applicable requirements under the Companies Act, the Company's Constitution and the Catalist Rules,

which where applicable will include seeking the necessary Shareholders' approval for such corporate action to be undertaken.

- 20. In the event the issuer is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the issuer will be removed from the Official List and a cash exit offer in accordance with Rule 1308 should be made to its shareholders within 6 months.**

**Who does the onus to make a cash exit offer fall upon? Does the onus to make a cash exit offer fall upon Mirzan Mahathir or Mr Tan Woo Thian or Mr Hui Choon Ho?**

In the event that the Company is to be delisted, the Board will invite the controlling Shareholders of the Company to put forward a proposal for an exit offer to all Shareholders.

Based on the Company's Register of Substantial Shareholders, Shareholders who currently have a direct or deemed interest of more than 15% in the total number of issued shares in the Company are Mr. Mirzan and Mr. Tan.

If none of the controlling Shareholders put forward a proposal for an exit offer, the Company will, in consultation with the Sponsor and the SGX-ST, explore the option of the Company itself making an exit offer to Shareholders.

- 21. Assuming that SBI de-list and a cash exit offer is made to the shareholders based on SBI's current cash assets, is it the Board's position that the price of SBI's shares (after the successful completion of the Proposed Acquisition) will be better than the price per share realised based on the said cash exit?**

As stated in the response to Question 7 in the Previous Q&A Announcement, Shareholders should note that shares of unlisted companies are generally valued at discount to the shares of comparable listed companies due to the lack of marketability.

Shareholders should note, however, that the market price of the shares of the Company post-completion of the Proposed Acquisition may be volatile and may be affected by external factors, some of which may be outside the control of the Company and the Enlarged Group, which shall be identified and elaborated on in greater detail in the RTO Circular to be issued to Shareholders.

**D. MATTERS RELATING TO JIANGYIN SBI OFFSHORE EQUIPMENT CO., LTD.**

- 22. With regards to JSBI and the RMB 21 million placed in an escrow account with CIMB Bank Berhad Shanghai Branch. As I understand JSBI was shut down in 2016 and the factory was sold in early 2018. Why did the Board not act immediately to liquidate it then and bring the money back to SBI knowing it is expected to take anywhere from 9 to 18 months to complete?**

Please see the response to Question 23 below.

**23. When JSBI shut down in 2016 in China and factory sold in 2018, SBI should liquidate JSBI and bring back the RMB21m to Singapore. Why are we still waiting even up to today?**

The disposal of the Jiangyin Property (including the factory) was completed in March 2018. Since then, the Company has not been able to commence the dissolution of JSBI and repatriation of the PRC Escrow Amounts for the reasons listed below.

Investigations and Review of Payable Write-Off

As mentioned in the response to Questions 1 and 2 above, the Board was made aware in February 2018 by the Company's auditors of the Write-off, which whilst made in the JSBI PRC Accounts, was not made or adjusted for in JSBI's accounting records to date. Hence, the intercompany balances were eliminated on consolidation for the Group's financial statements for the financial years ended 31 December 2015 and 2016 respectively. As announced by the Company on 25 May 2018, the Board appointed KordaMentha as the independent reviewer to undertake a review of the matter(s) that may have given rise to the unauthorised Write-off including, *inter alia*, breaches in rules, laws and regulations as well as lapses in control. Considerable time was required to investigate the Write-off, and as such, it was not appropriate to commence any dissolution or winding-up of JSBI at the time. On 20 June 2019, KordaMentha issued its report on the review of the Write-off.

PRC Foreign Currency Controls

The PRC Escrow Amount of RMB21,020,000, which is currently held in the PRC Escrow Account, is denominated in RMB. RMB is not a freely convertible currency, as the PRC government currently imposes controls on the convertibility of RMB into foreign currencies and in certain cases, the remittance of currencies out of the PRC. Against this background, in order to repatriate the PRC Escrow Amount out of the PRC and remit the same to the Company, certain steps including the winding up or dissolution of JSBI would need to be carried out, which would be a process requiring significant time, effort and attention.

Focus on Proposed Acquisition and meeting Rule 1017(2) Deadline

Furthermore, given the Company's circumstances at the time in 2018, further details of which are given in the response to Questions 1 and 2 under the heading "Decline in profitability of Group's Core Business", the Company had in 2018 been focusing its efforts on identifying potential business opportunities and partners in the oil and gas sector within the region, so as to acquire a viable new business. Following the signing of the Term Sheet for the Proposed Acquisition and the notification by the SGX-ST of the Company's cash company status and requirement to acquire a new business which is able to satisfy the new listing requirements in February 2019, the Board remained of the view that it would not be appropriate for the Company to channel crucial time and resources away from meeting the impending deadline under Rule 1017(2) and the main objective of ensuring the Company's exit from its cash company status. Following discussions with the financial adviser to the Proposed Acquisition, it was noted that the dissolution was likely to be a long process and would complicate the Proposed Acquisition process if both transactions were conducted concurrently

The Board understands that as opposed to concurrently incurring costs and resources in winding up or dissolving JSBI at the current juncture, the Enlarged Group will, following the completion of the Proposed Acquisition, look into resolving the same.

**E. MATTERS RELATING TO MR. MIRZAN BIN MAHATHIR**

**24. I understand that the Chairman, Mr Mirzan bin Mahathir, will be re-elected at the upcoming AGM. My questions for the Board are:**

**(a) Is it true that SBI became a cash company when Mr Mirzan bin Mahathir was Chairman of SBI?**

Please refer to the responses to Questions 1 and 2 above.

**(b) Is it true that during Mr Mirzan bin Mahathir's tenure as Chairman of SBI, the revenue of SBI fell from USD 7.1 million in FY2016 to only USD 22,000 in FY2019?**

Please refer to the responses to Questions 1 and 2 above.

**(c) Is it true that Mr Mirzan bin Mahathir, as Chairman of the Board, decided to embark on the Proposed Acquisition without consulting with SBI shareholders on whether SBI should consider de-listing as opposed to commencing possible deals?**

Catalist Rule 1017(2) provides that “The Exchange will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The issuer may (through its sponsor) apply to the Exchange for a maximum 6-month extension to the 12-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the 6-month extension period. The extension is subject to the issuer providing information to investors on its progress in meeting key milestones in the transaction. In the event the issuer is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the issuer will be removed from the Official List and a cash exit offer in accordance with Rule 1308 should be made to its shareholders within 6 months.” In line with the requirements of Catalist Rule 1017(2), the Board was in the first instance obliged to seek possible deals for the Company to acquire a new business. A delisting and cash exit offer would accordingly only be considered if the Company fails to acquire a viable new business.

As such, in view of the Company's circumstances as detailed in the responses to Questions 1 and 2 above, from late 2017, the Board (and not Mr. Mirzan acting alone) had collectively resolved to source for a new viable acquisition opportunity, so as to allow the Company to maintain its listing status and to generate a sustainable revenue stream for the Group, and ultimately to preserve the value of the Group for Shareholders. The Company subsequently identified the Berlitz Group as a viable business and entered into the Term Sheet with the Vendor on 19 February 2019.

Further, as mentioned in the response to Question 4 in the Previous Q&A Announcement, on 19 February 2019 (when the Company entered into the Term Sheet), the Company had also obtained the Irrevocable Undertakings from Mr. Tan and Ms. Chen Jia Yu to ensure that the Proposed Acquisition would have sufficiently strong support from Shareholders before the Company proceeded to channel significant time, expenses and resources on the same.

25. ***As you are fully aware, SBI Offshore Ltd is located in Singapore. Our Executive Non-Independent Chairman is located in KL, Malaysia. How is the Chairman operating the Company?***

Like majority of other businesses in a modern and globalised society, the Group relies on advanced technology and telecommunicating systems to communicate amongst persons based in different countries, so that the executive and management teams may work together seamlessly so as to coordinate overseas operations effectively. The ongoing COVID-19 pandemic has in fact demonstrated that businesses are increasingly moving towards such manner of operating.

There have been no issues with communications between Mr. Mirzan and the management team which is based in Singapore, and Mr. Mirzan's ability to lead the Board and the Company has not been affected by virtue of his being based out of Singapore.

#### **F. IMPACT OF RESOLUTIONS NOT BEING PASSED**

26. ***I note that previously there were resolutions that were not carried in the AGM, previously if I recall, the resolution on director fees were not carried.***

- (a) ***What impact would there be on the proposed RTO if Resolution 2 on the re-election of Mirzan Mahathir is not carried? Would the RTO be nullified, hampered, delayed or?***

It is noted that Mr. Mirzan, as the Executive Chairman of the Board, has played a critical and integral role to the Company's progression of the Proposed Acquisition. Mr. Mirzan has been the principal intermediary between the Company and the Vendor, and has closely overseen the due diligence investigations undertaken in respect of the Berlitz Group and the preparation of the RTO Circular and various submissions to the regulatory authorities (including the SGX-ST).

As such, the Board is of the view that in the event that Resolution 2 on the re-election of Mr. Mirzan is not carried at the AGM, his cessation as the Executive Chairman of the Board will likely have an adverse impact on the completion of the Proposed Acquisition. To mitigate the risk of such Board changes at such late juncture for the Proposed Acquisition, the Board may need to explore various options, including retaining the services of Mr. Mirzan, in order to preserve continuity in respect of the Proposed Acquisition and to ensure that the Proposed Acquisition (including the transaction timeline) is not irreparably hindered by his departure from the project.

- (b) ***What impact would there be on the proposed RTO if Resolution 3 on the re-election of James Kho is not carried? Would the RTO be nullified, hampered, delayed or?***

Mr. James Kho Chung Wah is the current Chairman of the ARMC. In the event that he is not re-elected at the AGM, the resultant ARMC may not meet the relevant requirements under the Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 August 2018 ("**Corporate Governance Code**"), as to the prescribed composition and expertise of the ARMC. The resultant Board would need to search for an appropriate candidate with the requisite expertise and experience to join the ARMC within the applicable prescribed timeline, which may not be feasible under the current circumstances where the



Company should be focusing its resources on its objective of acquiring a new business and meeting the requirements for a new listing by the Rule 1017(2) Deadline.

- (c) ***What impact would there be on the proposed RTO if Resolution 4 on the director fees is not carried? Would the RTO be nullified, hampered, delayed or?***

The Board is of the view that the Shareholders' approval of the Directors' fees under Resolution 4 of the Notice of AGM has no direct bearing on the Proposed Acquisition.

- (d) ***What impact would there be on the proposed RTO if Resolution 7 on the issue of new shares is not carried? Would the RTO be nullified, hampered, delayed or?***

The Board is of the view that the renewal of the Company's share issue mandate under Resolution 7 of the Notice of AGM has no direct bearing on the Proposed Acquisition.

## **G. OTHER MATTERS RELATING TO THE BOARD**

27. ***This "tussle" between the substantial shareholders (Mirzan Mahathir or Tan Woo Thian or Hui Choon Ho) is in my opinion, as an unaffiliated shareholder, detrimental to the interest of the company. Does Mr Tan Woo Thian currently have board representation in the current SBI Offshore board, whether by proxy or otherwise? It seems that he has a significant 16.57% stake in the company.***

Mr. Tan Woo Thian was previously a Director of the Board from July 1997 to March 2016. He currently does not have any representation on the current Board, whether by proxy or otherwise.

It should be noted that the so-called "Board tussle" is not caused by the current Board and arose as a result of a series of requisitions made by Mr. Tan, Mr. Jonathan Hui and others in 2016, 2018 and now 2020 (the "2016 Requisitions", "2018 Requisitions" and "2020 Requisitions" respectively) which sought not to merely appoint Directors to the Board, but to effectively replace the entire or a majority of the Board with candidates nominated by such persons.

Nonetheless, the Board had considered each of the 2016 Requisitions, 2018 Requisitions and 2020 Requisitions and had responded to each accordingly, having regard to compliance with applicable laws (including the Companies Act and the Catalyst Rules) and in consultation with Sponsor and SGX-ST. In the case of the 2016 Requisitions, the extraordinary general meeting relating to the 2016 Requisitions was adjourned *sine die* in accordance with the Constitution of the Company at the proposal of Shareholders, and on the vote of a majority of Shareholders. In the case of the 2018 Requisitions, the Board had decided not to convene an extraordinary general meeting further to the 2018 Requisitions, for reasons further described in the Company's announcement dated 28 February 2018.

At the same time, it should be noted that each of the 2018 Requisitions and 2020 Requisitions had been made during periods where the then Board and the Company had been tied up with investigations relating to the NPT Transactions and Property Transactions, and (in the case of the Property Transactions) the special audit by RSM. Both Mr. Tan and Mr. Jonathan Hui were involved in the relevant transactions, given that the NPT Acquisition had taken place during the period Mr. Jonathan Hui was the Executive Chairman and Chief Executive Officer of the Company, whilst the acquisition of the Jiangyin Property had taken place during the period Mr. Jonathan Hui

was the Executive Chairman and Chief Executive Officer of the Company and Mr. Tan was the legal representative of JSBI. Accordingly, there were in each instance concerns on the propriety of appointing nominees of Mr. Tan and Mr. Jonathan Hui onto the Board whilst these investigations were still in progress.

The Board had in each instance acted in what it believed was for the best interest of all Shareholders, having regard to the relevant circumstances, and will continue to act in the best interest of all Shareholders.

**28. *I note that this boardroom tussle has been going on for some time now. What steps have been taken, over the years, to resolve these differences between the two camps? Disunity is Death. Can I propose that as a gesture of goodwill, and hopefully to stop the board tussle, the current Board grants a board seat to Mr Tan or his proxy? Has this option been explored?***

***If Mr Tan is deemed unsuitable to personally sit in the company's Board, perhaps the company could allow him a seat in the company's Board by way of proxy?***

Please refer to the response to Question 27 above.

It should be added that the suitability of each candidate to be appointed to the Board has to be assessed by the Nominating Committee of the Board and the Sponsor, having regard to the relevant requirements under applicable laws and regulations, including the Catalist Rules and the Corporate Governance Code.