SBI Offshore Limited

RE-POSITIONING TRANSFORMING DELIVERING

ANNUAL REPORT **2013**

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.

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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 Limited ("SBI Offshore") was established in 1994 as a marketing and distribution company for Offshore & Marine ("O&M") products. Since its listing on the Singapore Exchange in November 2009, the Company have transformed into an integrated engineering and equipment solutions provider to the offshore oil and gas industry with strategic alliances.

The Company has four key business segments.

DRILLING EQUIPMENT AND SOLUTIONS

SBI Offshore works closely with reputable manufacturers such as Aker MH AS ("Aker MH") to market its drilling equipment packages in Asia. Together with Aker MH, we are equipped with extensive experience in platform and onshore drilling packages and had successfully delivered numerous deepwater drilling rig packages.

Our facility at Jiangyin SBI Offshore Equipment Co. Ltd. has been audited and approved by Aker MH. The facility currently has the capabilities to provide turnkey solutions for drilling equipment packages as well as related equipment for rig owners and shipyards.

DISTRIBUTION OF HIGH PRESSURE PRODUCTS

SBI Offshore has a 50%-owned joint venture with RBV Energy Limited, a renowned supplier of high-pressure products to the oil and gas industry. The joint venture company markets and distributes high-pressure pipes, fittings, valves and manifolds across the Asia Pacific region.

DISTRIBUTION AND AFTER-SALES SERVICES OF MARINE APPLIANCES

SBI Offshore has a 35% stake in Jiangyin Neptune Marine Appliance Co. Ltd, a leading manufacturer of marine appliances in China. Through our wholly-owned subsidiary, Neptune Life-Saving Pte Ltd, we market and distribute lifeboats, fast rescue boats and launching systems. We also provide spare parts and after-sales services such as replacement of release & retrieval systems, lifeboat life extension programme and rental of lifeboats.

OFFSHORE & MARINE PROJECTS

With strategic alliances with regional shipyards, SBI Offshore is well-positioned to provide end-to-end solutions for various types of offshore and marine vessels such as jack-up rigs, semi-submersibles and tender assist barges from concept planning, design and engineering, procurement, construction to commissioning.

EXECUTIVE CHAIRMAN'S MESSAGE

FY2013 is a year of transformation during which we've put in place the foundations for the Group to re-position itself as an integrated engineering and equipment solutions provider to the oil and gas industry.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report for SBI Offshore Limited ("SBI Offshore" or the "Group") for the financial year ended 31 December 2013 ("FY2013"). FY2013 is a year of transformation during which we've put in place the foundations for the Group to re-position itself as an integrated engineering and equipment solutions provider to the oil and gas industry.

FY2013 IN REVIEW

Despite the global macro-economic uncertainties and intense competition within the industry in FY2013, I am pleased to announce that we were able to report a four-fold increase in revenue and approximately 51% growth in net profit this year.

The improved top line was mainly attributable to our first turnkey Engineering, Procurement, Construction and Commissioning ("EPCC") project for an Asian customer, marking our successful shift towards value-added engineering solutions and larger-scale offshore and marine ("O&M") projects. Having progress-recognised the bulk of the EPCC project, our order book stood at US$12 million as at 31 December 2013.

We have also seen an overall improvement in the performance of our 35%-owned associate, Jiangyin Neptune Marine Appliance Co., Ltd, and 50%-owned joint venture, RBV Energy (Singapore) Pte. Ltd., both of which recorded higher net profits and contributed to our improved financial performance.

As announced on 11 February 2014, we have resolved a commission income dispute with our principal, Aker MH AS ("Aker MH"), reaching a final and amicable settlement agreement which will remove uncertainties that may have been felt by some customers. Following the settlement, we will enter into a new mutually agreed sales representative agreement with Aker MH to distribute and market its products in the region.

We've also had two share placements in the year under review, in March and December, which raised total proceeds of approximately US$5.2 million, underscoring investors' faith in our business and strategies. The proceeds are for the funding of working capital, current projects, and the development of new projects.

I am pleased to report that we have proposed a cash dividend of S$0.002 per share, in line with the pay out last year, for the year ended 31 December 2013 to thank shareholders for your unwavering support and faith in us.

BOARD AND MANAGEMENT CHANGES

We welcome two newly appointed Directors. In July 2013, Mr Jen Shek Voon, was appointed as Lead Independent Non-Executive Director and Chairman of the Audit Committee, and in January 2013, Mr Ahmad Subri Bin Abdullah was appointed as Independent Non-Executive Director and Chairman of the Nominating Committee. Mr Giang Sovann, who has over 30 years of financial and business management experience, has relinquished his duties as Lead Independent Director and Chairman of the Audit Committee to serve as Executive Director.

We also welcome Mr David Andison, who has over 20 years' experience in the O&M industry, as our new Chief Operating Officer ("COO"). Mr Andison has held senior positions in variPous companies in Asia and Europe, including rig owners and drilling contractors. With his vast experience and network, we believe we are in his good hands and look forward to his contributions as COO.

A NEW CHAPTER OF GROWTH

With our track record and new focus in value-added engineering solutions, we intend to source for larger contract engineering projects with particular emphasis on rig drilling equipment and solutions – both offshore and onshore.

We are also exploring opportunities to provide customers with customised, full package solutions by dealing directly with drilling contractors to create more value for its customers, providing them greater convenience and efficiency, whilst increasing margins for the Group.

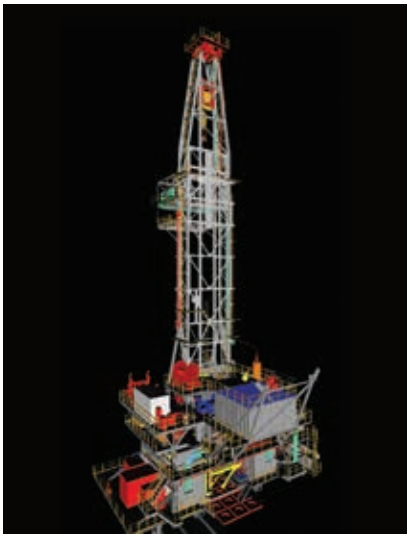
Leveraging on the network of our senior management, we hope to extend beyond Asia Pacific to new markets such as the Middle East, Central Asia, Eastern Europe, the former Soviet Union, and Africa. The Group believes that it is well poised to tap on opportunities arising from new oil and gas concessions that are being opened up in these markets, and others being primed for workover.

Concurrently, we will seek strategic alliances and joint ventures with players involved in drilling contracts, related equipment and possibly even participating in the development of mainstream offshore rigs, semi-submersibles and offshore platforms or vessels to improve top-line performance.

ACKNOWLEDGEMENT

I would like to take this chance to express heartfelt thanks to you, our shareholders, for your consistent and unwavering support. Our sincere gratitude also goes to our customers, bankers, professional advisers, business partners, management, and staff. We look forward to your continued support as we chart an exciting future for SBI Offshore.

CHAN LAI THONG
Executive Chairman
2 April 2014



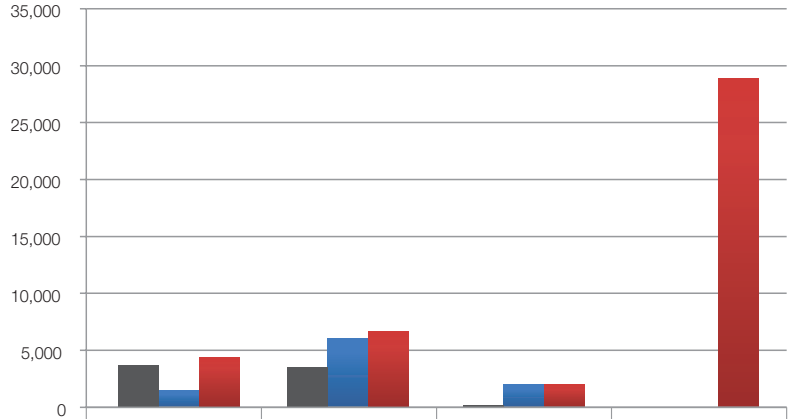
FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

REVENUE AND PROFIT

The Group's revenue for FY2013 increased by US$32.4 million to US$41.8 million compared to US$9.4 million for FY2012, a jump of 4.4 times that was mainly due to progress-recognition of approximately US$28.8 million income from an Engineering, Procurement, Construction and Commissioning ("EPCC") project for an Asian client.

Income from the Marketing segment increased approximately three-fold due to higher commission generated from higher sales for a Principal, Aker MH AS ("Aker MH"), as well as from the accrual of certain commission income made in accordance with the settlement of the dispute with Aker MH, as announced by the Company on 11 February 2014. The final and amicable settlement will have positive material impact on the Group's financial results for FY2014 and FY2015.

Segmental Revenue (US$'000)



	Marketing	Distribution	Design, Engineering and Fabrication	Project
FY2011	3,910	3,124	87	–
FY2012	1,424	6,029	1,980	–
FY2013	4,325	6,654	1,980	28,833

Distribution revenue reported a reasonable growth of 10%, from US$6 million to US$6.7 million, due to higher revenue from distribution of lifeboats, davits, fitting and pipes.

Other income of US$0.6 million in FY2012 was mainly due to the gain arising from a compulsory local government acquisition of a small part of the land use rights of a subsidiary, Jiangyin SBI Offshore Equipment Co., Ltd ("JSBI"), and compensation received from a third party for use of the JSBI facility.

As a result of higher revenue, gross profit increased to US$5.5 million for FY2013 from US$2.6 million in FY2012. Net profit rose to US$987,000 from US$655,000 a year earlier.

Performance across geographical segments improved generally, led by a 67-fold increase in revenue contribution from the South-East Asia region.

EXPENSES

Administrative and other expenses for FY2013 increased 62% to US$4.9 million from US$3 million for FY2012, in line with expansion of the Group's business activities.

FINANCIAL POSITION

Non-current assets increased 6% to US$10.5 million as at 31 December 2013 from US$9.9 million as at 31 December 2012, mainly due to an increase in share of results for a joint venture and an associate. Current assets decreased by 16% to US$16.9 million. This was due to US$4.8 million of reduction in advance payments to suppliers, US$0.5 million decrease in trade receivables due to improvement in collection, US$1.1 million decrease in other receivables, offset by US$3.1 million increase in amount due from contract customer.

Current liabilities decreased by US$9.1 million (46%) to US$10.9 million as at 31 December 2013 from US$20 million as at 31 December 2012, mainly due to lower trade and other payables of US$5.8 million, reduction in bank loans of US$3.5 million and offset by increase in tax liability of US$0.2 million. Trade and other payables decreased by US$5.8 million due to recognition of project revenue of US$10.3 million and decrease in accrued commission costs of US$0.8 million, offset by an increase in trade payables of US$1.6 million and an increase in accrued expenses of US$3.7 million.

Share capital increased 81% to US$11.6 million as at 31 December 2013 from US$6.4 million a year ago, due to two share placements executed during the year. In March 2013, the Company issued 34 million new ordinary shares via share placements to various individual investors at S$0.108 per share; and a further 22 million new ordinary shares at S$0.125 per share in December 2013, raising approximately S$3.7 million and S$2.7 million, respectively.

Net asset value per share increased to 9.34 US cents as at 31 December 2013 from 8.31 US cents in the preceding year.

CASH FLOW

The Group's net cash used in operations amounted to US$1.3 million for FY2013, mainly due to higher payment for trade and other payables, offset by reduction in trade and other receivables.

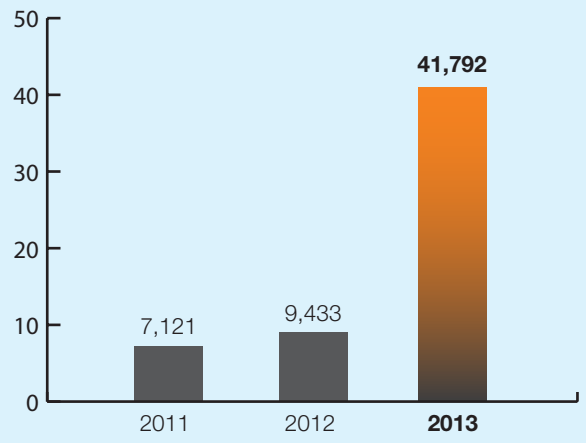
Cash flows used in investing activities for FY2013 amounted to US$0.4 million, mainly due to purchase of plant, property and equipment and additional investment in a subsidiary.

Cash flows generated from financing activities for FY2013 amounted to US$5.1 million, mainly comprising proceeds from issuance of new ordinary shares.

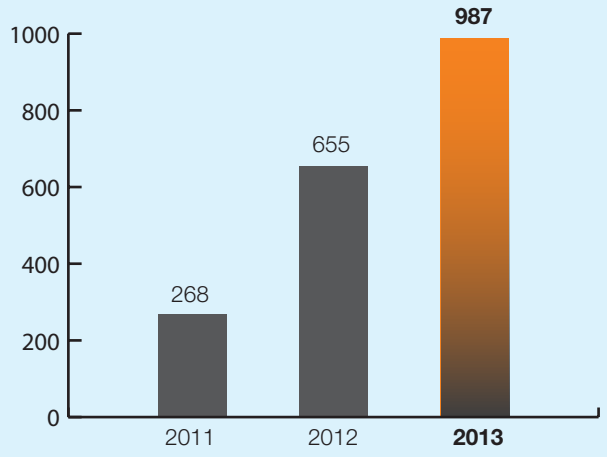
The Group's cash and cash equivalents (net of fixed deposits pledged) increased to US$4.9 million as of 31 December 2013, compared to US$1.6 million as of 31 December 2012.

FINANCIAL HIGHLIGHTS

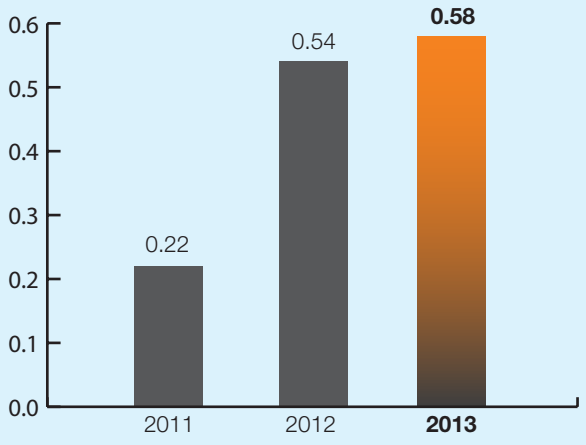
REVENUE (US$'000)



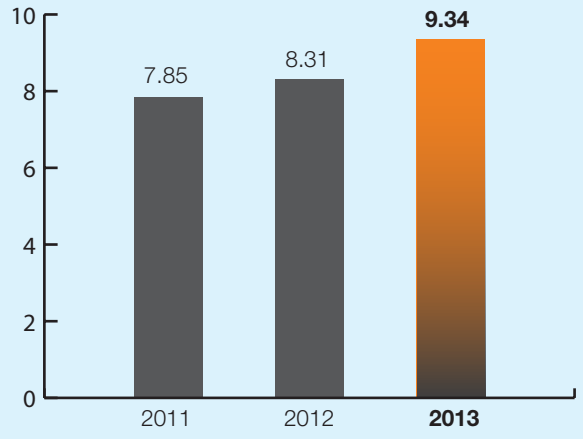
NET EARNINGS (US$'000)



FULLY DILUTED EPS (US Cents)



NAV PER SHARE (US Cents)



	FY2011	FY2012	FY2013
Revenue *(US$'000)*	7,121	9,433	41,792
Net Earnings *(US$'000)*	268	655	987
Earnings per share on fully diluted basis *(US cents)*	0.22	0.54	0.58
Net Asset Value per share *(US cents)*	7.85	8.31	9.34
Revenue Growth Rate *(%)*	(23.7)	32.5	343.0
Net Earnings Growth Rate *(%)*	98.5	144.4	50.7

INVESTOR RELATIONS

PROACTIVE COMMUNICATION

SBI Offshore is committed to cultivating strong and long-term relationships with the investment community, analysts and the media, striving towards delivering high standards of disclosure and corporate transparency.

ACCURATE AND TIMELY COMMUNICATION

We prioritise on providing accurate and timely disclosure of financial results and announcements, utilising various communication channels to reach out to the market. Announcements, press releases and presentation materials are also promptly posted on the Singapore Exchange (SGX) website and our corporate website, www.sbioffshore.com.

The corporate website was recently revamped to boost usability, and is updated promptly to be a key resource for corporate information and financial materials. Annual reports, investor presentation slides and investor relations contact information are easily accessible to our stakeholders on the website.

CORPORATE GOVERNANCE FRAMEWORK

SBI Offshore is committed to enhancing investors' value and interest through transparency and good corporate governance.

In 2013, we've also made our policies and procedures towards the code of conduct and ethics, approach towards whistle blowing, and the Vendor's letter of Declaration to demonstrate our commitment to curb corruption. These policies and initiatives are captured in the Governance section of our corporate website, where we hope to cultivate a trusting relationship with our stakeholders.

FACE-TO-FACE MEETINGS

SBI Offshore believes that it is critical to devote quality time with our investors, analysts, retail shareholders and the media to clearly communicate the Group's business strategies, operational and financial performance, and outlook going forward. These intimate meetings will help us deepen existing relationships with long-term shareholders, and reach out to potential new shareholders, investors and analysts.

2013 IR CALENDAR

Date	Activity
4 Mar 2013	Analyst briefing
1 Oct 2013	Retail briefing at CIMB
15 Aug 2013	Investor's briefing
20 Aug 2013	Analyst briefing

GROUP STRUCTURE

SBI GROUP

Singapore
Investment holding
Marketing and distribution of drilling & related equipment
Integrated engineering & equipment solutions

SUBSIDIARIES

JIANGYIN SBI OFFSHORE EQUIPMENT CO LTD
(100%)

People's Republic of China
Fabrication of drilling & related equipment

NEPTUNE LIFE-SAVING PTE LTD
(Formerly known as Sea Reef Offshore Pte Ltd)
(100%)

Singapore
Marketing, distribution and servicing of lifeboats, rescue boats and launching systems

SEA REEF INTERNATIONAL INC
(100%)

United States of America
Design & engineering solutions for O&M equipment & systems

SBI O&M PTE LTD
(100%)

Singapore
Design, engineering & construction of O&M vessels

JOINT VENTURE

RBV ENERGY (SINGAPORE) PTE LTD
(50%)

Singapore
Marketing & distribution of high-pressure pipes, fittings, valves & manifolds

ASSOCIATE

JIANGYIN NEPTUNE MARINE APPLIANCE CO LTD
(35%)

People's Republic of China
Manufacturing of lifeboats, rescue boats & launching systems

BOARD OF DIRECTORS

MR. CHAN LAI THONG
MR. TAN WOO THIAN
MR. GIANG SOVANN
MR. JEN SHEK VOON
MR. MAHTANI BHAGWANDAS
MR. AHMAD SUBRI BIN ABDULLAH

MR. CHAN LAI THONG

EXECUTIVE CHAIRMAN

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

Mr. Chan started his career at Keppel Fels in 1980 and was involved in business development in various parts of the world, including Southeast Asia, the Middle East, Australia, Eastern Europe, Central Asia and China. As Group General Manager for Keppel, he was responsible for strategizing and developing the Eastern Europe and Central Asian markets. 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. In 2004, Mr. Chan ventured into China and was involved in property development in Sichuan, Chongqing and Hunan. Mr. Chan is currently also a director of Saudi MTD Capital Ltd, Chongqing Panxin Industry Co. Ltd, and Sichuan Weatherock China 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 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 AS in charge of developing the China market.

MR. GIANG SOVANN

EXECUTIVE DIRECTOR

Mr. Giang Sovann was appointed as Independent Director of the Company on 28 September 2009, and was subsequently re-designated as Executive Director on 1 June 2013, responsible for the Group's financial and corporate matters.

Mr. Giang has over 30 years of financial and business management experience in multi-national corporations, regional conglomerate and listed companies. He was Executive Director of the Singapore Institute of Directors.

Mr. Giang graduated with a Bachelor of Administration degree with High Distinction from the University of Regina, Canada, is a Chartered Accountant of Canada & Singapore, and a member of the Singapore Institute of Directors. He is an independent director of the Cambodian Post Bank and a member of the Complains & Disciplinary Panel, Public Accountants Oversight Committee, Accounting & Corporate Regulatory Authority, Singapore.

MR. JEN SHEK VOON

LEAD INDEPENDENT DIRECTOR

Mr. Jen Shek Voon was appointed to the Board as Lead Independent Director on 5 July 2013, and is also the Chairman of the Audit Committee.

Mr. Jen was a partner of EY (Ernst and Young LLP and predecessor firms) from 1980, before retiring as a Senior Partner at the end of 2002 at the mandatory retirement age of 55 years. He sits on the Board of a number of publicly-listed companies in Singapore, Malaysia, and Hong Kong, and is currently the Non-Executive Chairman of the Board of Advisors to EV Capital Pte Ltd. He is also the Sole Proprietor of the firm Jen Shek Voon, Singapore Chartered Accountant & Public Accountant Singapore.

Mr. Jen graduated from the University of Singapore with a Bachelor of Accountancy (Honours) and has a post-graduate Commerce degree (M Comm. Honours) from the University of New South Wales (UNSW) in Sydney, Australia. He is a Fellow of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, UK, the Singapore Institute of Directors, respectively and a Chartered Tax Adviser of the Taxation Institute of Australia.

MR. MAHTANI BHAGWANDAS

INDEPENDENT DIRECTOR

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

He is a lawyer by profession and has 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 that specializes in commercial practice including commercial litigation work, and an Independent Director of SGX-listed GKE Corporation Ltd. Formerly an Independent Director of Next-Generation Satellite Company Ltd, Singapore, Mr. Bhagwandas also holds several directorships in 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 Law (Honours) degree in 1992.

MR. AHMAD SUBRI BIN ABDULLAH

INDEPENDENT DIRECTOR

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

Presently he is the Chairman of Crave Capital Sdn Bhd and RCL International Sdn Bhd, and Managing Director of Emerio (Malaysia) Sdn Bhd, an NTT Group Company. He is also an Independent Director of ECS ICT Bhd, a company listed on the main board of the Bursa Saham Malaysia. Mr. Subri has over 30 years of experience in the insurance and financial services industry, with more than 18 years as Chief Executive Officer of various companies including Trust International Insurance, MCIS Insurance, Mayban Life Assurance and Malaysia National Insurance Bhd.

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

KEY MANAGEMENT

DAVID GEOGRE AIMERS ANDISON

CHIEF OPERATING OFFICER

Mr Andison was appointed as Chief Operating Officer of the Company on 6 February 2014.

Mr Andison has over 20 years of experience in offshore drilling and FPSO operations. During his career, he was extensively involved in drilling operations, new-building projects, design & engineering services and project management. Prior to joining SBI Offshore on 6 February 2014 as Chief Operating Officer, Mr Andison had worked for Seadrill Tender Rigs Pte Ltd and Smedvig Tender Rigs Pte Ltd, and was the Technical Director of Tecnomar Pilling Solutions Pte Ltd providing offshore and marine consultancy to many companies including Atwood Oceanic, Inc., Transocean Ltd and Ezion Holdings Ltd.

Mr Andison holds a Diploma in Offshore Stability and Damage Control from Aberdeen Technical College in the United Kingdom.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAN LAI THONG
Executive Chairman and Executive Director

TAN WOO THIAN
Chief Executive Officer and Executive Director

GIANG SOVANN
Executive Director

JEN SHEK VOON
Lead Independent Director

MAHTANI BHAGWANDAS
Independent Director

AHMAD SUBRI BIN ABDULLAH
Independent Director

AUDIT COMMITTEE

JEN SHEK VOON (Chairman)
MAHTANI BHAGWANDAS
AHMAD SUBRI BIN ABDULLAH

NOMINATING COMMITTEE

AHMAD SUBRI BIN ABDULLAH
(Chairman)
JEN SHEK VOON
CHAN LAI THONG

REMUNERATION COMMITTEE

MAHTANI BHAGWANDAS (Chairman)
JEN SHEK VOON
AHMAD SUBRI BIN ABDULLAH

BOARD RISK COMMITTEE

MAHTANI BHAGWANDAS (Chairman)
JEN SHEK VOON
CHAN LAI THONG
GIANG SOVANN

COMPANY SECRETARY

CHAN LAI YIN, ACIS

SPONSOR

CNP COMPLIANCE PTE LTD
36 Carpenter Street
Singapore 059915

REGISTERED OFFICE

20 Pioneer Crescent
#09-01 West Park BizCentral
Singapore 628555
Tel: +65 6848 1033
Fax: +65 6848 1011
Website: http://www.sbioffshore.com

SHARE REGISTRAR

TRICOR BARBINDER SHARE REGISTRATION SERVICES
80 Robinson Road #02-00
Singapore 068898

AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267
Partner-in-charge: Goh Chern Ni
(First appointed for the financial year ended 31 December 2012)

PRINCIPAL BANKERS

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

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of SBI Offshore Limited (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.

The Board is pleased to confirm that the Group has applied the principles of the 2012 Code of Corporate Governance (the "**Code**") during the financial year ended 31 December 2013 ("**FY2013**"), except where otherwise stated.

PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

The Board 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 and also to set the Company's values and standards and provide guidance to Management to ensure that the Company's obligations to its shareholders and the public are met. The Board recognises its responsibility to safeguard shareholders' interests and the Company's assets. 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;
- Material acquisitions and disposals;
- Approval of transactions involving interested person transactions; and
- Appointment of new Directors.

CORPORATE GOVERNANCE STATEMENT

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

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 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 efficiency, certain functions have been delegated to committees, namely Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and the Board Risk Committee ("**BRC**") (collectively, the "**Board Committees**"). Each of these Board Committees has its own clearly defined written terms of reference and its actions are reported regularly to and monitored by the Board.

The attendance of the Directors at every Board and Board Committees meetings held during FY2013 are presented below.

	Board		AC		NC		RC		BRC	
Directors	**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**	**No. of meetings held while a member**	**No. of meetings attended**
Chan Lai Thong	4	4	–	–	1	1	–	–	1	1
Tan Woo Thian	4	4	–	–	–	–	–	–	–	–
Giang Sovann[1]	4	4	2	2	1	1	1	1	1	1
Jen Shek Voon[2]	2	2	2	2	–	–	–	–	1	1
Mahtani Bhagwandas	4	4	4	4	–	–	1	1	1	1
Ahmad Subri Bin Abdullah[3]	4	3	4	3	1	1	1	1	–	–
Chen Jiayu[4] (Alternate Director to Tan Woo Thian)	2	1	–	–	–	–	–	–	–	–

[1] Re-designated on 1 June 2013
[2] Appointed on 5 July 2013
[3] Appointed on 10 January 2013
[4] Resigned on 5 July 2013

CORPORATE GOVERNANCE STATEMENT

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 new Director will also be provided with formal letters, setting out their duties and obligations when they are appointed. During 2013, the Chairman and Chief Executive Officer briefed the newly appointed Directors on the Group's business, strategy and operations. The Company provided formal letter to the Directors who were appointed during the year.

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. The Company shall be responsible for arranging and funding the training of Directors.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board currently comprises three Executive Directors and three Independent Non-Executive Directors.

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
Giang Sovann, Executive Director (re-designated on 1 June 2013)
Jen Shek Voon, Lead Independent Director (appointed on 5 July 2013)
Mahtani Bhagwandas, Independent Director
Ahmad Subri Bin Abdullah, Independent Director (appointed on 10 January 2013)

Mr Giang Sovann was re-designated as Executive Director on 1 June 2013 and is responsible for the Group's accounting, financial and corporate matters. With this re-designation, Mr Giang stepped down as Lead Independent Director, Chairman of the AC, member of the RC and NC.

The criteria for independent 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, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent judgement with the view to the best interest of the Company and the Group. The Company has satisfied the requirement of the Code of at least half of the Board comprises Independent Directors.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company and the Group. The NC has reviewed and determined that the said Directors are independent.

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

CORPORATE GOVERNANCE STATEMENT

The Board comprises business leaders and professionals and its composition enables Management to benefit from a diverse and objective external perspective on issues raised before the Board. 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.

The Board will constantly examine its size annually with a view to determine its impact upon its effectiveness and review its appropriateness for the nature and scope of the Group's operations. The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making and believes that the experience, skills and expertise of the Board members in areas such as accounting, legal and business would contribute to the Group's objective.

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

Profiles of the Directors are set out on pages 9 and 10 of this Annual Report.

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 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 investors; and

e. Ensure compliance with the Group's guidelines on corporate governance.

CORPORATE GOVERNANCE STATEMENT

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

For good corporate governance, Mr Jen Shek Voon 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, the CEO or Executive Director has failed to resolve or for which such contact is inappropriate.

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
Jen Shek Voon – 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 Board Committees, and the effectiveness and contribution of each Director to the Board. The NC reviews Board succession plan annually. The NC also reviews training and professional development programs for 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.

The NC considered a guideline of 5 listed companies for Directors who serve on multiple boards. The Board concurred with the NC's guideline and determined the maximum number of listed company board representations a Director may hold is 5. 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.

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 workings experiences of Mr Jen Shek Voon who was appointed as a Director on 5 July 2013. The Board was of the view that his 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 year, the NC had reviewed and determined that Mr Jen Shek Voon, Mr Mahtani Bhagwandas and Mr Ahmad Subri Bin Abdullah are independent.

CORPORATE GOVERNANCE STATEMENT

Under the provisions of Article 99 of the Company's Articles of Association, newly appointed Directors are required to hold office until the next Annual General Meeting ("**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 Director, Mr Jen Shek Voon is due for retirement pursuant to Article 99. He is eligible for re-election at the forthcoming AGM. Mr Jen Shek Voon upon re-election, remain as the Lead Independent Director, Chairman of AC, member of RC, NC and BRC. He 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 Director's overall contribution and performance.

The NC also recommended to the Board the re-election of Mr Chan Lai Thong and Mr Mahtani Bhagwandas, who are 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.

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.

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2013

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
Chan Lai Thong	28 September 2009	20 April 2011	Executive Chairman/ Executive Director	Member of NC and BRC	None
Tan Woo Thian	1 July 1997	30 April 2013	Chief Executive Officer/ Executive Director	None	None
Giang Sovann	28 September 2009	25 April 2012	Executive Director (re-designated on 1 June 2013)	Member of BRC	None
Mahtani Bhagwandas	14 September 2012	30 April 2013	Independent Director	Chairman of RC and BRC, Member of AC	GKE Corporation Limited

CORPORATE GOVERNANCE STATEMENT

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
Jen Shek Voon	5 July 2013	Not Applicable	Lead Independent Director	Chairman of AC, Member of RC, NC and BRC	1. Jumma Tyre Cord Company Limited 2. Japan Land Limited (Resigned on 9 February 2011) 3. Ajisen (China) Holdings Limited (Listed on Hong Kong Stock Exchange) 4. Metech International Limited (Resigned on 24 October 2013) 5. Sui Wah Corporation Berhad (Listed on Bursa Saham Malaysia)
Ahmad Subri Bin Abdullah	10 January 2013	30 April 2013	Independent Director	Chairman of NC, Member of AC and RC	ECS ICT Berhad (Listed on Bursa Saham Malaysia)

Details of other principal commitments of the Directors have been set out in page 9 and 10 of this Annual Report under the section "Board of Directors".

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, its Board Committees and the contribution from each Director to the effectiveness of the Board. The Board assessment takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the Management's performance against the goals that had been set by the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-election as a Director.

The 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.

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.

CORPORATE GOVERNANCE STATEMENT

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, advising the Board on all governance matters and to ensure that they are conducted in accordance with Articles of Association of the Company, applicable rules and regulations, and 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, 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.

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 Director
Jen Shek Voon – Member, Lead Independent Director
Ahmad Subri Bin Abdullah – Member, Independent 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 management personnel without being excessive, and thereby maximise shareholders' value. The recommendations should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, share-based compensation 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, Performance Share Plan, or any long-term incentive scheme.

The RC may obtain independent external legal and other professional advice as it deems necessary. Expenses of such advice shall be borne by the Company.

CORPORATE GOVERNANCE STATEMENT

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 entered into service agreement with Mr Chan Lai Thong on 17 August 2012 for a period of five years. Mr Chan Lai Thong was re-designated as Executive Chairman and Executive Director of the Company with effect from 17 August 2012. The Company had also entered into service agreement with Mr Giang Sovann on 30 May 2013 for period of five years who had been re-designated as Executive Director with effect from 1 June 2013.

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 management personnel 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.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The remuneration packages of Directors, CEO and key management personnel of the Group for FY2013 are as follows:

	Salary %	Bonus %	Others %	Fees %	Total %
Directors					
S$250,000 – S$500,000					
Executive Directors:					
Chan Lai Thong	87	13	–	–	100
Tan Woo Thian	87	13	–	–	100
Below S$250,000					
Chen Jiayu (Alternate Director to Tan Woo Thian) (resigned on 5 July 2013, see below)					
Giang Sovann (re-designated to 1 June 2013)	88	12	–	–	100
Independent Directors:					
Mahtani Bhagwandas	–	–	–	100	100
Ahmad Subri Bin Abdullah (appointed on 10 January 2013)	–	–	–	100	100
Jen Shek Voon (appointed on 5 July 2013)	–	–	–	100	100
Key Management Personnel					
Below S$250,000					
Seet Chong Jeng (resigned on 30 October 2013)	86	14	–	–	100
Chan Kin Seng (resigned on 12 January 2014)	100	–	–	–	100

During 2013, The Company has only two key management personnel (who is not the Director or CEO of the company).

Further information on the Directors and key management personnel are found on pages 9 to 11 of this report.

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

For competitive reasons, the Company is not disclosing each individual Director's remuneration. Instead, the Company is disclosing remuneration of each Director in bands of S$250,000. To maintain confidentiality of staff remuneration and to prevent poaching of key management personnel, the Company shall not disclose the aggregate remuneration paid to the key management personnel of the Group in this report.

Ms Chen Jiayu is a daughter of Mr Tan Woo Thian, the CEO and she is the Human Resources and Admin Manager. Her remuneration is in the bands of S$50,000 to S$100,000. Save as disclosed, there were no employees who were immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2013.

CORPORATE GOVERNANCE STATEMENT

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	13,000,000	16,400,000	3,400,000	13,000,000

On 8 January 2013, the Company has offered to grant 10,000,000 options to a Director, Mr Chan Lai Thong pursuant to the Share Option Scheme. The exercise price of options granted is 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. They 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. For more details, please refer to the announcement on SGXNET dated 9 January 2013.

On 26 December 2013, the Company has offered to grant 3,000,000 options to a Director, Mr Giang Sovann. The exercise price of options granted is S$0.10 which was set at a 20% discount to the average of the last dealt prices of S$0.124 for the Share on Catalist for a period of five (5) consecutive trading days immediately preceding the date of grant of that option. The said options are vested over various vesting periods after the second, third, fourth and fifth anniversary in respect of 25% respectively of the options granted and exercisable until 26 December 2023. The exercise period expires on 26 December 2023. For more details, please refer to the announcement on SGXNET dated 26 December 2013.

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Performance share plan

The RC administers the SBI Offshore Performance Share Plan ("**PSP**") which was approved by shareholders on 30 April 2013. The shareholders approved the proposed grant of award of 10,000,000 shares to Mr Chan Lai Thong under the PSP subject to the fulfillment of performance target and vesting conditions as set out in the shareholders' circular dated 15 April 2013, and resolution in writing of the RC dated 30 April 2013. The Company has received the listing and quotation notice (the "**LQN**") from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 6 March 2014 for the listing and quotation of the PSP Shares. The LQN is not an indication of the merits of the PSP, the PSP Shares, the Company, its subsidiaries and their securities.

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. The Board takes adequate step to ensure compliance with regulatory requirements. Such information and explanation to allow Directors make informed decisions shall be provided to the Directors.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

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

The BRC comprises the following members:

Mahtani Bhagwandas – Chairman, Independent Director
Jen Shek Voon – Member, Lead Independent Director
Chan Lai Thong – Member, Executive Chairman and Executive Director
Giang Sovann – Member, Executive Director

There is a written terms of reference. The BRC is scheduled to meet at least two (2) times a year. Its role is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to risk management of the Group and each of its subsidiaries.

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The Board believes that, in the absence of any evidence to the contrary, the system of risk management and 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 risk management and internal controls provide reasonable, but not absolute assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of business risk. The Board, however, recognises that no cost effective system of internal controls could preclude all errors and irregularities. The internal control system is designed to manage rather than eliminate all risk of failure to achieve business objectives.

The 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 through the BRC and AC, reviews the adequacy of the Group's risk management framework and internal controls, with the assistance of the external and internal auditors, to ensure that robust risk management and internal controls are in place. These include assessment of the key risks relating to financial, operational, compliance risks and information technology systems. Based on the system of risk management and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the Board and its various Board Committees, the Board with the concurrence of the AC, are of the opinion that there were adequate internal controls in place within the Group addressing financial, operational, compliance risks and those related to information technology systems as at 31 December 2013. The Board received assurance in writing from Executive Chairman and Executive Director, namely Mr Chan Lai Thong and Mr Giang Sovann, that financial records have been properly maintained and financial statements of the Company give a true and fair view of the Company's operations and finance. The assurance from Mr Chan Lai Thong and Mr Giang Sovann also includes effectiveness of the Company's risk management and internal control systems.

PRINCIPLE 12: AUDIT COMMITTEE

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

Jen Shek Voon – 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 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;

CORPORATE GOVERNANCE STATEMENT

- 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 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. The AC receives updates on changes in accounting standards from external auditors periodically. The AC members have expertise, experience and are members of relevant professional organisations to keep them abreast of changes in accounting standards, Listing Rules and other regulation which could have impact on the Group's business and financial statements.

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. The AC reviewed 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 with 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 71 of this Annual Report. The External Auditors is registered with the Accounting and Corporate Regulatory Authority. The Company is in compliance with Rule 712 of the Rules of Catalist.

The AC meets with the external auditors without the presence of the Management at least once a year.

The Company has appointed different auditors for its Singapore-incorporated subsidiaries and joint venture company and also overseas subsidiaries. The Board and the AC are satisfied that the appointment of different auditing firm 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. Please refer to pages 82 and 83 of this Annual Report for name of the audit firm which has audited the respective Singapore-incorporated subsidiaries and joint venture company and oversea subsidiaries.

CORPORATE GOVERNANCE STATEMENT

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. The whistle-blowing policy and the code of conduct and ethics are posted in the Governance section of our corporate website.

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, compliance risks and information technology systems and overall risk management of the Company and the Group for FY2013. The Internal Auditors has access to all records including access to AC. The AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

PRINCIPLE 14: SHAREHOLDER RIGHTS

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

The Company will review its Articles of Association from time to time. Where amendment is required to its Articles of Association to align the relevant provisions with the requirements of the Rules of Catalist of the Listing Manual of the SGX-ST, shareholders' approval will be obtained.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

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

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 financial 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 Board does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board has declared a final tax exempt dividend of S$0.002 per ordinary share for the financial year ended 31 December 2013.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

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

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 AGM and are available to answer questions from shareholders. All Directors attend AGM. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. The Board allows all shareholders to exercise its voting right by participation and voting at general meetings. 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 Company and the Officers of the Group while in possession of unpublished price-sensitive information. The Company and the Officers of the Group should not deal in the Company's securities on short-term considerations and during the period commencing one month before the announcement of the Group's half-year and full-year results and ending on the date of the announcement of the results. The Officers are also required to adhere to any other relevant regulations with regard to their securities transactions.

CORPORATE GOVERNANCE STATEMENT

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 FY2013.

MATERIAL CONTRACTS

Save for the service agreements between the Executive Directors and the Company, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the controlling shareholder or Director, which are either still subsisting at the end of FY2013 or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

CNP Compliance Pte Ltd ("**CNPC**") is the Continuing Sponsor of the Company. There were no non-sponsor fees paid to CNPC during the year under review.

The total amount of fees paid to the affiliates of CNPC, namely Colin Ng & Partners LLP for legal work done for FY2013 was approximately S$40,000 (excluding disbursements and GST).

USE OF PROCEEDS

On 27 March 2013, the Company issued 34 million new ordinary shares via share placements to various individual investors at an issue price of S$0.108 per share. Net proceeds of approximately S$3.7 million from the shares placement in March 2013 has been fully used for project expenses as announced on 6 August 2013.

On 27 December 2013, the Company issued 22 million new ordinary shares via share placements to a fund manager at an issue price of S$0.125 per share. The Company has yet to utilise the net proceeds of approximately S$2.75 million from the shares placement.

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 2013 and the statement of financial position of the Company as at 31 December 2013 and the statement of changes in equity of the Company for the financial year ended 31 December 2013.

1. Directors

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

Chan Lai Thong
Tan Woo Thian
Giang Sovann
Jen Shek Voon (Appointed on 5 July 2013)
Mahtani Bhagwandas
Ahmad Subri Bin Abdullah (Appointed on 10 January 2013)

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 except as disclosed in paragraph 3 of this report.

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 and debentures 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 2013	Balance at 31 December 2013	Balance at 21 January 2014	Balance at 1 January 2013	Balance at 31 December 2013	Balance at 21 January 2014
	Number of ordinary shares					
Company						
Tan Woo Thian	39,900,000	45,900,000	45,900,000	6,000,000	–	–
Chan Lai Thong	10,000	4,010,000	4,010,000	–	6,000,000	6,000,000
Giang Sovann	10,000	10,000	10,000	–	–	–
Mahtani Bhagwandas	117,000	117,000	117,000	–	–	–

By virtue of Section 7 of the Act, Mr 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

Except as disclosed in Note 28 to the financial statements, 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.

5. Share options and performance shares

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

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

The ESOP and PSP are administered by the Remuneration Committee (the "RC"), comprising Mr Mahtani Bhagwandas, Chairman of the RC, Mr Jen Shek Voon and Mr Ahmad Subri Bin Abdullah.

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

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

ESOP

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

a) Options granted

Options granted on 8 January 2013

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

Options granted on 26 December 2013

3,000,000 share options were granted to Mr Giang Sovann, Executive Director of the Company, at the exercise price of S$0.10 on 26 December 2013. The options are vested over various vesting periods after the second anniversary, third, fourth and fifth anniversary in respect of 25% respectively of the options granted and exercisable until 26 December 2023.

REPORT OF THE DIRECTORS

5. Share options and performance shares (Continued)

ESOP (Continued)

b) Unissued shares under options

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

Date of grant	At beginning of the year or date of grant, if later	Forfeited/ cancelled	Exercised during the year	At end of the year	Exercise price S$	Exercise period
8.1.2013	10,000,000	–	–	10,000,000	0.10	8.1.2014 to 8.1.2023
26.12.2013	3,000,000	–	–	3,000,000	0.10	26.12.2015 to 26.12.2023

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

PSP

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

a) Eligible participants

i) Employees

- confirmed full-time employees who have attained the age of 21 years on or before the date of Award; or
- Executive Directors who are Controlling Shareholders and Executive Directors who are Associates of Controlling Shareholders; and

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

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

REPORT OF THE DIRECTORS

5. Share options and performance shares (Continued)

PSP (Continued)

b) Maximum allowable allotment

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

The following additional limits must not be exceeded:

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

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

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

c) Duration

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

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

At the end of the financial year, details of the number of share awards granted under PSP were as follows:

Date of grant	At beginning of the year	Share awards granted	Share awards vested	Shares awards cancelled	At end of the year
Performance shares					
Chan Lai Thong					
30.4.2013	–	10,000,000	–	–	10,000,000

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:

Jen Shek Voon *(Chairman appointed on 5 July 2013)*
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 the 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 the nomination of BDO LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

REPORT OF THE DIRECTORS

7. Auditor

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

On behalf of the Board of Directors

Chan Lai Thong
Director

Tan Woo Thian
Director

Singapore
2 April 2014

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 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 2013, 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 2014

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") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 117.

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 2013 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
Chartered Accountants

Singapore
2 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
Revenue	4	**41,792**	9,433
Cost of sales		**(36,314)**	(6,826)
Gross profit		**5,478**	2,607
Other items of income			
Interest income		**13**	5
Other income	5	**64**	590
Other items of expense			
Administrative and other expenses		**(4,930)**	(3,035)
Finance costs	6	**(142)**	(121)
Share of results of an associate, net of tax		**187**	161
Share of results of a joint venture, net of tax		**510**	474
Profit before income tax	7	**1,180**	681
Income tax expense	8	**(203)**	(30)
Profit for the financial year		**977**	651
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations, net of tax of US$Nil		**132**	97
Total comprehensive income for the financial year		**1,109**	748
Profit attributable to:			
Owners of the parent		**987**	655
Non-controlling interests		**(10)**	(4)
		977	651
Total comprehensive income attributable to:			
Owners of the parent		**1,119**	750
Non-controlling interests		**(10)**	(2)
		1,109	748
Earnings per share (cents)	9		
– Basic		**0.67**	0.54
– Diluted		**0.58**	0.54

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group 2013 US$'000	Group 2012 US$'000	Company 2013 US$'000	Company 2012 US$'000
Non-current assets					
Property, plant and equipment	10	**5,411**	5,511	**177**	52
Intangible assets	11	**1,326**	1,260	**108**	–
Investments in subsidiaries	12	**–**	–	**5,200**	5,880
Investment in an associate	13	**2,721**	2,534	**1,800**	1,800
Investment in joint ventures	14	**1,077**	567	**50**	50
		10,535	9,872	**7,335**	7,782
Current assets					
Inventories	15	**967**	624	**251**	47
Trade and other receivables	16	**8,390**	11,707	**14,474**	16,778
Cash and cash equivalents	17	**7,586**	7,955	**7,363**	7,379
		16,943	20,286	**22,088**	24,204
Less:					
Current liabilities					
Trade and other payables	18	**8,690**	14,500	**8,713**	14,391
Current income tax payable		**211**	14	**190**	14
Bank borrowings	20	**1,967**	5,503	**1,967**	4,781
		10,868	20,017	**10,870**	19,186
Net current assets		**6,075**	269	**11,218**	5,018
Less:					
Non-current liabilities					
Deferred tax liabilities	21	**23**	34	**4**	4
Net assets		**16,587**	10,107	**18,549**	12,796
Equity					
Share capital	22	**11,559**	6,397	**11,559**	6,397
Other reserves	23	**535**	–	**570**	–
Foreign currency translation reserve	25	**596**	464	**–**	–
Accumulated profits		**3,897**	3,153	**6,420**	6,399
Equity attributable to owners of the parent		**16,587**	10,014	**18,549**	12,796
Non-controlling interests		**–**	93	**–**	–
Total equity		**16,587**	10,107	**18,549**	12,796

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Note	Share capital US$'000	Share-based payment reserve US$'000	Equity non-controlling interest US$'000	Foreign currency translation reserve US$'000	Accumulated profits US$'000	Equity attributable to owners of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2013		6,397	–	–	464	3,153	10,014	93	10,107
Total comprehensive income for the financial year									
Profit/(Loss) for the financial year		–	–	–	–	987	987	(10)	977
Other comprehensive income									
Exchange differences arising from translation of foreign operations		–	–	–	132	–	132	–	132
Total comprehensive income for the financial year		–	–	–	132	987	1,119	(10)	1,109
Transactions with owners of the parent recognised directly in equity									
Issue of shares pursuant to placements, net of share issue expenses	22	5,162	–	–	–	–	5,162	–	5,162
Employee share-based payment	24	–	570	–	–	–	570	–	570
Dividends	26	–	–	–	–	(243)	(243)	–	(243)
Total transactions with owners of the parent		5,162	570	–	–	(243)	5,489	–	5,489
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests	12	–	–	(35)	–	–	(35)	(83)	(118)
Balance at 31 December 2013		11,559	570	(35)	596	3,897	16,587	–	16,587

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Note	Share capital US$'000	Foreign currency translation reserve US$'000	Accumulated profits US$'000	Equity attributable to owners of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2012		6,397	369	2,687	9,453	95	9,548
Total comprehensive income for the financial year							
Profit/(Loss) for the financial year		–	–	655	655	(4)	651
Other comprehensive income							
Exchange differences arising from translation of foreign operations		–	95	–	95	2	97
Total comprehensive income for the financial year		–	95	655	750	(2)	748
Transactions with owners of the parent recognised directly in equity							
Dividends	26	–	–	(189)	(189)	–	(189)
Total transactions with owners of the parent		–	–	(189)	(189)	–	(189)
Balance at 31 December 2012		6,397	464	3,153	10,014	93	10,107

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Note	Share capital US$'000	Share-based payment reserve US$'000	Accumulated profits US$'000	Total equity US$'000
Balance at 1 January 2013		**6,397**	**–**	**6,399**	**12,796**
Total comprehensive income for the financial year					
Profit for the financial year		**–**	**–**	**264**	**264**
Transactions with owners of the parent recognised directly in equity					
Issue of shares pursuant to placements, net of share issue expenses	22	**5,162**	**–**	**–**	**5,162**
Employee share-based payment	24	**–**	**570**	**–**	**570**
Dividends	26	**–**	**–**	**(243)**	**(243)**
Total transactions with owners of the parent		**5,162**	**570**	**(243)**	**5,489**
Balance at 31 December 2013		**11,559**	**570**	**6,420**	**18,549**
Balance at 1 January 2012		6,397	–	6,003	12,400
Total comprehensive income for the financial year					
Profit for the financial year		–	–	585	585
Transactions with owners of the parent recognised directly in equity					
Dividends	26	–	–	(189)	(189)
Total transactions with owners of the parent		–	–	(189)	(189)
Balance at 31 December 2012		6,397	–	6,399	12,796

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
Operating activities			
Profit before income tax		**1,180**	681
Adjustments for:			
Amortisation of intangible assets		**81**	52
Depreciation of property, plant and equipment		**416**	394
Loss on plant and equipment written off		**9**	–
Loss/(Gain) on disposal of property, plant and equipment		**36**	(269)
Interest income		**(13)**	(5)
Interest expense		**142**	121
Share of results of an associate		**(187)**	(161)
Share of results of joint ventures		**(510)**	(474)
Employee share-based payment		**570**	–
Operating cash flows before working capital changes		**1,724**	339
Working capital changes:			
Inventories		**(350)**	(96)
Trade and other receivables		**3,281**	(10,055)
Trade and other payables		**(5,848)**	12,057
Cash (used in)/generated from operations		**(1,193)**	2,245
Interest income		**13**	5
Interest expense		**(142)**	(121)
Income tax paid		**(17)**	(40)
Net cash (used in)/from operating activities		**(1,339)**	2,089
Investing activities			
Purchase of plant and equipment		**(209)**	(713)
Purchase of intangible assets		**(114)**	(127)
Proceeds from disposal of property, plant and equipment		**–**	522
Proceeds from disposal of intangible assets		**–**	166
Return on striking off a joint venture	14	**–**	300
Additional investment in a subsidiary	12	**(120)**	–
Net cash (used in)/from investing activities		**(443)**	148

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000
Financing activities			
Repayment of bank borrowings		**(12,256)**	(742)
Proceeds from bank borrowings		**8,720**	5,050
Pledge of bank deposits with banks		**3,920**	(5,883)
Pledge of fixed deposits with banks		**(250)**	(209)
Proceeds from issuance of shares pursuant to placements, net of share issue expenses	22	**5,162**	–
Dividends paid	26	**(243)**	(189)
Net cash from/(used in) financing activities		**5,053**	(1,973)
Net change in cash and cash equivalents		**3,271**	264
Cash and cash equivalents at beginning of financial year		**1,583**	1,330
Effect of foreign exchange rate changes in cash and cash equivalents		**30**	(11)
Cash and cash equivalents at end of financial year	17	**4,884**	1,583

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

1. GENERAL CORPORATE INFORMATION

SBI Offshore Limited (the "Company") is a 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 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555. 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 12 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 2013 were authorised for issue by the Board of Directors on 2 April 2014.

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$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The financial statements are expressed in US$ and rounded to the nearest thousand ("US$'000"), unless otherwise stated.

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. Critical accounting judgements and key sources of estimation of uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

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, except as detailed below.

Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 require that items presented in other comprehensive income must be grouped separately into those that may be reclassified subsequently to profit or loss and those that will never be reclassified. As the amendments only affect the presentation of items recognised in other comprehensive income, there is no impact on the Group's financial position or financial performance on initial adoption of this standard on 1 January 2013.

FRS 113 – Fair Value Measurement

FRS 113 provides a single source of guidance on fair value measurement and fair value disclosure requirements when fair value measurement and/or disclosure is required by other FRSs. It also 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.

The adoption of FRS 113 does not have any material impact on any of the Group's fair value measurements, therefore there has been no material impact on the financial position or financial performance of the Group. The Group has included the additional required disclosures in the financial statements. In line with the transitional requirements, FRS 113 has been adopted prospectively from 1 January 2013 and therefore comparative information has not been presented for the new disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 have 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 19	:	Amendments to FRS 19 – Defined Benefit Plans – Employee Contributions	1 July 2014
FRS 27	:	Separate Financial Statements	1 January 2014
FRS 28	:	Investments in Associates and Joint Ventures	1 January 2014
FRS 32	:	Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36	:	Amendments to FRS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
FRS 39	:	Amendments to FRS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
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 110, 112 and 27	:	Amendments to FRS 110, FRS 112 and FRS 27 – Investment Entities	1 January 2014
INT FRS 121	:	Levies	1 January 2014
Improvements to FRSs 2014			1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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)

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.

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. These changes will take effect from the financial year beginning on 1 January 2014 with full retrospective application. The Group does not expect that the adoption of FRS 110 will have any impact on the financial position or financial performance of the Group, and does not expect that there will be 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 recognised 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 recognised 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 2013

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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.

Business combinations before 1 January 2010

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

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

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

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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.

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

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

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.

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 2013

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.

Employee leave entitlements

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

Share-based payments

Share options

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share option reserve.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Employee benefits (Continued)

Performance shares

The performance share plan of the Group are accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The performance share expense is amortised and recognised in profit or loss on a straight-line basis over the vesting period. At the end of each financial year, the Group revises the estimate of the number of performance shares that are expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to equity.

2.6 Borrowing costs

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

2.7 Leases

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

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

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 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

Deferred tax (Continued)

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.

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 2013

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 2013

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The land use rights are amortised over the 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 2013

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 in 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 in the Company's statement of financial position less impairment loss, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 joint ventures 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 a 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 unutilised 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 2013

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 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Trade and other receivables (excluding prepayments, unbilled revenue, 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 2013

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 (excluding advance payments from customers and amount due to contract customer) 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 2013

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 realization. Allowance is made for obsolete, slow-moving and defective inventories.

2.19 Construction contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The Group measures stage of completion based on the proportion of contract costs incurred to date compared total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as "Amount due from contract customer" within "Trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amount due to contract customer" within "Trade and other payables".

Progress billings not yet paid by customers and retentions are included within "Trade and other receivables". Advances received are included within "Trade and other payables".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Cash and cash equivalents

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

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decision.

2.22 Contingencies

A contingent liability is:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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, joint ventures 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 2013 were US$5,411,000 (2012: US$5,511,000) and US$177,000 (2012: US$52,000) 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 2013

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.2 Key sources of estimation uncertainty (Continued)

(ii) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when it believes that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2013 were US$8,390,000 (2012: US$11,707,000) and US$14,474,000 (2012: US$16,778,000) respectively.

(iii) 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 2013 were US$967,000 (2012: US$624,000) and US$251,000 (2012: US$47,000) 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 amounts of the Group's and the Company's current income tax payable as at 31 December 2013 were US$211,000 (2012: US$14,000) and US$190,000 (2012: US$14,000) respectively. The carrying amounts of the Group's and the Company's deferred tax liabilities as at 31 December 2013 were US$23,000 (2012: US$34,000) and US$4,000 (2012: US$4,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

4. REVENUE

	Group	
	2013	2012
	US$'000	US$'000
Sale of goods	**6,654**	5,635
Services rendered	**4,325**	1,818
Design, engineering and fabrication	**1,980**	1,980
Contract revenue	**28,833**	–
	41,792	9,433

5. OTHER INCOME

	Group	
	2013	2012
	US$'000	US$'000
Gain on disposal of property, plant and equipment	**–**	269
Rental income	**26**	1
Miscellaneous income	**38**	320
	64	590

In the previous financial year, miscellaneous income included an amount of US$281,000 comprising reimbursement income from an associate for the use of its subsidiary's factory space and other utility charges.

6. FINANCE COSTS

	Group	
	2013	2012
	US$'000	US$'000
Bank loan interests	**142**	121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

7. PROFIT BEFORE INCOME TAX

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

	Group	
	2013 US$'000	2012 US$'000
Cost of sales		
Depreciation of property, plant and equipment	**116**	111
Administrative and other expenses		
Audit fees		
– auditors of the Company	**81**	53
– other auditors	**4**	1
Non-audit fees		
– auditors of the Company	**–**	–
– other auditors	**–**	–
Amortisation of intangible assets	**81**	52
Consultation fee	**36**	64
Depreciation of property, plant and equipment	**300**	283
Foreign exchange (gain)/loss, net	**(18)**	75
Loss on disposal of plant and equipment	**36**	–
Loss on plant and equipment written off	**9**	–
Operating lease expenses	**173**	139
Transportation and travelling	**410**	394

The profit before income tax also includes the following:

	Group	
	2013 US$'000	2012 US$'000
Staff costs		
Salaries, bonuses and allowances	**2,732**	1,877
Contribution to defined contribution plans	**123**	113
Share-based payment expense	**570**	–
Other employee benefits	**51**	52
	3,476	2,042

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

	Group	
	2013 US$'000	2012 US$'000
Cost of sales	**497**	750
Administrative and other expenses	**2,979**	1,292
	3,476	2,042

Staff costs include key management remuneration as shown in Note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8. INCOME TAX EXPENSE

	Group	
	2013	2012
	US$'000	US$'000
Current income tax		
– current year	**207**	8
– Under/(over) provision in prior years	**6**	(7)
	213	1
Deferred tax		
– current year	**(10)**	25
– underprovision in prior years	**–**	4
	(10)	29
Total income tax expense	**203**	30

Domestic income tax is calculated at 17% (2012: 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% (2012: 17%) to profit before income tax as a result of the following differences:

	Group	
	2013	2012
	US$'000	US$'000
Profit before income tax	**1,180**	681
Income tax calculated at statutory income tax rate	**201**	116
Effect of different tax rate in other countries	**(61)**	27
Tax effect of expenses not deductible	**129**	32
Tax effect of income not subject to tax	**(149)**	(121)
Statutory stepped income tax exemption	**(45)**	(17)
Unrecognised deferred tax assets	**222**	8
Under/(over) provision of current income tax in prior years	**6**	(7)
Underprovision of deferred tax liabilities in prior years	**–**	4
Tax incentive and rebate	**(91)**	(19)
Others	**(9)**	7
	203	30

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. In the previous financial year, the tax effect of the Group's utilisation of a subsidiary's tax losses amounted to approximately US$87,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets are attributable to the following items:

	Group	
	2013 US$'000	2012 US$'000
Excess of tax written down value of plant and equipment over net book value	**1**	1
Unutilised tax losses	**514**	292
	515	293

At the end of the financial year, the Group had unutilised tax losses of approximately US$2,085,000 (2012: US$1,219,000) which are available for offset against future taxable income subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the country in which the subsidiary operate. The total unutilised tax losses can only be utilised for offset against its future taxable profits within 5 years from the date the tax losses were incurred.

9. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Basic earnings per share attributable to owners of the parent is calculated as follows:

	Group	
	2013 US$'000	2012 US$'000
Profit attributable to owners of the parent	**987**	655
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**148,064**	121,680
Basic earnings per share (cents)	**0.67**	0.54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

9. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and performance shares. The weighted average number of shares on issues has been adjusted as if all dilutive share options and performance shares were exercised. No adjustment is made to the net profit.

Diluted earnings per share attributable to owners of the parent is calculated as follows:

	Group	
	2013	**2012**
	US$'000	**US$'000**
Profit attributable to owners of the parent	**987**	655
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**148,064**	121,680
Adjustments for ('000)		
– Share options	**13,000**	–
– Performance shares	**10,000**	–
	171,064	121,680
Diluted earnings per share (cents)	**0.58**	0.54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property US$'000	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Motor vehicles US$'000	Site equipment US$'000	Total US$'000
Cost								
Balance at 1 January 2013	5,186	128	122	30	488	37	533	6,524
Additions	2	22	11	6	168	–	–	209
Disposals/Write-off	–	–	–	–	(39)	–	(56)	(95)
Currency realignment	152	–	2	–	13	1	16	184
Balance at 31 December 2013	5,340	150	135	36	630	38	493	6,822
Accumulated depreciation								
Balance at 1 January 2013	473	37	90	12	289	28	84	1,013
Depreciation for the financial year	178	35	19	7	122	9	46	416
Disposals/Write-off	–	–	–	–	(30)	–	(20)	(50)
Currency realignment	17	–	2	1	8	1	3	32
Balance at 31 December 2013	668	72	111	20	389	38	113	1,411
Net carrying amount								
At 31 December 2013	4,672	78	24	16	241	–	380	5,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold property US$'000	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Motor vehicles US$'000	Site equipment US$'000	Total US$'000
Cost								
Balance at 1 January 2012	4,825	62	102	16	483	152	317	5,957
Additions	367	103	20	14	–	–	209	713
Disposals	(203)	(15)	(1)	–	(4)	(116)	–	(339)
Reclassification from/(to) intangible assets (Note 11)	102	(22)	–	–	–	–	–	80
Currency realignment	95	–	1	–	9	1	7	113
Balance at 31 December 2012	5,186	128	122	30	488	37	533	6,524
Accumulated depreciation								
Balance at 1 January 2012	311	18	57	7	189	63	48	693
Depreciation for the financial year	164	28	33	5	102	25	37	394
Disposals	(12)	(9)	(1)	–	(4)	(60)	–	(86)
Currency realignment	10	–	1	–	2	–	(1)	12
Balance at 31 December 2012	473	37	90	12	289	28	84	1,013
Net carrying amount								
At 31 December 2012	4,713	91	32	18	199	9	449	5,511

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Total US$'000
Cost					
Balance at 1 January 2013	**62**	**14**	**14**	**56**	**146**
Additions	**20**	**3**	**5**	**167**	**195**
Disposals/Write-off	**–**	**–**	**–**	**(39)**	**(39)**
Balance at 31 December 2013	**82**	**17**	**19**	**184**	**302**
Accumulated depreciation					
Balance at 1 January 2013	**29**	**9**	**8**	**48**	**94**
Depreciation for the financial year	**20**	**4**	**4**	**34**	**62**
Disposals/Write-off	**–**	**–**	**–**	**(31)**	**(31)**
Balance at 31 December 2013	**49**	**13**	**12**	**51**	**125**
Net carrying amount					
At 31 December 2013	**33**	**4**	**7**	**133**	**177**

Company	Computers US$'000	Furniture and fittings US$'000	Office equipment US$'000	Renovation US$'000	Motor vehicles US$'000	Total US$'000
Cost						
Balance at 1 January 2012	26	11	11	59	116	223
Additions	37	4	3	–	–	44
Disposals	(1)	(1)	–	(3)	(116)	(121)
Balance at 31 December 2012	62	14	14	56	–	146
Accumulated depreciation						
Balance at 1 January 2012	13	6	4	36	45	104
Depreciation for the financial year	16	4	4	16	15	55
Disposals	–	(1)	–	(4)	(60)	(65)
Balance at 31 December 2012	29	9	8	48	–	94
Net carrying amount						
At 31 December 2012	33	5	6	8	–	52

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2012, the certificate of ownership of the Group's leasehold property with carrying amount of US$4,713,000 was still in the process of application. The application was subsequently completed in February 2014.

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. INTANGIBLE ASSETS

Group	Land use rights US$'000	Computer software US$'000	Total US$'000
Cost			
Balance at 1 January 2013	1,198	149	1,347
Additions	–	114	114
Currency realignment	35	–	35
Balance at 31 December 2013	1,233	263	1,496
Accumulated amortisation			
Balance at 1 January 2013	64	23	87
Amortisation for the financial year	27	54	81
Currency realignment	2	–	2
Balance at 31 December 2013	93	77	170
Net carrying amount			
At 31 December 2013	1,140	186	1,326
Average remaining useful lives	46 years	1 year	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11. INTANGIBLE ASSETS (CONTINUED)

Group	Land use rights US$'000	Computer software US$'000	Total US$'000
Cost			
Balance at 1 January 2012	1,439	–	1,439
Additions	–	127	127
Disposals	(166)	–	(166)
Reclassified from/(to) property, plant and equipment (Note 10)	(102)	22	(80)
Currency realignment	27	–	27
Balance at 31 December 2012	1,198	149	1,347
Accumulated amortisation			
Balance at 1 January 2012	34	–	34
Amortisation for the financial year	29	23	52
Currency realignment	1	–	1
Balance at 31 December 2012	64	23	87
Net carrying amount			
At 31 December 2012	1,134	126	1,260
Average remaining useful lives	47 years	2 years	

As at 31 December 2012, the Group's land use rights of US$1,134,000 were 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 20 to the financial statements. The loan was fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11. INTANGIBLE ASSETS (CONTINUED)

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

	Company	
Computer software	**2013**	**2012**
	US$'000	**US$'000**
Cost		
Balance at beginning of financial year	**–**	–
Addition	**111**	–
Balance at end of financial year	**111**	–
Accumulated amortisation		
Balance at beginning of financial year	**–**	–
Amortisation for the financial year	**3**	–
Balance at end of financial year	**3**	–
Net carrying amount		
At end of financial year	**108**	–
Average remaining useful lives	**2 years**	–

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	**2012**
	US$'000	**US$'000**
Unquoted equity shares, at cost	**6,000**	5,880
Allowance of impairment losses	**(800)**	–
	5,200	5,880

Movement in allowance for impairment losses during the financial year:

	Company	
	2013	**2012**
	US$'000	**US$'000**
Balance at beginning of financial year	**–**	–
Allowance made during the year	**800**	–
Balance at end of financial year	**800**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The management will assess the recoverable amount of its investments in subsidiaries at the end of each financial year to determine whether there is any indication of impairment. During the financial year, the Company recognised an impairment loss of US$800,000 in the Company's profit or loss subsequent to the assessment performed by the management. The impairment loss was made for a subsidiary with reference to its estimated net assets value at the end of the financial year, which approximated its fair value less costs to sell.

Incorporation of a wholly-owned subsidiary

On 8 October 2013, the Company incorporated a wholly-owned subsidiary, SBI O&M Pte. Ltd. with an issued and paid up capital of S$1,000 in Singapore.

Acquisition of non-controlling interests

During the financial year, the Company acquired the remaining 2% equity interest in Jiangyin SBI Offshore Equipment Co., Ltd. ("JSBI") for a total consideration of US$120,000. Accordingly, JSBI became a wholly-owned subsidiary of the Company. The effects of acquisition are as follows:

	2013 US$'000
Consideration paid on changes in ownership interest in a subsidiary	120
Non-controlling interests acquired	(85)
Recognised in equity	35

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12. 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 Group 2013 %	2012 %
Held by SBI Offshore Limited			
Jiangyin SBI Offshore Equipment Co., Ltd.[1] (People's Republic of China)	Manufacturing of offshore rig equipment	**100**	98
Neptune Life-Saving Pte. Ltd. (formerly known as Sea Reef Offshore Pte. Ltd.)[2] (Singapore)	Designing, engineering, of offshore equipment	**100**	100
Sea Reef do Brazil Ltd[3] (Brazil)	Dormant	**60**	60
SBI O&M Pte. Ltd.[4] (Singapore)	Marketing, distribution, designing, engineering, procurement, fabrication, construction, commissioning, offshore and marine equipment	**100**	–
Held by Neptune Life-Saving Pte. Ltd.			
Sea Reef International Inc.[5] (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) Not considered as significant subsidiary under Rule 718 of the Listing manual – Section B, Rules of Catalist of the Singapore Exchange Securities Trading Limited.

(5) Audited by BDO LLP, Singapore, for consolidation purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

13. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Unquoted equity shares, at cost			**1,800**	1,800
Share of net assets of an associate as at acquisition date	**1,235**	1,235		
Goodwill on acquisition	**565**	565		
Share of post-acquisition results	**921**	734		
Carrying amount	**2,721**	2,534		

The details of the associate are as follows:

Name of associate (Country of incorporation/operation)	Principal activities	Effective equity interest held by the Group	
		2013	2012
		%	%
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	
	2013	2012
	US$'000	US$'000
Assets	**12,490**	14,715
Liabilities	**7,307**	10,124
Revenue	**13,306**	15,676
Net profit after income tax	**534**	460

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Unquoted equity shares, at cost			**50**	50
Share of net assets of joint ventures as at acquisition date	**350**	350		
Return on striking off a joint venture	**(300)**	(300)		
Share of post-acquisition results	**1,027**	517		
Carrying amount	**1,077**	567		

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, 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 in the previous financial year.

HS Offshore was struck off from the Register of Companies with effect from 7 January 2013.

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	
		2013	2012
		%	%
RBV Energy (Singapore) Pte. Ltd.[1] (Singapore)	Manufacture and supply of equipment for marine/offshore industry	**50**	50
HS Offshore Pte. Ltd.[2] (Singapore)	Manufacture and supply of equipment for marine/offshore industry	**–**	–

Note:

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

(2) Struck off.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14. INVESTMENT IN JOINT VENTURES (CONTINUED)

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	
	2013	**2012**
	US$'000	**US$'000**
Assets	**5,428**	4,123
Liabilities	**3,283**	2,998
Revenue	**11,544**	7,878
Net profit after income tax	**1,021**	948

15. INVENTORIES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Raw materials	**148**	118	**–**	–
Work-in-progress	**773**	450	**251**	35
Finished goods	**46**	56	**–**	12
	967	624	**251**	47

The Group's cost of inventories recognised as an expense during the financial year included in "Cost of sales" amounted to US$7,302,000 (2012: US$6,826,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Trade receivables				
– third parties	**4,670**	5,146	**4,390**	5,146
– associate	**17**	50	**17**	–
– subsidiary	**–**	–	**427**	588
Non-trade receivables				
– third parties	**7**	145	**4**	–
– subsidiaries	**–**	–	**6,210**	4,748
– associate	**–**	133	**–**	133
– joint venture	**299**	793	**296**	793
Unbilled revenue	**159**	437	**–**	437
Other recoverable	**48**	13	**–**	–
Rental and other deposits	**30**	42	**27**	39
Advance payments to suppliers	**41**	4,888	**41**	4,888
Prepayments	**69**	60	**12**	6
Amount due from contract customer (Note 19)	**3,050**	–	**3,050**	–
	8,390	11,707	**14,474**	16,778

Trade receivables are non-interest bearing and generally on 30 to 60 days (2012: 30 to 60 days) credit terms.

Trade receivables due from an associate and a subsidiary are unsecured, non-interest bearing and repayable on demand.

The non-trade receivables due from subsidiaries, associate and joint venture comprise advances which are unsecured, non-interest bearing and repayable on demand, except for an amount due from a subsidiary of approximately US$1,650,000 (2012: US$800,000), which bears interest at 1% (2012: 1%) per annum.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
United States dollar	**8,063**	10,714	**13,943**	15,169
Singapore dollar	**90**	147	**328**	985
British Pound	**180**	572	**180**	572
Chinese Renminbi	**57**	222	**–**	–
Others	**–**	52	**23**	52
	8,390	11,707	**14,474**	16,778

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	**6,847**	7,466	**6,624**	6,890
Fixed deposits	**739**	489	**739**	489
Cash and cash equivalents as per statements of financial position	**7,586**	7,955	**7,363**	7,379
Fixed deposits pledged	**(739)**	(489)		
Bank deposits pledged	**(1,963)**	(5,883)		
Cash and cash equivalents as per consolidated statement of cash flows	**4,884**	1,583		

Fixed deposits with a financial institution mature on varying periods within 12 months (2012: 12 months) from the end of the financial year with an average interest rate of 0.6% (2012: 0.8%) per annum.

At the end of the financial year, fixed deposits of US$739,000 (2012: US$489,000) and bank deposits of US$1,963,000 (2012: US$5,883,000) were pledged as securities for banking facilities granted to the Group and the Company as set out in Note 20 to the financial statements.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
United States dollar	**4,914**	7,194	**4,852**	7,158
Singapore dollar	**2,538**	229	**2,483**	220
British Pound	**28**	1	**28**	1
Chinese Renminbi	**106**	531	**–**	–
	7,586	7,955	**7,363**	7,379

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Trade payables				
– third parties	**1,898**	448	**1,172**	164
– subsidiary	**–**	–	**884**	250
– an associate	**824**	691	**794**	691
– joint venture	**314**	290	**314**	290
Non-trade payables				
– third parties	**157**	140	**223**	91
Accrued operating expenses	**4,741**	1,072	**4,669**	1,086
Accrued commission costs	**99**	923	**99**	923
Advanced payments from customers	**657**	382	**558**	342
Amount due to contract customer (Note 19)	**–**	10,554	**–**	10,554
	8,690	14,500	**8,713**	14,391

Trade payables are non-interest bearing and are normally settled between 30 to 60 days (2012: 30 to 60 days) credit term.

Trade payables due to a subsidiary and an associate are unsecured, non-interest bearing and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
United States dollar	**7,288**	13,485	**7,673**	13,624
Singapore dollar	**880**	434	**827**	429
British Pound	**185**	314	**185**	314
Chinese Renminbi	**309**	243	**–**	–
Others	**28**	24	**28**	24
	8,690	14,500	**8,713**	14,391

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

19. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMER

	Group and Company	
	2013	2012
	US$'000	US$'000
Contract costs incurred to-date	**29,581**	2,711
Recognised profit less recognised losses to date	**(748)**	–
Total contract work-in-progress	**28,833**	2,711
Progress billings	**(25,783)**	(13,265)
	3,050	(10,554)
Comprising:		
Amount due from contract customer (Note 16)	**3,050**	–
Amount due to contract customer (Note 18)	**–**	(10,554)

20. BANK BORROWINGS

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Bank loan 1 – unsecured	**–**	260	**–**	260
Bank loan 2 – secured	**24**	310	**24**	310
Bank loan 3 – secured	**206**	375	**206**	375
Revolving credit – secured	**1,000**	150	**1,000**	150
Trust receipts – secured	**737**	752	**737**	752
Short term loan 1 – secured	**–**	722	**–**	–
Short term loan 2 – secured	**–**	2,934	**–**	2,934
	1,967	5,503	**1,967**	4,781

Bank loan 1 was repayable within 48 months commencing from August 2010 and bore effective interest rate at 5% per annum on monthly rest with monthly instalment of approximately US$37,000 (equivalent to S$46,000) per month. The loan was been fully repaid during the financial year.

Bank loan 2 is repayable within 36 months commencing from February 2011 and bears effective interest rate at 5% (2012: 5%) per annum on monthly rest with monthly instalment of approximately US$24,000 (equivalent to S$30,000) per month.

Bank loan 3 is repayable within 36 months commencing from April 2012 and bears effective interest rate at 5% (2012: 5%) per annum on monthly rest with monthly instalment of approximately US$14,000 (equivalent to S$18,000) per month.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

20. 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 3.00% (2012: 2.31% to 2.76%) per annum and are repayable on demand.

Bank loan 2, bank loan 3, revolving credit and trust receipts are secured by fixed deposits of US$739,000 (2012: US$489,000) as set out in Note 17 to the financial statements.

Short term loan 1 bore interest at a rate of 6.9% per annum and was repayable within 12 months. It was secured by way of charge on the Group's land use rights as set out in Note 11 to the financial statements. The loan was fully repaid during the financial year.

Short term loan 2 bore interest at a rate of 2.36% to 2.39% per annum and was payable by 31 December 2013. It was secured against bank deposits as set out in Note 17 to the financial statements. The loan was fully repaid during the financial year.

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	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Banking facilities granted	**24,520**	18,632	**24,520**	17,910
Banking facilities utilised	**7,270**	11,614	**7,270**	10,891

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
United States dollar	**1,737**	3,836	**1,737**	3,836
Singapore dollar	**230**	945	**230**	945
Chinese Renminbi	**–**	722	**–**	–
	1,967	5,503	**1,967**	4,781

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

21. DEFERRED TAX LIABILITIES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
At beginning of financial year	**34**	4	**4**	4
(Credit)/Charge to profit or loss	**(11)**	30	**–**	–
At end of financial year	**23**	34	**4**	4

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

	Accelerated tax depreciation	Others	Total
	US$'000	US$'000	US$'000
Group			
At 1 January 2012	4	–	4
Charge/(Credit) to profit or loss	32	(2)	30
At 31 December 2012	36	(2)	34
Charge/(Credit) to profit or loss	(11)	–	(11)
At 31 December 2013	25	(2)	23

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

22. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	US$'000
Issued and fully paid		
2013		
At beginning of financial year	**121,680,100**	**6,397**
Issuance of shares pursuant to placements, net of share issue expenses	**56,000,000**	**5,162**
At end of financial year	**177,680,100**	**11,559**

	Group and Company	
	Number of ordinary shares	US$'000
Issued and fully paid		
2012		
At beginning and end of financial year	121,680,100	6,397

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.

During the financial year, the Company allotted and issued 34,000,000 new placement shares at an issue price of S$0.108 per share and 22,000,000 new placement shares at an issue price of S$0.125 per share, totaling 56,000,000 new placement shares for cash at average issue price of S$0.114 per share after deducting share issue expenses pertaining to the new placement shares of S$10,000 (or approximately US$8,000). The net proceeds will be used for working capital for existing projects and other strategic alliances, market expansion and such business development plans when opportunities arise. The newly issued shares rank *pari passu* in all respects with the existing share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

23. OTHER RESERVES

		Group		Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Share-based payment reserve	(a)	570	–	570	–
Equity – Non-Controlling Interest ("NCI")	(b)	(35)	–	–	–
		535	–	570	–

(a) Share-based payment reserve

The share-based payment reserve represents equity-settled share options and performance shares granted to employees and certain Directors (Note 24). The reserve is made up of the cumulative value of services received from employees and certain Directors for the issue of share options and performance shares.

(b) Equity – NCI

The Equity – NCI is the effect of transaction with non-controlling interests if there is no change in control and the transaction will no longer result in goodwill or gain or loss.

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

24. SHARE-BASED PAYMENT RESERVE

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

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

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

The ESOP and PSP are administered by the Remuneration Committee (the "RC"), comprising Mr Mahtani Bhagwandas, Chairman of the RC, Mr Jen Shek Voon and Mr Ahmad Subri Bin Abdullah.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

ESOP

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

a) Options granted

Options granted on 8 January 2013

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

Options granted on 26 December 2013

3,000,000 share options were granted to Mr Giang Sovann, Executive Director of the Company, at the exercise price of S$0.10 on 26 December 2013. The options are vested over various vesting periods after the second anniversary, third, fourth and fifth anniversary in respect of 25% respectively of the options granted and exercisable until 26 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

ESOP (Continued)

b) Unissued shares under options

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

Date of grant	At beginning of the year or date of grant, if later	Forfeited/ cancelled	Exercised during the year	At end of the year	Exercise price S$	Exercise period
8.1.2013	10,000,000	–	–	10,000,000	0.10	8.1.2014 to 8.1.2023
26.12.2013	3,000,000	–	–	3,000,000	0.10	26.12.2015 to 26.12.2023

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

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

	Granted on 8 January 2013	Granted on 26 December 2013
Exercise price (S$)	**0.10**	**0.10**
Share price (S$)	**0.10**	**0.129**
Expected life of share options (years)	**5.5 to 7.5**	**5.5 to 7.5**
Risk-free interest rate (%)	**1.04% to 1.43%**	**1.86% to 2.38%**
Expected volatility (%)	**41.74%**	**38.98%**
Dividend yield (%)	**1.63%**	**1.63%**

NOTES TO THE FINANCIAL STATEMENTS

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24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

PSP

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

a) Eligible participants

i) Employees

- confirmed full-time employees who have attained the age of 21 years on or before the date of Award; or
- Executive Directors who are Controlling Shareholders and Executive Directors who are Associates of Controlling Shareholders; and

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

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

b) Maximum allowable allotment

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

The following additional limits must not be exceeded:

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

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

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

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24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

PSP (Continued)

c) Duration

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

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

During the financial year, 10 million conditional shares were granted under PSP to Mr Chan Lai Thong, Executive Director and Executive Chairman of the Company. The vesting conditions and performance period of the conditional shares granted are described as below:

i) 3 million of conditional shares granted for an increase in total revenue of the Group in any financial year over the total revenue of Group recorded in FY2012 (based on the audited financial figures) by 100%. The award of shares to Mr Chan Lai Thong will lapse in the event that the vesting condition is not fulfilled by end of FY2016. The shares will be awarded within one month after the statutory auditor has signed off on the Group's consolidated financial statements.

ii) 7 million of conditional shares granted for the meeting of certain additional vesting condition specified by the RC.

NOTES TO THE FINANCIAL STATEMENTS

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24. SHARE-BASED PAYMENT RESERVE (CONTINUED)

PSP (Continued)

A simulation model involving projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns was used to value the conditional share awards. The simulation model was based on the following key assumptions:

	3 million of conditional shares	7 million of conditional shares
Fair value at grant date (S$)	0.116	0.115
Expected life of performance shares (years)	Less than 1	1
Expected volatility (%)	51.67%	45.46%
Risk-free interest rate (%)	0.31%	0.45%
Dividend yield (%)	1.63%	1.63%

At the end of the financial year, details of the number of share awards granted under PSP were as follows:

Date of grant	At beginning of the year	Share awards granted	Share awards vested	Shares awards cancelled	At end of the year
Performance shares					
Chan Lai Thong					
30.4.2013	–	10,000,000	–	–	10,000,000

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

	Group and Company	
	2013 US$'000	2012 US$'000
Share-based payment expense		
– ESOP	**132**	–
– PSP	**438**	–
	570	–

25. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

26. DIVIDENDS

	Group and Company	
	2013	2012
	US$'000	US$'000
Final tax exempt dividend declared and paid of S$0.002 per ordinary share for the financial year ended 31 December 2011	–	189
Final tax exempt dividend declared and paid of S$0.002 per ordinary share for the financial year ended 31 December 2012	243	–
	243	189

The Directors of the Company propose a final tax exempt dividend of S$0.002 per ordinary share amounting to approximately US$281,000 (or S$355,000 equivalent) for the financial year ended 31 December 2013. 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.

27. 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	
	2013	2012
	US$'000	US$'000
Future minimum lease payments payable:		
Within one year	91	132
After one year but within five years	111	–
Total	202	132

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 2013

28. 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 Group and 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 Group or 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 or an entity related to the Company. If 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 2013

28. SIGNIFICANT RELATED PARTY TRANSACTION (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	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
With subsidiaries				
Advances to a subsidiary	**–**	–	**776**	800
Loans to a subsidiary	**–**	–	**1,056**	302
Payment on behalf of subsidiaries	**–**	–	**74**	103
Purchases from a subsidiary	**–**	–	**377**	630
Sales to a subsidiary	**–**	–	**–**	853
Services rendered from a subsidiary	**–**	–	**644**	660
With an associate				
Miscellaneous income from an associate	**–**	218	**–**	–
Purchase deposits paid to an associate	**–**	115	**–**	115
Purchases from an associate	**1,325**	1,105	**1,325**	1,105
Purchase of property, plant and equipment at net carrying value	**–**	379	**–**	–
With joint venture				
Advances to a joint venture	**–**	218	**–**	218
Loans to a joint venture	**–**	500	**–**	500
Payment on behalf of joint venture	**61**	90	**61**	90
Purchases from a joint venture	**1,987**	1,358	**1,987**	1,358

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

28. SIGNIFICANT RELATED PARTY TRANSACTION (CONTINUED)

Compensation of key management personnel

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

	Group	
	2013	**2012**
	US$'000	**US$'000**
Directors' fees	**58**	47
Salaries and other short-term benefits	**1,554**	492
Post-employment benefits	**22**	13
	1,634	552
Comprise amounts paid to:		
Directors of the Company	**1,394**	500
Other key management personnel	**240**	52
	1,634	552

29. CONTINGENT LIABILITIES – UNSECURED

The Company had given undertakings to two subsidiaries to provide financial support to these subsidiaries 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. 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 2013

30. SEGMENT INFORMATION

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

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, China, Southeast Asia other than Singapore, Europe 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) Contract revenue

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 and marine equipment for third parties to other parties.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

30. 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 three business segments as follows:

(i) Marketing and distribution;

(ii) Design, engineering and fabrication; and

(iii) Manufacturing.

The management has combined the manufacturing segment into design, engineering and fabrication segment as both segments' nature of transactions is similar.

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 2013

30. SEGMENT INFORMATION (CONTINUED)

Business segments

2013	Marketing and distribution US$'000	Design, engineering and fabrication US$'000	Contract revenue US$'000	Elimination US$'000	Consolidated US$'000
Revenue					
Revenue from external customers	10,979	1,980	28,833	–	41,792
Inter-segment revenue	–	947	–	(947)	–
	10,979	2,927	28,833	(947)	41,792
Results					
Segment results	2,404	(1,678)	(178)	–	548
Other income	76	1	–	–	77
Finance costs	(92)	(50)	–	–	(142)
Share of results of an associate	187	–	–	–	187
Share of results of a joint venture	510	–	–	–	510
Profit/(loss) before income tax	3,085	(1,727)	(178)	–	1,180
Income tax expense					(203)
Profit for the financial year					977
Non-controlling interests					10
Profit attributable to owners of the parent					987
Capital expenditure	307	16	–	–	323
Depreciation and amortisation expenses	65	432	–	–	497
Loss on disposal of property, plant and equipment	–	36	–	–	36
Loss on plant and equipment written off	9	–	–	–	9
Assets and Liabilities					
Segment assets	16,484	7,896	3,050	–	27,430
Other recoverable					48
Total assets					27,478
Segment liabilities	5,515	1,224	3,918	–	10,657
Current income tax payable					211
Deferred tax liabilities					23
Total liabilities					10,891

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

30. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

2012	Marketing and distribution US$'000	Design, engineering and fabrication US$'000	Contract revenue US$'000	Elimination US$'000	Consolidated US$'000
Revenue					
Revenue from external customers	7,453	1,980	–	–	9,433
Inter-segment revenue	–	615	–	(615)	–
	7,453	2,595	–	(615)	9,433
Results					
Segment results	360	(788)	–	–	(428)
Other income	63	532	–	–	595
Finance costs	(78)	(43)	–	–	(121)
Share of results of an associate	161	–	–	–	161
Share of results of a joint venture	474	–	–	–	474
Profit/(loss) before income tax	980	(299)	–	–	681
Income tax expense					(30)
Profit for the financial year					651
Non-controlling interests					4
Profit attributable to owners of the parent					655
Capital expenditure	45	795	–	–	840
Depreciation and amortisation expenses	55	391	–	–	446
Gain on disposal of property, plant and equipment	37	232	–	–	269
Assets and Liabilities					
Segment assets	22,018	8,127	–	–	30,145
Other recoverable					13
Total assets					30,158
Segment liabilities	8,137	1,312	10,554	–	20,003
Current income tax payable					14
Deferred tax liabilities					34
Total liabilities					20,051

30. 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$'000	People's Republic of China US$'000	Southeast Asia other than Singapore US$'000	Europe US$'000	United States of America US$'000	Others US$'000	Total US$'000
2013							
Revenue							
Revenue from external customers	**6,632**	**1**	**29,030**	**4,124**	**1,992**	**13**	**41,792**
Assets							
Segment assets	**19,599**	**7,245**	**–**	**–**	**586**	**–**	**27,430**
Other recoverable	**–**	**18**	**–**	**–**	**30**	**–**	**48**
	19,599	**7,263**	**–**	**–**	**616**	**–**	**27,478**
2012							
Revenue							
Revenue from external customers	5,594	112	429	1,319	1,977	2	9,433
Assets							
Segment assets	19,245	10,111	–	–	789	–	30,145
Other recoverable	–	13	–	–	–	–	13
	19,245	10,124	–	–	789	–	30,158

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

30. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Location of non-current assets

	Singapore US$'000	People's Republic of China US$'000	United States of America US$'000	Total US$'000
2013				
Location of non-current assets	**1,362**	**9,026**	**147**	**10,535**
2012				
Location of non-current assets	618	9,046	208	9,872

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

Major customers

The revenue from three major customers of the Group for the financial year are as follows:

	Group	
	2013 US$'000	2012 US$'000
Customer A	**4,244**	2,546
Customer B	**4,087**	2,506
Customer C	**28,833**	–
	37,164	5,052

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

31. 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.

31.1 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. Cash and cash equivalents are placed with creditworthy financial institutions.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top 3 (2012: 3) trade receivables from third parties, which accounted for 82% (2012: 92%) of the total trade receivables.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

31.1 Credit risk (Continued)

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

	Group		Company	
	Gross receivables 2013 US$'000	Gross receivables 2012 US$'000	Gross receivables 2013 US$'000	Gross receivables 2012 US$'000
Past due 1 to 2 months	**373**	1,165	**372**	1,165
Past due 2 to 3 months	**801**	2,907	**801**	2,907
Past due over 3 months	**212**	469	**651**	469

31.2 Market risk

(i) Foreign exchange risk management

The Group and the Company operate in 2 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 respective financial year, there are no outstanding forward foreign currency contracts.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

31.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

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

	Assets		Liabilities	
	2013	**2012**	**2013**	**2012**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Group				
USD	**64**	9	**356**	28
SGD	**2,606**	991	**1,110**	1,379
GBP	**208**	573	**185**	314
EUR	**–**	30	**9**	–
Others	**–**	–	**18**	24
Company				
SGD	**2,799**	1,199	**1,057**	1,374
GBP	**208**	573	**185**	314
EUR	**23**	52	**9**	–
Others	**–**	–	**18**	24

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

31.2 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 end of the financial year, with all other variables held constant. The effect on profit or loss will have a corresponding effect on the equity.

	Profit or Loss Increase/(Decrease)			
	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
SGD				
Strengthens against USD	**74**	(19)	**87**	(9)
Weakens against USD	**(74)**	19	**(87)**	9
GBP				
Strengthens against USD	**1**	13	**1**	13
Weakens against USD	**(1)**	(13)	**(1)**	(13)

(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 20 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. 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$509 (2012: US$762) as a result of higher or lower interest expense on bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

31.3 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 principal cash flows:

Contractual maturity analysis

	Financial assets		Financial liabilities	
	Non-interest bearing US$'000	Interest bearing US$'000	Non-interest bearing US$'000	Interest bearing US$'000
Group				
2013				
Within one year	**12,957**	**2,708**	**8,034**	**1,980**
2012				
Within one year	7,892	6,381	3,562	5,395
After one year but within five years	–	–	–	199
	7,892	6,381	3,562	5,594
Company				
2013				
Within one year	**17,415**	**4,374**	**8,154**	**1,980**
2012				
Within one year	12,084	7,189	3,495	4,623
After one year but within five years	–	–	–	198
	12,084	7,189	3,495	4,821

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

31.3 Liquidity risk (Continued)

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 20 to the financial statements.

31.4 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 2012.

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	
	2013	**2012**	**2013**	**2012**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	**8,690**	14,500	**8,713**	14,391
Bank borrowings	**1,967**	5,503	**1,967**	4,781
Cash and cash equivalents	**(7,586)**	(7,955)	**(7,363)**	(7,379)
Net debt	**3,071**	12,048	**3,317**	11,793
Total equity	**16,587**	10,014	**18,549**	12,796
Total capital	**19,658**	22,062	**21,866**	24,589
Gearing ratio	**15.6%**	54.6%	**15.2%**	47.9%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

31.5 Fair value of financial assets and financial liabilities

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

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 2013

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

31.5 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	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Trade and other receivables, excluding prepayments, unbilled revenue, advance payments to suppliers and other recoverable	**8,073**	6,309	**14,421**	11,447
Cash and cash equivalents	**7,586**	7,955	**7,363**	7,379
Total loans and receivables	**15,659**	14,264	**21,784**	18,826
Financial liabilities				
Trade and other payables, excluding advance payments from customers and amount due to contract customer	**8,033**	3,562	**8,155**	3,495
Borrowings	**1,967**	5,503	**1,967**	4,781
Total financial liabilities at amortised cost	**10,000**	9,065	**10,122**	8,276

32. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 10 February 2014, the Company reached an amicable settlement with Aker MH AS ("Aker MH") in relation to commission income dispute with Aker MH to whom the Company had rendered assistance in securing a substantial order for certain offshore equipment. The settlement will have positive material impact on the financial results for FY2013, FY2014 and FY2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

33. RECLASSIFICATION

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The reclassifications do not have any impact on the Group's and the Company's financial position or results.

The items were reclassified as follows:

	Group		Company	
	After reclassification 2012 US$'000	As previously reported 2012 US$'000	After reclassification 2012 US$'000	As previously reported 2012 US$'000
Statements of financial position				
Current assets				
Inventories	624	3,333	47	2,758
Current liabilities				
Trade and other payables	14,500	17,209	14,391	17,102

STATISTICS OF SHAREHOLDERS

AS AT 12 MARCH 2014

Total number of issued shares excluding treasury shares	–	177,680,100
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	0.36	100	0.00
1,000 – 10,000	80	28.67	623,000	0.35
10,001 – 1,000,000	177	63.44	19,832,000	11.16
1,000,001 and above	21	7.53	157,225,000	88.49
	279	100.00	177,680,100	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	25.83
2	HONG LEONG FINANCE NOMINEES PRIVATE LIMITED	14,081,000	7.92
3	MAYBANK NOMINEES (S) PTE LTD	13,000,000	7.32
4	CITIBANK NOMINEES SINGAPORE PTE LTD	12,125,000	6.82
5	OCBC SECURITIES PRIVATE LIMITED	10,474,000	5.89
6	HUI CHOON HO	9,765,000	5.50
7	AMFRASER SECURITIES PTE. LTD.	7,556,000	4.25
8	BNP PARIBAS SECURITIES SERVICES	5,440,000	3.06
9	GOH FUQIANG KENNETH	5,350,000	3.01
10	ZHANG YU	5,150,000	2.90
11	SOH BUN KUANG	4,074,000	2.29
12	CHAN LAI THONG	4,010,000	2.26
13	ANPARASAN S/O KAMACHI	4,000,000	2.25
14	DMG & PARTNERS SECURITIES PRIVATE LIMITED	2,550,000	1.44
15	SARINDERJIT KAUR	2,500,000	1.41
16	VISION CAPITAL PRIVATE LIMITED	2,500,000	1.41
17	GOH JU POH PAUL	2,050,000	1.15
18	HSBC (SINGAPORE) NOMINEES PTE LTD	2,000,000	1.13
19	PHILLIP SECURITIES PTE LTD	1,726,000	0.97
20	BEH BAK HAI	1,500,000	0.84
	TOTAL	155,751,000	87.65

STATISTICS OF SHAREHOLDERS

AS AT 12 MARCH 2014

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2014

(as shown in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interest	
No.	**Name of Shareholder**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Tan Woo Thian	45,900,000	25.83	–	–
2.	Pheim Asset Management Sdn Bhd	19,000,000	10.69	–	–
3.	Hui Choon Ho	9,765,000	5.50	20,444,000[(1)]	11.51
4.	Chan Lai Thong	4,010,000	2.25	6,000,000[(2)]	3.38

(1) 20,444,000 ordinary shares are held in the name of Hong Leong Finance Nominees Pte Ltd. and Maybank Nominees Pte Ltd

(2) 6,000,000 ordinary shares are held in the name of Maybank Nominees Pte Ltd.

COMPLIANCE WITH RULE 723 OF THE RULES OF CATALIST

As at 12 March 2014, 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 40.77%. 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 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555 on Tuesday, 29 April 2014 at 10.00 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 2013 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 2013. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 93 of the Articles of Association of the Company:

   Mr. Chan Lai Thong **[See Explanatory Note (i)]** **(Resolution 3)**
   Mr. Mahtani Bhagwandas **[See Explanatory Note (i)]** **(Resolution 4)**

   *Mr. Mahtani Bhagwandas will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and Board Risk Committee, and a 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**").*

4. To re-elect Mr Jen Shek Voon who is retiring pursuant to Article 99 of the Articles of Association of the Company. **[See Explanatory Note (i)]** **(Resolution 5)**

   Mr. Jen Shek Voon will, upon re-election as a Director of the Company, remain as Lead Independent Director, Chairman of the Audit Committee, a member of the Nominating Committee, Board Risk 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$87,250 for the financial year ended 31 December 2013. **(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(ii)] **(Resolution 8)**

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 SBI Offshore Performance Share Plan and any other plan for the time being of the Company), shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." **[See Explanatory Note (iii)]** **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING

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

"THAT pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the SBI Offshore Performance Share Plan (the "**Plan**") and to allot and issue such number of fully paid shares from time to time as may be required to be issued pursuant to the vesting of awards under the Plan provided always that the aggregate number of new shares to be allotted and issued pursuant to the Plan (including options granted under the SBI Offshore Employee Share Option Scheme and any other scheme or plan for the time being of the Company) shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iv)] **(Resolution 10)**

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 11 April 2014

Explanatory Notes:

(i) The detailed information of Mr Chan Lai Thong, Mr Mahtani Bhagwandas and Mr Jen Shek Voon can be found under the section entitled 'Board of Directors' and page 18 to 19 of the Annual Report. There are no relationship (including immediate family relationships) between these Directors and the other Directors and the Company or its 10% shareholders.

(ii) 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.

NOTICE OF ANNUAL GENERAL MEETING

(iii) 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 SBI Offshore Employee Share Option Scheme ("**Scheme**") (including options granted under the Scheme and any other scheme or SBI Offshore Performance Share Plan and any other plan for the time being of the Company) 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.

(iv) Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue such number of fully paid shares from time to time as may be required to be issued pursuant to the SBI Offshore Performance Share Plan ("**Plan**") (including options granted under the SBI Offshore Employee Share Option Scheme and any other scheme or plan for the time being of the Company) of up to a number not exceeding in total fifteen per cent (15%) of the total issued Shares (excluding treasury shares) of the Company from time to time.

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 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555 not less than forty-eight hours (48) before the time for holding the AGM.

NOTICE OF 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 8 May 2014 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 2013 (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 7 May 2014 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 7 May 2014 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 29 April 2014, will be made on or about 20 May 2014.

By Order of the Board

Chan Lai Yin
Company Secretary

Singapore, 11 April 2014

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 2013 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 20 Pioneer Crescent, #09-01 West Park BizCentral, Singapore 628555, on Tuesday, 29 April 2014, at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

(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 2013		
2.	Payment of proposed final tax exempt (1-tier) dividend for the financial year ended 31 December 2013		
3.	Re-election of Mr. Chan Lai Thong as a Director		
4.	Re-election of Mr. Mahtani Bhagwandas as a Director		
5.	Re-election of Mr. Jen Shek Voon as a Director		
6.	Approval for the payment of Directors' fees for the financial year ended 31 December 2013		
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		
10.	Authority to allot and issue shares under the SBI Offshore Share Performance Plan		

Dated this _____ day of _____ 2014.

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

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