



SBI Offshore Limited

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

UNAUTHORISED WRITE-OFF IN FY2015 - UPDATE ON ACTIONS TAKEN BY THE COMPANY PURSUANT TO THE INDEPENDENT REVIEW BY KORDAMENTHA PTE LTD

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of SBI Offshore Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to:
- (a) the Company’s announcement dated 28 February 2018 in relation to the write-off of approximately RMB17.3 million payable by Jiangyin SBI Offshore Equipment Co. Ltd (“**JSBI**”) to the Company as set out in JSBI’s audited accounts for the financial year ended 31 December 2015, without the authorisation of the then Board (“**Write-Off**”);
 - (b) the Company’s announcement dated 25 May 2018 in relation to the Company’s appointment of an independent reviewer, KordaMentha Pte Ltd (“**KordaMentha**”), to undertake a review of the matter(s) that may have given rise to the Write-Off, and *inter alia*, any breaches in rules, laws and regulations as well as lapses in controls (the “**Independent Review**”); and
 - (c) the Company’s announcement dated 20 June 2019 (“**Announcement**”) in relation to the Company’s receipt of a report from KordaMentha on the Independent Review (the “**Report**”), the executive summary of the Report and the response by the Company in relation to the findings and recommendations stated in the Report.

Unless otherwise defined, all capitalized terms used herein shall bear the same meanings as ascribed to them in the Announcement.

- 1.2. Further to the Announcement, the Board wishes to provide an update on the actions taken by the Company in respect of the findings and recommendations stated in the Report.

2. POTENTIAL LAPSES

The Company has appointed Rajah & Tann Singapore LLP (“**R&T**”) as the independent legal adviser to advise the Company on the matters arising from the Report. The Company recognises that there might have been lapses in relation to certain matters addressed in the Report. In relation to the Write-Off, the Company has not suffered any financial impact as of this announcement and no adjustment was made to the Company’s financials and the JSBI Payable remains due to the Company. The Company requires more time to review whether there is any tax and financial impact arising from a reversal of the Write-Off. Where R&T has so advised or will advise, and where the Company considers it appropriate after weighing the costs and benefits, the Company will take the necessary measures. Further to the Announcement, the Company had taken steps to strengthen its internal processes in order to prevent similar occurrences in future. Some of these measures are set out in paragraph 3 below.

3. OTHER MATTERS

3.1. Policies of the Company

Reference is made to paragraph 2.6 of the Announcement on the recommendation of KordaMentha in respect of certain policies of the Company.

The Company has updated and fine-tuned its policies to include:

- (i) a regular data backup on the server of the Company; and
- (ii) the hard disks of the computers used by employees to be kept for a period of at least five (5) years before the destruction of these disks.

3.2. Establishment of a dedicated bank account for the balance funds from the 2014 Share Placement

Reference is made to paragraphs 2.3 and 3.2 of the Announcement on the recommendation of KordaMentha to transfer the balance of the funds from the 2014 Share Placement to a dedicated bank account for clear accounting of the use of proceeds.

The Company became a cash company on 1 March 2019 and in compliance with Rule 1017(1)(a) of the Catalist Rules, the Company had placed 90% of its total cash as of 28 February 2019 (which comprised approximately S\$1,112,226, US\$10,228,144 and RMB20,972,195) ("**Escrowed Amount**") in escrow accounts maintained with CIMB Singapore and CIMB Shanghai ("**Escrow Accounts**"). Such monies which were placed in the escrow account cannot be drawn down until the completion of the acquisition of business which is able to satisfy the SGX-ST's requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by Shareholders and pro-rata distributions to Shareholders. An aggregate sum of S\$3,264,369 (comprising S\$1,112,226, US\$846,619 and RMB5,000,000) of the Net Proceeds was placed in the Escrow Accounts.

3.3. Use of proceeds from the 2014 Share Placement

Reference is made to paragraphs 2.3 and 3.5 of the Announcement, as well as pages 16 and 17 (note 67) of the Executive Summary enclosed in the Announcement, regarding the use of proceeds from the 2014 Share Placement.

The Company has reviewed its past payments made out of the net proceeds from the 2014 Share Placement ("**Net Proceeds**"). Taking into account the findings as set out in note 67 of the Executive Summary, based on the tracking of actual cash flows of the Group's respective bank accounts for the period from 7 October 2014 to 31 October 2019, and applying relevant assumptions and bases in re-computing the use of Net Proceeds, the Company has, on a best efforts basis, prepared a summary of the revised use of Net Proceeds ("**Revised Use of Net Proceeds**"), as follows:

	Working capital⁽¹⁾ and funding for existing projects S\$'000	New market expansion, new business development plans and new projects⁽²⁾ S\$'000	Total S\$'000
Net Proceeds			
Initial allocation of the use of Net Proceeds (as announced by the Company on 23 September 2014)	4,845	11,306	16,151
Re-allocation of Net Proceeds ⁽³⁾	12,735	3,416	16,151
Revised Use of Net Proceeds			
- For the financial year ended 31 December (" FY ") 2014	154	-	154
- For FY2015	3,441	1,695	5,136
- For FY2016	2,172	50	2,222
- For FY2017	1,773	77	1,850
- For FY2018	1,680	437	2,117
- For the period from 1 January 2019 to 31 October 2019	648	465	1,113
Total amount utilised	9,868	2,724	12,592
Balance of Net Proceeds as at 31 October 2019 ⁽⁴⁾	2,867	692	3,559

Notes:

- (1) Comprised expenses such as staff costs and related expenses, professional fees, repair and maintenance costs, administrative expenses and rental expenses.

During each relevant period, the Company generated cash inflows from sales denominated in United States Dollar (“USD”) and had sufficient funds in its USD-denominated bank accounts to finance its working capital. However, the Company had used the Net Proceeds denominated in Singapore Dollar (“SGD”) to finance its working capital in Singapore to avoid incurring foreign exchange charges when converting USD to SGD.

- (2) Comprised expenses incurred in relation to its projects in the solar energy business and proposed acquisition of companies as stated in the Company’s announcement dated 30 May 2019.
- (3) The Revised Use of Net Proceeds was prepared by the Company pursuant to the findings in the Report. Accordingly, the Company has reallocated S\$7.89 million of the Net Proceeds from “funding of new market expansion, new business development plans and new projects” to “working capital and funding for existing projects”.
- (4) An amount of approximately S\$3,264,000 of the Net Proceeds was placed in the Escrow Accounts.

The Company will make periodic announcements on the utilisation of the balance of the Net Proceeds as and when they are materially disbursed or utilised, and will provide a status report on the use of the Net Proceeds in the Company’s interim and full year financial results announcement, and the annual report of the Company. Where the Net Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in its announcements and annual reports.

3.4. Tax implications in the PRC on the Write-Off

Reference is made to paragraph 3.4 of the Announcement.

The Company requires more time in the review of the impact of the Write-Off, the tax reporting requirements and other associated tax impact in the PRC. The Company will provide an update to Shareholders in due course.

4. **FOLLOW UP ACTIONS**

In view of the above, the Company will:

- (a) assess and, if necessary, make appropriate provision for legal expenses upon determination of the amount;
- (b) ascertain the tax liabilities and penalties, if any, in the event of a reversal of the Write-Off; and
- (c) assess whether the Company suffered any losses and make a holistic assessment of the Company’s next course of action, including but not limited to, whether the Company will pursue legal actions that may be available against the relevant parties involved in the Write-off.

5. **CAUTIONARY STATEMENT**

Shareholders are advised to read this announcement and any further announcements by the Company carefully. In the event of any doubt as to the action they should take, Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors.

By Order of the Board

Mirzan Bin Mahathir
Executive Non-Independent Chairman

25 November 2019

*This announcement has been prepared by SBI Offshore Limited (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.*

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

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