

Our Ref: REG/LC/JN/IN201807001

21 December 2018

Board of Directors
SBI Offshore Limited
20 Pioneer Crescent
#09-01 West Park BizCentral
Singapore 628555

PRIVATE & CONFIDENTIAL

Dear Sirs

**SBI OFFSHORE LIMITED (THE "COMPANY")
NOTICE OF COMPLIANCE (THE "NOTICE")**

1. Singapore Exchange Regulation ("**SGX RegCo**") refers to the following announcements and our subsequent correspondences with the Company:
 - (a) The Company's announcement dated 28 December 2017 (Announcement Reference No.: SG171228OTHRMTP) titled "Disposal of Property by Subsidiary";
 - (b) The Company's announcement dated 1 April 2018 (Announcement Reference No.: SG180401OTHR713Q) titled "Completion of Disposal of Property by Subsidiary"; and
 - (c) The Company's announcement dated 20 December 2018 (Announcement Reference No.: SG181220OTHRJCPD) titled "Response to SGX Queries".
2. On 28 December 2017, the Company announced that it had entered into a sale and purchase agreement with Jiangyin HF Investment Consultant Co., Ltd (江苏隆之峰机械有限公司) to dispose a factory located at No. 28 Beihuan Road, Yuecheng Town, Jiangyin, Jiangsu Province, the People's Republic of China (the "**Property**") for RMB 18 million ("**Disposal of Property**"). The Company had commissioned a valuation conducted by Suzhou Welsen Assets Appraisal Co., Ltd Ltd (苏州华兴资产评估有限公司) on the Property, who had assessed the market value as at 31 August 2017 to be RMB 17,783,000 based on income approach.
3. In the same announcement, the Company had also said that "*As the relative figures computed pursuant to Rule 1006(b) is a negative figure, whether the classification of the Disposal as "Disclosable Transaction" is still subject to the Singapore Exchange Securities Trading Limited's ("SGX-ST") determination pursuant to Rule 1007. The SGX-ST will be consulted.*"

4. On 1 April 2018, the Company announced that the Disposal of the Property had been completed on 15 March 2018. It was further stated that *"The Singapore Exchange Trading Limited (the "Exchange") has been consulted on the classification of the Disposal pursuant to Rule 1007 of the Catalist Rules. The Exchange requires the Company to seek shareholders' approval on the Disposal. As the Disposal was effected prior to receipt of Exchange's views on 22 March 2018 regarding the consultation as announced on 28 December 2017, the Company will through its sponsor consult the Exchange on the said matter."*
5. Following our subsequent correspondences on the matter, the following information came to our attention:
 - (a) For the financial years ended 31 December 2014, 2015 and 2016, the Company engaged Wuxi Dsinfor Real Estate & Land Appraisal Consulting Co., Ltd (无锡德恒方房地产土地评估咨询有限公司) to conduct a valuation on the Property for financial reporting purposes. However, for the Disposal of Property in December 2017, the Company engaged Suzhou Welsen Assets Appraisal Co., Ltd (苏州华兴资产评估有限公司) to conduct a valuation on the Property.
 - (b) Wuxi Dsinfor Real Estate & Land Appraisal Consulting Co., Ltd's (无锡德恒方房地产土地评估咨询有限公司) valuation of the Property ranged from RMB 38 million to RMB 40 million between 2014 and 2016. The valuation of the same property ascribed by Suzhou Welsen Assets Appraisal Co., Ltd Ltd (苏州华兴资产评估有限公司) in 2017 was about RMB 18 million. The valuation of the Property had dropped significantly between 2014 and 2017 notwithstanding that the Property had been vacant and that there were no apparent significant changes to the state of the Property since 2014.
 - (c) Wuxi Dsinfor Real Estate & Land Appraisal Consulting Co., Ltd's (无锡德恒方房地产土地评估咨询有限公司) valuation of the Property between 2014 and 2016 was based on an adjusted market comparable transaction approach. The valuation method adopted by Suzhou Welsen Assets Appraisal Co., Ltd (苏州华兴资产评估有限公司) for the same property in 2017 was based on an income approach.
 - (d) The purchaser of the Property, Jiangyin HF Investment Consultant Co., Ltd, (江苏隆之峰机械有限公司) was incorporated in People's Republic of China (PRC) on 30 November 2017 (about 1 month before the execution of the sale and purchase agreement for the Property) and its registered address since date of incorporation was that of the Property.
6. In light of the above information and pursuant to Catalist Rule 305(1)(e), SGX RegCo requires the Company to appoint a special auditor with relevant expertise in property valuation in PRC to investigate into, among others, the following:
 - (a) Whether the disposal price of the Property was marked to comparable market transactions;

- (b) Facts and circumstances that could explain for the significant drop in value of the Property as stated in the valuation report issued by Suzhou Welsen Assets Appraisal Co., Ltd (苏州华兴资产评估有限公司) in 2017;
 - (c) Background checks on the reputation and track records of Suzhou Welsen Assets Appraisal Co., Ltd (苏州华兴资产评估有限公司) and Wuxi Dsinfor Real Estate & Land Appraisal Consulting Co., Ltd (无锡德恒方房地产土地评估咨询有限公司);
 - (d) Chronology of events, facts and circumstances surrounding: (i) the appointment of Suzhou Welsen Assets Appraisal Co., Ltd (苏州华兴资产评估有限公司), (ii) the negotiation of the Disposal of Property and (iii) the scope of due diligence performed on the purchaser and the Disposal of Property;
 - (e) Review the Company's internal processes relating to: (i) the appointment of professional advisors and (ii) the acquisitions and disposals, and make recommendations on improvements to any control lapses identified; and
 - (f) Whether there is any potential breach of listing rules, laws or regulations governing the Company and its personnel.
7. The appointment of the special auditor and scope of the special audit should be cleared with SGX RegCo.
8. The special auditor should report their findings directly and strictly to SGX RegCo and the sponsor of the Company.
9. Pursuant to Catalist Rule 305(4), failure to comply with the requirements imposed by SGX RegCo shall be deemed to be a contravention of the Catalist Rules.
10. Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company for breaches of the Listing Rules, including any failure to comply with the requirements imposed by SGX RegCo.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'June Sim', with a checkmark at the end.

June Sim
Senior Vice President
Head, Listing Compliance
Regulation

cc: Mr. Alex Tan and Ms. Alice Ng, ZICO Capital Pte. Ltd.