



SBI Offshore Limited

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

RESPONSE TO QUERIES FROM THE SGX REGCO IN RELATION TO (I) THE DISPOSAL BY THE COMPANY OF SOLAR AFRICA INVESTMENTS (PTY) LTD, AND (II) THE DISPOSAL OF A FACTORY AND ITS RELATED LAND USE RIGHTS BY JIANGYIN SBI OFFSHORE EQUIPMENT CO., LTD

The board of directors (the “**Board**” or “**Directors**”) of SBI Offshore Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements on 1 April 2018 (“**Announcements**”) in relation to (i) the completion of the disposal by the Company of its indirect wholly-owned subsidiary, Solar Africa Investments (Pty) Ltd (“**Disposal of Subsidiary**”); and (ii) the completion of the disposal of a factory and its related land use rights by Jiangyin SBI Offshore Equipment Co., Ltd., a wholly-owned subsidiary of the Company (“**Disposal of Property**”), respectively. The Disposal of Property and the Disposal of Subsidiary shall collectively be referred to as the “**Disposals**”. Please refer to the Company’s announcements on 13 October 2017 and 28 December 2017 (“**Announcements on Disposals**”) for more information on the Disposal of Subsidiary and the Disposal of Property, respectively.

It was stated in the Announcements that the Singapore Exchange Regulation Pte Ltd (the “**SGX RegCo**”) had required the Company to seek shareholders’ approval on the Disposals under Part VII of Chapter 10 of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”). Nonetheless, as (i) the Disposal of Subsidiary was effected prior to consultation with the SGX RegCo on the application of Chapter 10 of the Catalist Rules; and (ii) the Disposal of Property was effected prior to the receipt of the SGX RegCo’s views on the application of the same rules, the Company will be consulting the SGX RegCo again (“**Subsequent Consultation**”).

The Board wishes to update all shareholders that the SGX RegCo, having considered the Company’s representations on the Disposals in the Subsequent Consultation and the Company’s responses to the queries raised by the SGX RegCo during the process, had informed the Company that the SGX RegCo agreed to classify the Disposal of Subsidiary as a “Discloseable Transaction” under Chapter 10 of the Catalist Rules. However, the SGX RegCo maintained its view that the Disposal of Property should constitute as a “Major Transaction” under Chapter 10 of the Catalist Rules and hence, Part VII of Chapter 10 of the Catalist Rules should apply.

The queries raised by the SGX RegCo and the corresponding responses by the Company are set out below for your information.

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as ascribed to them in the Announcements on Disposals.

Query 1

Who are the directors, shareholders and legal representative of Jiangyin HF Investment Consultant Co., Ltd (“**JHIC**”), the purchaser for the Property?

Company’s response:

Legal representative of JHIC: 缪晓峰
Sole director of JHIC: 缪晓峰
Shareholders of JHIC: 缪晓峰 and 姜裔隆

Neither 缪晓峰 (“**Miao Xiaofeng**”) nor 姜裔隆 (“**Jiang Yilong**”) is related to the Company or any of the Directors. To the best of knowledge of the Directors, neither of them is related to any substantial shareholder of the Company.

Query 2

We noted from the announcement that JHIC was a newly incorporated company. Do you know if the incorporation is meant for the purchase of the Property?

Company's response:

The Group did not and is not required under the law to investigate into the intention of the shareholders of JHIC when incorporating JHIC. Based on the certificate of incorporation of JHIC, its scope of business is manufacturing of equipment.

Query 3

What is David Tan Woo Thian's (former director of the Company and current substantial shareholder of Company) ("**David Tan**") relationship with JHIC?

Company's response:

David Tan verbally replied to the Company that Miao Xiaofeng is his friend and other than the foregoing, he has no relationship with JHIC, or its shareholders.

Query 4

Is the 5% commission payable to David Tan for referring JHIC to the Company comparable to the fees charged by property agencies in the People's Republic of China ("**PRC**")?

Company's response:

The Group had approached a few property agencies in the PRC. Only one of the property agencies, Messrs Shenzhen Longcheng Property Management Co., Ltd ("**Property Agency**"), had introduced a potential buyer and had asked for a commission of 3%. The Company had agreed commercially to pay a commission of 5% to David Tan as the offer from JHIC, introduced by David Tan, is reasonably higher than the offer of the potential buyer introduced by the Property Agency.

Query 5

Why did the Company not approach property agencies in the PRC for the disposal of the Property, but approach David Tan instead?

Company's response:

The Company had approached a few property agencies in the PRC for the disposal of the Property. The Property Agency was engaged since October 2016, and the offer from the only potential buyer was RMB17 million, which was received in June 2017. The Company approached David Tan with the view to find a buyer who can offer a higher price. David Tan then approached JHIC which he knew, and JHIC offered RMB18 million.

Query 6

What is the credential of the valuer, Suzhou Welsen Assets Appraisal Co., Ltd ("**Suzhou Welsen**")?

Company's response:

Suzhou Welsen is a licensed assets valuer in the PRC. Their clients are mainly located in Suzhou, and it serves a lot of Multinational Corporations (MNCs) for property valuation purpose, which includes but not limited to:

1. 扬中格拉斯白炭黑化工有限公司
2. 伦特制造（苏州）有限公司
3. 施乐辉医疗用品（苏州）有限公司
4. 越海全球物流（苏州）有限公司
5. 大金机电（苏州）有限公司

6. 苏州嘉太材料科技有限公司
7. 赛科阀门有限公司
8. 威泰克斯通讯（苏州）有限公司
9. 先进机械制造（苏州）有限公司
10. 上海美宣环保科技有限公司
11. 旭化成电子材料（苏州）有限公司

Query 7

What is the basis for the valuer, Suzhou Welsen to value the Property based on an income approach when the Property had been vacant and was not generating any revenue for more than 3 years?

Company's response:

Per the valuation report, Suzhou Welsen did the valuation evaluation based on the income approach using the rental income of the assessed land and fixtures on the land as a whole. To choose the fair market rent price, Suzhou Welsen investigated the rental market of comparable industrial plants in Jiangyin City.

Query 8

What is the average market prices for comparable industrial properties in the same area?

Company's response:

Suzhou Welsen has shared that there is no comparable reference in that there are not much business activity in that area as evidenced by empty land around that area. There have been no similar properties transactions in the PRC as the taxes imposed for disposal of property are high.

Query 9

When did the Company acquire the Property and at what price?

Company's response:

JSBI (a wholly-owned subsidiary of the Company) obtained the Property Ownership Certificate of the Property on 10 Feb 2014 and the Land Use Right Certificate of the Property on 23 Oct 2010.

The total cost of acquiring the Property is as follows:

	RMB
Cost of leasehold property	32,754,648.93
Cost of land lease prepayment (after expropriation)	7,396,655.83
Total cost	<u>40,151,304.76</u>

Query 10

The valuations of the Property between the financial year ended 31 December (“FY”) 2014 and FY2017, as represented to us in your letter, were as follows. Given that the Property has been vacant since 2014 and that the valuation of the Property had remained fairly unchanged in FY2015 and FY2016, please explain for the significant drop in valuation in FY2017.

FY	Book Value as at 31 Dec (RMB)	Valuation conducted during FY (RMB)
FY2014	34,857,500	40,447,800
FY2015	33,219,200	39,538,800
FY2016	31,580,900	38,614,100
FY2017		17,783,000

Company's response:

The Company had relied on its valuers in the PRC to conduct the valuation independently each year from FY2014 to FY2017. Suzhou Welsen is an independent licensed assets valuer in the PRC and has been commissioned by many multinational corporations for property valuations.

For FY2017, Suzhou Welsen highlighted in its chinese version valuation report that the Property is designed specifically for JSBI's needs and noted it is left vacant and has been put up for sale for about 2 years. As such, it is difficult to determine its market price based on asset-based methods (资产基础法). Further, they also had difficulty finding similar sale transactions involving similar properties. However, they noted there are relatively more information on rental of factories in that area. Hence, they adopted an income approach and investigated the rental income for comparable industrial plants in Jiangyin city.

Query 11

What were the due diligence information obtained on JHIC when the Company was contemplating the disposal of the Property? Please let us have all the information that was obtained back then.

Company's response:

Since October 2016, the Property Agency had been periodically reporting to the Group about the offers it had received from persons interested in purchasing the Property. Until about June 2017, the highest offer reported by the Property Agency to the Group was RMB17 million. As seller, the Group was only interested in getting a higher price than the previous highest offer of RMB17 million. The identity of the buyer was not material to the Group so long as the buyer made an offer that was higher than the RMB17 million offered by another interested purchaser.

In August 2017, through the introduction of David Tan, the Company received an offer of RMB18 million.

On 2 December 2017, the Company received a statement from the JHIC confirming that its english name is Jiangyin HF Investment Consultant Co., Ltd. A copy of this statement dated 2 December 2017 has been provided to the SGX RegCo.

On 5 December 2017, the Company conducted a search on JHIC with National Enterprise Credit Information Publicity System as part of its due diligence work to know more about JHIC. A copy of the Company's search dated 5 December 2017 has been provided to the SGX RegCo. The search result showed, amongst others, that Miao Xiaofeng was JHIC's legal representative, sole director and one of the two shareholders of JHIC, the other being Jiang Yilong. Their shareholdings are directly held personally. We also noted that the registered capital of JHIC is RMB10 million.

The escrow arrangement under the Fund Escrow Agreement dated 27 December 2017 allows the Company to be protected against credit risk of JHIC.

Query 12

How were the directors satisfied that JHIC was not related to the Group, the Directors and the controlling shareholders of the Company?

Company's response:

JHIC's legal representative, director and shareholder, Miao Xiaofeng was introduced to the Group by David Tan. David Tan had verbally informed the Company that Miao Xiaofeng is his friend and other than the foregoing, he has no relationship with JHIC, or its shareholders. As such, the management of the Company reported that they are not aware that JHIC is related to David Tan or any of the Directors and controlling shareholders of the Company.

The Directors (including Mirzan bin Mahathir who was the only controlling shareholder of the Company at the relevant time) have also confirmed that they have no interest in the Disposal of Property. The Directors in good faith believed the confirmations given by each Director is accurate and have no information or reason to doubt the confirmations.

The Directors took the additional precautionary measure of verifying with the management of the Company that David Tan was not a controlling shareholder of the Group.

Based on the Company's checks with Citibank Nominees Pte Ltd and the record from The Central Depository (Pte) Limited, between 17 October 2017 and 15 Jan 2018, David Tan owned a total interest of 35,136,000 ordinary shares in the Company, representing a stake of 14.08%.

Query 13

We noted from JHIC's filing with the National Enterprise Credit Information Publicity System that JHIC was incorporated on 30 Nov 2017 with a registered address located at No. 28 Beihuan Road, Yuecheng Town, Jiangyin, Jiangsu Province. This address is the same address as that of the Property that was disposed of to JHIC. Please explain why is this so and how is JHIC related to the Group.

Company's response:

JHIC is not related to the Group.

The Group was not involved in the incorporation process of JHIC and hence is unable to explain or verify JHIC's shareholders and/or director's decision to use JHIC's registered address.

As mentioned above, the Group, being the seller, was only interested in getting a higher price than the previous highest offer of RMB17 million. The Directors and controlling shareholders of the Company has already confirmed that they have no direct or indirect interest in the Disposal of Property and David Tan is not a controlling shareholder of the Company. At the time, the management of the Company focused on the legal representative, directorship and shareholding information relating to JHIC. The management of the Company did notice that JHIC's registered address was the same as the Property's address but did not highlight it to the Board on the basis that it was not illogical for JHIC to use the Property's address as their registered address if JHIC would occupy the Property after completion of the Disposal of Property.

The responses to Queries 10 to 13 of the SGX RegCo are the best responses which we can provide based on available information. Some of the employees who were involved in the transaction have since left the Group.

Query 14

Please provide the names of the valuers engaged by the Company for the valuation performed in FY2014, FY2015 and FY2016.

Company's response:

Wuxi Dsinfo Real Estate & Land Appraisal Consulting Co., Ltd. ("**Wuxi Dsinfo**")

Query 15

Please provide the SGX RegCo with a copy of the valuation report for FY2014, FY2015 and FY2016.

Company's response:

A copy of the valuation report for FY2014, FY2015 and FY2016 has been provided by the Company to the SGX RegCo.

Query 16

Based on the information furnished by the Company thus far, we noted that Wuxi Dsinfo was engaged by the Company to value the Property annually in FY2014, FY2015 and FY2016. The valuation method adopted by Wuxi Dsinfo in each of financial years was the adjusted market comparable transactions approach. However, in FY2017 for the purpose of the disposal announced on 28 Dec 2017, the Company engaged Suzhou Welsen who had adopted the income approach. Please explain why the valuation method adopted in FY2017 is different from that of the last 3 years.

Company's response:

The Company had relied on its valuers in the PRC to conduct the valuation independently each year from FY2014 to FY2017.

For FY2017, Suzhou Welsen highlighted in its Chinese version valuation report that the Property is designed specifically for JSBI's needs and noted it was left vacant and has been put up for sale for about 2 years. As stated in the valuation report, the valuer felt it was difficult to determine its market price based on asset-based methods (资产基础法). Further, they also had difficulty finding similar sale transactions involving similar properties. However, they noted there was relatively more information on rental of factories in that area. Hence, they adopted an income approach and investigated the rental income for comparable industrial plants in Jiangyin city.

The management of the Company also noted that for FY2014 and FY2015, the offers received from the market represented a substantial discount to the valuation price. The discount increased from 21% in FY2014 to 36-49% in FY2015. The management of the Company is not aware of any offer received in FY2016. The divergence between the valuation of the property and what the market was willing to pay seemed to have increased over time. As far as the management of the Company is aware, the income approach is one of the widely used valuation techniques. The management of the Company also noted the valuer's professional explanation for using the income approach in FY2017. The use of the approach in FY2017 seemed to be more representative of the fair value of the vacated property based on the then prevailing market conditions/circumstances taking into consideration the offers from the market of RMB17 million and RMB18 million.

FY	Book Value as at 31 Dec (RMB)	Valuation conducted during FY (RMB)	Offer(s) received (RMB)
2014	34,857,500	40,447,800	32 million
2015	33,219,200	39,538,800	20 - 25 million
2016	31,580,900	38,614,100	
2017		17,783,000	17 - 18 million

Query 17

Please explain the Company's decision to engage Suzhou Welsen for purpose of the Disposal of Property as opposed to engaging the Company's previous valuer, Wuxi Dsinfo, who had been engaged for the past 3 years between FY2014 and FY2016.

Company's response:

As announced by the Company on 21 August 2017 and 15 September 2017, there was a change of management of the Company during the third quarter of 2017, whereby the Company's former chief executive officer ("**CEO**") ceased office on 16 August 2017 and the Company's former chief financial officer ("**CFO**") ceased office on 15 September 2017.

During the period when the Company was arranging a valuation of the Property, the Company's former CEO had just left the Company and the Company's former CFO was clearing leave during her notice period. Limited information was passed on to the new management of the Company. A staff (who joined on 15 August 2017 and resigned on 10 July 2018) tasked to oversee the valuation process of the Property had difficulties contacting the previous valuer at the time and the only parties in the PRC that the new management of the Company could contact were the tax agent and the auditor of JSBI. In view of this, the new management of the Company contacted them to seek for a recommendation for a valuer. Through their recommendation and taking into consideration the credentials of the valuers recommended, the Company engaged Suzhou Welsen.

Query 18

Is the Company aware of any past or present transactions or relationships between JHIC (the purchaser of the Property) / the shareholders, owners and legal representatives of JHIC / David Tan (introducer of the disposal) and Suzhou Welsen? If so, please provide details.

Company's response:

David Tan had verbally informed the Company that Miao Xiaofeng, JHIC's legal representative, director and shareholder, is his friend and other than the foregoing, he has no relationship with JHIC, or its shareholders.

Save as disclosed, the Company is not aware of any past or present transactions or relationships between JHIC (the purchaser of the factory) / the shareholders, owners and legal representatives of JHIC / David Tan (introducer of the disposal) and Suzhou Welsen.

Query 19

Please provide the fees paid to Wuxi Dsinfo for FY2014 to FY2016 and Suzhou Welsen in FY2017 for the valuation done on the Property in the respective years.

Company's response:

FY	Valuer	Fees (RMB)	Valuation report
2014	Wuxi Dsinfo	15,000	Chinese
2015	Wuxi Dsinfo	15,000	Chinese
2016	Wuxi Dsinfo	15,000	Chinese
2017	Suzhou Welsen	49,000	Chinese & English

By Order of the Board

Mirzan Bin Mahathir
Executive Non-Independent Chairman

20 December 2018

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

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

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