

SINCAP GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 201005161G
(the “Company”))

RESPONSES TO SGX-ST QUERIES ON THE COMPANY’S FULL YEAR UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of Sincap Group Limited (the “**Company**”) and together with its subsidiaries, collectively the “**Group**”) would like to respond to the queries raised by the SGX-ST in an email to the Company on 5 March 2021 (as set out below), in relation to the announcement by the Company on 1 March 2021 on the full year results released by Sincap for the financial year ended 31 December 2020 (“**FY2020**”).

SGX-ST’s Queries:

1. Please disclose a breakdown of trade and other payables of approximately RMB8.6 million. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.
2. The Company incurred losses of RMB4.6 million and negative operating cash flow of RMB1.8 million in FY2020, and has liabilities of RMB16.9 million and cash and bank balances of only RMB930K as at 31 Dec 2020.
 - (i) whether the Company’s current assets are adequate to meet the Company’s short term liabilities, including its bases of assessment;
 - (ii) the Company’s ability to meet its debt covenants (if any); and
 - (iii) how the Company intends to fulfil its payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company’s Response to Query 1:

The trade and other payables of approximately RMB8.6 million as at 31 December 2020 consist of trade payables of RMB3.6 million, and non-trade payables amounting to RMB5.0 million. The aging and nature of these other payables is as follows:

	Current	0-30 days	31-60days	61-90days	>90days	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Professional fees	439	32	32	32	1,052	1,587
Directors’ fees	611	-	-	-	266	877
Office expense	-	-	-	-	8	8
General expenses	3	-	3	-	99	105
Subscription expense	2	-	-	-	4	6
Salary expense	919	-	-	-	-	919
Rental expense	-	-	-	-	79	79
Amount owing to Director	1,367	-	-	-	-	1,367
						4,948

Save for the directors of the Company, who are related parties in relation to amounts payable under the 'Director Fee' and 'Amount owing to Director', there are no counterparties that are related parties in relation to the other payables.

Company’s Response to Query 2:

- i. The Board is of the view that the Group and the Company will be able to meet its short-term liabilities based on the following assessment:
- (a) The Company has a total of RMB195.1 million in trade receivables outstanding, of which RMB167.3 million is due from its major customer, Artwell Minerals Resources Co., Ltd. (“**Artwell**”). The Company had granted an extension to Artwell to defer its repayments until 28 April 2021. Under the repayment schedule, Artwell shall repay US\$6.0 million upon the resumption of the repayment on 28 April 2021 and continue to pay at least \$1.0 million until all outstanding amounts, including interest, have been settled. With the resumption of repayment from Artwell, the Company will have sufficient cash to meet its liabilities of RMB16.9 million. The Company’s Executive Chairman and CEO, Mr Chu Ming Kin has been in contact with Artwell and has been kept informed of their financial situation. As at the date of this announcement, the Board is of the view that Artwell will be able to make repayment of its debts and there is no indication of its default.
 - (b) Aside from the trade receivables due from Artwell, the Company has trade receivables of RMB1.9 million due from Richardson 1 Pty Ltd (“**Richardson**”). The Company currently has a repayment plan with Richardson, under which Richardson continues to repay AU\$60,000 on a monthly basis until all outstanding amounts, including interest, have been settled. In the period of FY2020, Richardson had met all its repayment obligations, save for the months of April and May 2020. With the repayment of the trade receivables from the Richardson loan on a monthly basis, the Company will be able to meet some of its short-term liabilities.
 - (c) In the event that the Company does not have sufficient cash to settle its debts that are due and will be due up to April 2021, Mr Chu Ming Kin, Mr Chen Jianming, Mr Huang Qingquan, Mr Sze Wai Bun Raymond, Mr Wang Xiaoling and Mr Zhu Shiyan have expressed their willingness to provide continuous financial support to the Group to ensure that the Group is able to meet its financial obligations as and when they fall due, as per the announcements dated 17 April 2020 and 4 December 2020. Mr Chu Ming Kin is in the midst of reaching out to the aforementioned shareholders for such financial support.
- ii. The Company does not have any debt covenants in relation to its debts.
- iii. The Company intends to fulfil its debt obligations for the next twelve (12) months in the following manner:
- (a) **Professional Fees** - The Company has, in the month of January 2021, repaid approximately RMB41,000 in ‘Professional fees’. In addition, Mr. Chu Ming Kin has personally guaranteed the payment of approximately S\$120,000 in outstanding professional fees. Meanwhile, the Company is currently in contact with its other professional parties regarding their professional fees to discuss the extension of their credit terms.
 - (b) **Salary expense** - A majority of the salary expenses which are currently due and payable are in relation to salaries owed to an ex-employee of the Company. The Company is currently in negotiations with this employee to procure a waiver of this amount.
 - (c) **Amount owing to Director** - Payables categorised as ‘Amount owing to Director’ relate to salaries and loans owed to Mr. Chu Ming Kin, and he has agreed to defer repayment of these amounts until all other outstanding amounts are repaid.
 - (d) **Directors’ fees** - In addition, all Directors have agreed to receive their Directors’ fees after all other payables of the Company have been settled.

On the assumptions set out in the above, the Company will be able to settle its other minor payables such as ‘Office expense’, ‘Subscription expense’ and ‘Rental expense’, with its current cash flow position prior to 28 April 2021. After 28 April 2021, the Company expects to receive repayment of at least US\$6.0 million in accordance with a repayment schedule agreed to with Artwell. The Company is not expected to have any further issues in fulfilling its financial obligations after the repayment by Artwell.

Directors’ Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts in respect of the situation relating to trade payables of the Company, the Company's ability to continue as a going concern, and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a name source, the sole responsibility of the Directors has been to ensure that such information has been accurately and properly extracted from those sources and/or reproduced in this announcement in its proper form and context.

The Board wishes to advise shareholders and potential investors to exercise caution when dealing in the shares of the Company, In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Chu Ming Kin
Executive Chairman and Chief Executive Officer
9 March 2021

*This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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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