

**SINCAP GROUP LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No.: 201005161G)

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**RESPONSES TO SGX-ST QUERIES**

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The Board of Directors (the “**Board**”) of Sincap Group Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) refers to its announcement dated 15 April 2022 and would like to respond to the remainder of the queries raised by the SGX-ST in its email to Stamford Corporate Services Pte. Ltd., the Company’s Sponsor, on 8 April 2022 (as set out below).

As announced on 15 April 2022, the Company was in the midst of finalising its responses to some of the queries raised by the SGX-ST. This announcement contains a further portion of the SGX-ST’s queries and the Company’s corresponding responses. The Company’s responses to the remaining queries raised by the SGX-ST will be released as soon as possible upon its finalisation.

**1. SGX-ST’s Queries and the Company’s Response:**

**(I) SGX-ST’s Query 3**

We also noted that the Company has breached quite a number of listing rules, including:

- (b) Rule 705(1) – Failure to announce the Group’s unaudited FY2021 financial results by 1 March 2022;
- (c) Rule 705(2) – Failure to announce the Group’s unaudited 1HFY2021 financial results by 14 August 2021;
- (d) Rules 707(1) and 707(2) – The Company has not conducted its FY2020 AGM since it last announced its unaudited FY2020 results on 1 March 2021. This also implies the Company will not be able to hold its FY2021 AGM by 30 April 2022.
- (e) Rule 711A – Failure to publish sustainability reports for FY2020 and FY2021.
- (f) Disclosure obligations under Part VI of Practice Note 13A regarding the provision of half-yearly updates on the Company’s developments while the Company has been suspended.

Please provide an update to shareholders on the Company’s breaches of Catalyst Rules, including any other listing rules not mentioned above.

**Company’s Response to Query 3**

- (b) The SGX-ST had previously granted the Company an extension of time to 31 May 2021 to hold its AGM for FY2020 in view of the time-delay and logistical

difficulties faced in (i) liaising with a key finance staff of the Company who is primarily responsible for coordinating audit matters and preparing for the annual report of the Company; (ii) assessing post-balance sheet events in order to provide a true and fair view of the Group's financial position to stakeholders; and (iii) furnishing the necessary information and documents to the external auditors to finalise their review on outstanding audit matters/issues relating to the business of the Group, in light of the travel restrictions and/or other measures imposed by the authorities in response to the COVID-19 outbreak. Subsequently, the Company faced some cashflow issues and was not able to fulfil its payment obligations ("**Payment Obligations**") to both its internal auditor, OneStop Professional Services Pte. Ltd. ("**IA**") and external auditor, Baker Tilly TFW LLP ("**EA**"). Although information in the Company's financial statements were confirmed on 16 June 2021, the EA has not signed off on the same financial statements as the Company was unable to meet its Payment Obligations. The Company was also unable to prepare its FY2021 financial results as its FY2020 audited financial results were not signed off on. As the Company has some funds at present due to monies that had been owing to the Company by Mr Damon Ferguson, Mr Chad Ferguson, Mr Anthony Hatt, Richardson 1 Pty Ltd, and Devwest Group Pty Ltd pursuant to the supplemental agreement to the third settlement agreement dated 23 April 2021, remittance to the Company's bank account of which has been arranged for 26 April 2022 (as explained and detailed under paragraph (g) of this Query 3 below), the Company will be fulfilling the Payment Obligations by the end of this week and will thereafter reach out to its auditors to sign off on its FY2020 financial statements and finalise the Group's unaudited FY2021 financial results thereafter. The Company will reach out to its EA and hopes to release the Group's FY2021 financial statements by the end of August 2022.

- (c) Similar to the above, the Company was unable to prepare and finalise its 1HFY2021 financial results as its FY2020 audited financial results were not signed off on by the EA due to the payment issues mentioned in part (b) above. The Company will reach out to its EA and hopes to finalise and release the Group's unaudited 1HFY2021 financial results by the end of August 2022.
- (d) The Company will hold the FY2020 AGM and FY2021 AGM together and is in the process of finalizing such arrangement. The Company will reach out to its auditors to have both the AGM for FY2020 and FY2021 held on a back-to-back basis with the view to conducting the back-to-back AGM by August 2022. The Board is of the view that August 2022 will be adequate time for the auditors to complete its audit of the Company's FY2021 financials.
- (e) The Company is in the process of engaging the IA to prepare and finalise the Company's sustainability reports for FY2020 and FY2021 and will publish the sustainability reports together with the annual reports.
- (f) The Company has faced delay in releasing its half-yearly updates on the legal proceedings relating to Artwell and the proposed placement announced on 19 August 2021 as the legal action against Artwell requires capital which the Company was hoping to obtain through the proposed placement of 19 August 2021. The Company was in discussions with the Subscriber for some time with

the hopes of keeping the proposed placement alive. However, as the Subscriber failed to pay the deposit by the stipulated date, the proposed placement fell through. Accordingly, the Company is only now in the position to provide these updates.

(g) **Additional breach of Catalist Rule 703**

In addition to the above, the Company has breached Catalist Rule 703 as it has failed to make an immediate announcement regarding its entry into a supplemental agreement to the third settlement agreement dated 23 April 2021 (the “**Supplemental Agreement**”) with Mr Damon Ferguson, Mr Chad Ferguson, Mr Anthony Hatt (the “**Individuals**”), and Richardson 1 Pty Ltd (“**R1PL**”) (the “**Defaulting Parties**”) and Devwest Group Pty Ltd (Australian Company Number: 146 088 011), a company incorporated in Australia and having its registered address at Suite 18 Level 3, 23 Railway Road, Subiaco, Western Australia WA 6008, Australia (the “**Guarantor**”) (the Defaulting Parties and the Guarantor together the “**Obligors**”) (the Sincap Parties and Obligors collectively, the “**Parties**”). Further details on the third settlement agreement (the “**Third Settlement Agreement**”) entered into between the Group and SCL Murray Pty. Ltd. pursuant to which the Group entered into a debt workout arrangement with the Obligors, is set out in the Company’s announcement dated 30 January 2019.

The Company faced delay in announcing this update as it was in the midst of sorting out the ongoing issues explained above under this Query 3.

Subsequent to the announcement of the Third Settlement Agreement on 30 January 2019, the Defaulting Parties have generally managed to make repayment obligations, save for the period following the COVID-19 pandemic (i.e. 30 April 2020 onwards).

Given the level of uncertainty in the broader global economy and generally businesses’ ability to stay afloat in this current climate, the Board is of the opinion that having a full and final settlement with the Defaulting Parties will eradicate any uncertainty of future payment performances. If the Company sticks to the Third Settlement Agreement’s instalment payment plan, the Company will only be fully repaid on 30 September 2026 assuming there are no delays and defaults in the instalment payments.

On 23 April 2021, in the interest of full and final settlement, the Parties entered into a supplemental agreement to the Third Settlement Agreement (the “**Supplemental Agreement**”). On 28 June 2021, the Parties entered into an agreement which extended the deadline for the Defaulting Parties to make the outstanding payments to the Company under the Supplemental Agreement (from 30 June 2021 to 20 August 2021). On 13 August 2021, the Parties entered into a further agreement which extended the deadline for repayment from 20 August 2021 to 15 September 2021 (the “**2<sup>nd</sup> Extension Agreement**”). This was finally supplemented by a final settlement agreement dated 19<sup>th</sup> January 2022 (the “**Final Supplemental Agreement**”). The material terms of the Final Supplemental Agreement (read together with the 2<sup>nd</sup> Extension Agreement) are as follows:

- 1) **Final Settlement Amount:** The Defaulting Parties will pay the sum of AUD1,000,000 (the “**Final Settlement Amount**”) to the Sincap Parties, upon which the Sincap Parties will release and discharge the Defaulting Parties and the Guarantor from all claims, including those under the Third Settlement Agreement.
- 2) **Release:** Upon payment of the Final Settlement amount by the Default Parties to the Sincap Parties, the Sincap Parties will discharge and release the Guarantor from the Guarantee.

#### Rationale for the Supplemental Agreement and the Final Supplemental Agreement

The total outstanding amount under the Third Settlement Agreement, as of 23 April 2021, being the date of the first Supplemental Agreement, was AUD1,979,249.39 (prior to accrued interest) and the Final Settlement Amount of AUD1,000,000 represents a discount of 49.5% to the total outstanding amount (prior to accrued interest). The carrying value of the total outstanding amount on the Company’s books, as of 30 June 2021, is AUD112,125 after impairment. The original total outstanding amount was impaired by an amount of AUD1,867,125 (prior to accrued interest). This impairment was made on 31 December 2017 (AUD1,674,033) and 31 December 2020 (AUD193,092) as the Company had taken into account the potential uncertainty of the recoverability of the original total outstanding amount and the Board was of the view that both the Individuals and the Guarantor would also have provided guarantees to lenders for other similar projects. As such, any potential recovery from such guarantees would be limited. If settlement under the Supplemental Agreement does not occur and the Company mulishly adheres to the terms of the Third Settlement Agreement, there is a real possibility of the Company recovering substantially less of the outstanding amount from the Defaulting Parties. The Board also considered that the Final Settlement Amount of AUD1,000,000, after accounting for Agent Fees (as defined below), would potentially bring a financial gain of AUD387,875.00 to the Company.

#### Arrangements with Cresco Investments

Pursuant to a termination agreement (“**Termination Agreement**”) signed between the Company and Cresco Investments dated 13 August 2019, Cresco Investments is entitled to set off amounts due from the Company to Cresco Investments or Cresco Markets Pte. Ltd. (“**Cresco Debts**”) received from the Defaulting Parties against any payment received by Cresco Investment on behalf of the Company under the Third Settlement Supplemental Agreement.

Further, in consideration of Cresco Investments providing its services and for bearing the costs (if any) of taking any action (which includes new legal action or new settlement arrangement/agreement) to see to the maximising of the outstanding amounts, following the full and final discharge of the Cresco Debts, Cresco Investments shall retain fifty per cent (50%) of all payments and proceeds as part of Cresco Investment’s fees, costs and expenses for acting as the Company’s agent (“**Agent Fees**”), and Cresco Investments shall transfer the

remaining amounts to the Company.

The audit and risk committee of the Company (comprising Mr. Wilson Teng, Mr. Max Tay and Mr. Wang Xiufeng) notes that the aforementioned arrangement with Cresco Investments is an irrevocable one and understands that:

- (a) Mr. Chu Min Kin, the CEO and executive director of the Company, had entered into the Termination Agreement having considered that the probability of collection of the Outstanding Amounts would have been higher if it were handled by Cresco Investments; and
- (b) the previous audit committee of the Company as at 13 August 2019 was of the view that the aforementioned arrangements was not material to be announced pursuant to Catalist Rule 703 given that it is relatively insignificant as compared to the receivables due from Artwell Mineral Resources Pte Ltd.

Subsequently, the Company engaged Cresco Investments to provide further accounting services to the Company for the months of December 2021 and January 2022, as well as for work relating to the proposed placement to Hong Kong Puzhou New Material Co., Limited announced by the Company on 19 August 2021, amounting to S\$53,293.77 (the “**Additional Offsets**”).

#### Method of Payment

The Final Settlement Amount shall be made to and received in the bank account of Cresco Investments, and all bank or remittance charges incurred in relation to any payment to the Sincap Parties shall be borne by the Defaulting Parties. If the Defaulting Parties are required by law to deduct or withhold taxes from any payment to the Sincap Parties pursuant to the Third Settlement Supplemental Agreement, the Defaulting Parties shall be responsible for making such deduction or withholding and relevant payment. All amounts due to the Sincap Parties shall be received net of all taxes or remittance charges.

As part of the Company’s internal control measures, the Company has instructed Cresco investments to provide timely updates on the collections under the Third Settlement Agreement as well as a list of expenses to be offset.

#### Full and final settlement made by the Obligors

The Defaulting Parties made full and final settlement of the Final Settlement Amount to Cresco Investments on 19 January 2022, which has arranged for the remittance of the net proceeds (after having deducted for Agent Fees and Additional Offsets) to the Company on 26 April 2022. The deduction of the Additional Offsets was agreed to by the Company without the agreement of its independent directors. The Board will be looking into these internal control lapses. In accordance with the Supplemental Agreement, the Sincap Parties thereafter released and discharged the Obligors from all claims, including those under the Third Settlement Agreement.

## Net Proceeds

As at the date of this announcement, the Cresco Debts have been fully paid by the Company. Following the receipt of the Final Settlement Amount by Cresco, the net proceeds received by the Company are set out follows:

Gross Proceeds	S\$964,000 (or AUD 1,000,000)*
Payment to Cresco Investments as Agent Fees	S\$482,000 (or AUD 500,000)*
Additional Offsets by Cresco Investment	S\$53,293.77
<b>Net Proceeds</b>	<b>S\$428,706.23</b>

\* At the exchange rate of S\$0.964 : AUD 1 as at 19 January 2022)

The Company will record a gain of S\$385,738.38 pursuant to the payment of Net Proceeds to the Company.

## (II) SGX-ST's Query 5

What are the Company's plans and commitment to address the listing rules breaches? Please provide a timetable.

### Company's Response to Query 5

Please refer to the Company's response under Query 3, the timelines are provided therein. Further in view of the receipt of Net Proceeds, the Company is now in a position to repay its key creditors and work towards addressing its listing rule breaches.

## 2. Director's 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  
**SINCAP GROUP LIMITED**

CHU MING KIN  
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
29 APRIL 2022

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*This announcement has been prepared by the Company and its contents have 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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