

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

**RESPONSE TO SGX-ST QUERIES ON THE QUALIFIED OPINION AND MATERIAL
UNCERTAINTY RELATED TO GOING CONCERN BY INDEPENDENT AUDITORS ON THE
FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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 16 April 2020 (as set out below), in relation to the announcement by the Company on 15 April 2020 on the qualified opinion received by Sincap on the financial statements for the financial year ended 31 December 2019 (“**FY2019**”) (the “**Qualified Opinion**”), which indicated material uncertainties related to going concern (“**Material Uncertainty**”).

SGX-ST’s Queries:

1. Please provide the Board of Directors’ assessment of the Group’s ability to continue operating as a going concern and the bases for the said assessment;
2. Please provide the Board of Directors’ opinion as to whether trading of the Company’s shares should be suspended pursuant to Listing Rule 1303(3) (*Going Concern*) and the basis for such opinion;
3. Please provide the Board of Directors’ confirmation as to whether sufficient information has been disclosed to enable trading of the Company’s shares to continue in an orderly manner and the bases for its views; and the impact of all outstanding audit issues have been adequately disclosed.

Company’s Response to Query 1:

The Board of the Company are of the view that the Group has adequate resources to continue its operations as a going concern, based on the following assumptions:

- a) Amounts due from Artwell Mineral Resources Pte Ltd (“**Artwell**”) will be collected in accordance with a repayment schedule starting 28 March 2020 (the “**Repayment Schedule**”);
- b) Amounts due from Richardson 1 Pty Ltd (“**Richardson**”) will be collected in accordance with a settlement agreement dated January 2019;
- c) The Group will generate sufficient cash flows from their operations to meet current and future obligations; and
- d) The Group will continue to receive continuing financial support from shareholders and a director of the Company.

The Board is of the view that the assumptions above are reasonable having considered the following:

- A. In relation to collection of the amounts due from Artwell, please refer to the reasons set out below in support of the Board’s view that the receivables from Artwell will be recoverable:
 - i) Historical repayment trend of Artwell had been prompt in the financial year ended 31 December 2018 (“**FY2018**”) and there were no receivables that were past due in FY2018;
 - ii) Orion Energy Resources Pte. Ltd. (“**Orion**”) still managed to collect payment from Artwell up till November 2019;
 - iii) Artwell has been forthcoming and cooperative in discussions in resolving the issue of repaying their debts;

- iv) Artwell has committed to a fixed minimum monthly repayment of US\$1 million under the Repayment Schedule until the outstanding trade receivables balances (the “**Outstanding Amount**”) is settled in full. The Outstanding Amount bears an interest of 7.5% per annum;
- v) Orion has received USD1.6 million by 23 March 2020, which is beyond the amount stated in the Repayment Schedule of USD 1 million for March 2020;
- vi) The Company has done insolvency checks on Artwell, and there were no related outstanding bankruptcy/winding up petition found; and
- vii) Artwell’s sole shareholder and director is the brother of Sincap’s Executive Chairman and Chief Executive Officer (“**CEO**”), Mr. Chu Ming Kin (“**Ken**”). Ken has represented that he has maintained a very good relationship with Artwell and is very confident in recovering the outstanding amount from Artwell. The Audit Committee has accepted the CEO’s representation that there is no evidence of communication breakdown between Orion and Artwell.

As Artwell has managed to meet the minimum repayment amount committed to under the Repayment Schedule for March 2020, at present, there is no indication that Artwell’s ability to repay its debts has been adversely affected by Covid-19, especially when the current outbreak situation in China has stabilised and is gradually improving. Nevertheless, the Company is closely monitoring the development of the Covid-19 situation and has been in close contact with both the management and board of Artwell, in order to be responsive and will make any announcements on material developments accordingly.

- B. In relation to collection of the amounts due from Richardson, subsequent to the signing of the settlement agreement, all repayment up to date have been prompt. Further, the debts from Richardson, if not repaid, will not by itself cause a going concern issue.
- C. The Executive Chairman and CEO of the Company, and some of the Company’s shareholders have provided letters confirming that they are willing, and undertake to provide continuing financial support to the Group to enable it to operate as a going concern (“**Letters of Undertaking**”). In relation to the Letters of Undertaking, while no legal advice was sought on the legal effect on such letters, the Audit Committee is of the opinion that these letters received by the Company should be given consideration in assessing the going concern ability of the Company as the Executive Chairman and CEO, and shareholders mentioned above are substantial shareholders of the Company and their willingness to provide the letter of undertaking to the Company provides a degree of certainty that these shareholders will provide continuing financial support to the Group to enable it to operate as a going concern.

Company’s Response to Query 2:

Based on the aforementioned, the Board is of the view that the Group and the Company will be able to continue as a going concern, and therefore trading of the Company’s shares should not be suspended.

Company’s Response to Query 3:

To the best of its knowledge and belief, the Board confirms that sufficient information has been disclosed to enable trading of the Company’s shares to continue in an orderly manner, and that the impact of all outstanding audit issues has been adequately disclosed, given the disclosures in its Annual Report and the Company’s announcement dated 15 April 2020 and titled “Auditor’s Comments of Accounts.

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 about the Qualified Opinion and Material Uncertainty related to going concern by independent auditors, the situation relating to debts owing from Artwell to the Company, 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
17 April 2020

*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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