

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

RESPONSES TO SGX-ST QUERIES

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 its email to Stamford Corporate Services Pte. Ltd., the Company’s Sponsor, on 18 May 2022 (as set out below).

In reviewing the responses below, Shareholders may wish to refer to the Company’s announcements dated 15 April 2022 and 29 April 2022 for further context and background.

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

SGX-ST’s Query 1:

We noted that the Company has yet to respond to Query 6 below (issued on 8 April 2022):

Pursuant to Catalist Rule 1304(1), the Company must submit a trading resumption proposal to the Exchange within 12 months of the date of suspension (i.e. by 4 May 2022).

What are the Company’s plans to address the Company’s going concern issue?

Company’s Response to Query 1

Following the termination of the previously announced proposed placement dated 19 August 2021, the Company has been extremely cautious in evaluating potential fund-raising options, corporate actions and strategic plans.

Having considered the Company’s existing position under the current pressing situation, which is very much affected by current market volatility, trading business disruption and breaches of listing rules (mainly triggered by the Company’s limited resources causing delays in the issuance of its annual reports for its financial years ended 31 December 2020 (“**FY2020**”) and 31 December 2021 (“**FY2021**”) and in its timely conduct of its annual general meetings for the relevant financial years), the Company takes note that it prefers to work with new investor(s) who should possess significant professional corporate experience (the “**Professional Investor**”) such that the Professional Investor could align interest with the Company’s shareholders, advise the Company in addressing the compliance of listing rules issues, conducting a major strategic review, setting investment parameters, and evaluating acquisition and diversification plans as part of its corporate turnaround plans which is of strategic importance to the Company at this juncture. The Company will assess the size of such strategic plans based on Chapter 10 of the Catalist Rules and judging from its market capitalisation as of 4 May 2021 (being the date of its trading suspension) and its “cash company” status as elaborated on in the Company’s response to Query 2 below, it is probable that any transaction to turnaround the Company, if initiated by the Company, will be considered a reverse takeover as defined under Chapter 10 of the Catalist Rules. The Company has initiated discussions with the Professional Investor and is in the midst of finalising the key commercial terms.

The Company will announce the necessary details as soon as there are material developments of such discussions. The Company is also aware of the urgency to put in place feasible corporate plans for its application of extension of time and to work towards submitting a trading resumption proposal, to the SGX RegCo.

SGX-ST's Query 2:

In response to SGX's queries on 15 April 2022 (i.e. Query 4), the Company represented that it has not generated any revenue since the suspension of its shares on the SGX-ST on 4 May 2021.

- (i) As the Company does not have any recurring revenue-generating business since 4 May 2021, please provide the Board's and Sponsor's assessment with supporting justifications on whether Sincap is a "cash company" under Catalist Rule 1017 since 4 May 2021.
- (ii) If so, is the Company looking at RTO targets to maintain its listing status?

Company's Response to Query 2:

- (i) The Board agrees that the Company is likely to be deemed a "cash company" given that it has not, despite the management's efforts, generated revenue over the past 12 months.

The Company reproduces the Sponsor's response as follows:

"The Sponsor would like to preface its statement by highlighting that it has not been provided with updated financials on the Company since its last announced unaudited financial statements for the financial period ended 31 December 2020. As summarized in its announcement dated 29 April 2022, the Company's external auditors, Baker Tilly TFW LLP, were unable to sign off on the Company's audited financial statements for FY2020 due to the Company's inability to meet its payment obligations to the external auditors. The Company has thereafter unable to prepare and finalise their financial statements and results since FY2020.

Based on our ongoing discussions with the management and our observations over the past 2 years, we understand that the Company has entered into trading contracts for the trading of coal but was unable to fulfil these contracts to generate revenue due to, amongst others, supply chain issues and the unfeasibility of fulfilling these orders. Earlier this year, we sighted a contract for the sale and purchase of coal dated 11 March 2022 (as described in the Company's announcement dated 15 April 2022) but we note that the first order under the contract is only to be fulfilled in September 2022.

Taking into consideration the above and based on the limited information provided to Sponsor, we are unaware of any revenue-generating businesses of the Group and are of the view that the Company is likely to be a "cash company" under Catalist Rule 1017."

- (ii) As set out in the Company's response to Query 1 above, the Company is speaking with the Professional Investor on a potential transaction with a potential target to aid in the Company's turnaround and to allow it to maintain its listing status. Both the Company and the Professional Investor is aware that any such transaction will be a reverse takeover for the purposes of Chapter 10 of the Catalist Rules.

The necessary details will be announced by the Company as soon as there are material developments in such discussions.

SGX-ST's Query 3:

SGX RegCo has not received any trading resumption proposal from the Company and the deadline of 4 May 2022 has passed (being 1 year from 4 May 2021).

Is the Company seeking any extension of time to comply with 1304 or 1017?

Company's Response to Query 3:

The Company is aware of the necessity and urgency to submit such an application to comply with Catalist Rule 1304 and/or Catalist Rule 1017 for the submission of a trading resumption proposal, and is also aware of the need to demonstrate feasible corporate plans in its extension of time application. The Company will be in a better position to prepare and finalise its extension of time application once discussions with the Professional Investor on key commercial terms have been finalised.

SGX-ST's Query 4:

In view of the multiple rule breaches by the Company, please provide:

- (i) the AC's and Board's assessment on adequacy of internal controls in the Group;
- (ii) Details on how the AC and the Board intend to comply with the rules and its ongoing obligations as a listed company; and
- (iii) the Sponsor's assessment on adequacy of internal controls in the Group.

Company's Response to Query 4:

- (i) Save as disclosed in the Company's previous announcements, the AC and Board has no material concerns over the adequacy of internal controls in the Group. However, the AC and Board do acknowledge that improvements could be made to enhance the internal control processes of the Company, especially in the timeliness of information provided by Management to the Directors.
- (ii) The AC and the Board has been chasing management to effect a payment plan to repay key creditors, which includes its auditors, so as to finalise the audit reports and conduct the annual general meetings for its FY2020 and FY2021, as a first step towards rectification of the breaches.
- (iii) The Company reproduces the Sponsor's responses as follows:

"Similarly, as prefaced in its response to Query 2 above, the Sponsor has not been provided with an internal audit letter by the Company's internal auditors nor a management letter by the Company's external auditors since FY2020 as the Company has been unable to settle its outstanding payment obligations to its auditors. Solely based on the Sponsor's interactions, discussions and correspondences with the Board (whether collectively or with the individual directors) and the management, the Sponsor has concerns over the adequacy of the internal controls over the Group.

Based on our ongoing discussions with the management and our observations over the past 2 years, the Sponsor has concerns on the Group's internal controls, and such concerns had been conveyed to the Board (both past and present) over the past 2 years. Such concerns relate to:

- a. timeliness and/or non-disclosure of material information to the Sponsor and to the public. Such material information includes the status of fulfilling payment obligations to its external and internal auditors, updates regarding the settlement agreement(s) entered into with the Settlement Parties (defined below), updates regarding the placement agreement entered into in August 2021 and updates regarding the repayment of Artwell receivables;
- b. the amounts due under the supplemental agreements with, among others, Mr Damon Ferguson, Mr Chad Ferguson, Mr Anthony Hatt, Richardson 1 Pty Ltd, Devwest Group Pty Ltd and/or SCL Murray Pty. Ltd. (the "**Settlement Parties**") were paid into the bank account of a third party, Cresco Investments or Cresco Markets Pte. Ltd., acting as agent for the Company, whereupon Cresco Investments would retain 50% of all payments and proceeds from the Settlement Parties as part of Cresco Investment's fees, costs and expenses for acting as the Company's agent. The remaining amounts would thereafter be transferred to the Company. Sponsor raised concerns over this arrangement such as, the settlement monies should not have been paid into a third party's bank accounts where it was subject to the control of a third party even if only temporarily. Sponsor also notes that the net proceeds of S\$428,706.23 due to the Company (after all offsets by Cresco Investments) were only transferred to the Company's bank accounts on 25 April 2022 after Sponsor's strong insistence;
- c. certain decisions made by the management of the Company do not seem to have received board approval. For example, prior approval was not sought from the current independent directors by Ken Chu, the executive chairman of the Company, for the services provided by Cresco Investments in August 2021, December 2021, January 2022 (fees of which amounted to S\$53,293.77) (the "**Additional Offsets**") and for allowing the fees for the Additional Offsets to be directly offset from the final amount of S\$964,000 due from the Settlement Parties and received by Cresco Investments on behalf of the Company;
- d. the lack of timely responses to SGX queries or Sponsor's requests for announcements to shareholders, including the half-yearly updates to be provided to the shareholders on the Company's developments while the Company has been suspended as required under Part VI of Practice Note 13A; and
- e. Management's decision to allow the receivables from Artwell to age for a prolonged period with no concrete action plan to recover such receivables.

The Sponsor has also highlighted concerns to the Board and its management team over matters such as:

- i. multiple resignations of directors and key executives of the Company since the year 2020. There is a need to appoint an additional non-executive non-independent or independent director to the Board to comply with the requirements of the Code of Corporate Governance to constitute the key board committees, and to strengthen the management team and Board to ensure continuity which will in turn enhance the ability to meet operational, business and compliance requirements given the Company's current state of affairs; and
- ii. the lack of timely updates provided by the management and/or the inability of the Board to reach a consensus on whether the Company is in a position to submit an

extension of time application for the submission of a resumption of trading plan (as that would require a viable business plan to allow the Company to continue as a going concern).

The Sponsor is also concerned that despite its multiple and constant follow-ups and correspondences with the Company and the Board, only minimal or perfunctory responses were provided by the Board and the Company in addressing the outstanding issues.”

2. 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 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
22 MAY 2022

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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