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

ENTRY INTO BINDING HEADS OF AGREEMENT WITH THE INVESTOR

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1. Introduction

The Board of Directors (the "**Board**") of Sincap Group Limited. (the "**Company**" or "**Sincap**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 12 August 2022, entered into a binding heads of agreement ("**HOA**") with Mr. Teh Wing Kwan (the "**Investor**" or "**Mr Teh**") for a proposed investment of up to S$2,000,000 into the Company ("**Proposed Investments**").

The HOA sets out the pertinent terms and conditions of the Proposed Investments and is subject to definitive agreements (the "**Definitive Agreements**") being executed.

2. Information on the Investor

2.1 Mr. Teh Wing Kwan

The Investor is a sophisticated investor with significant experience in corporate finance, corporate restructuring and mergers and acquisitions.

As the controlling shareholder, Executive Chairman and Chief Executive Officer ("**CEO**") of the SGX Mainboard-listed Citicode Ltd from July 2018 to February 2021, Mr Teh initiated and completed the Reverse Takeover ("**RTO**") of a multi-disciplinary healthcare services group, Livingstone Health Holdings Limited ("**Livingstone Health**"). Livingstone Health is now listed on SGX Catalist, where Mr Teh remains as a substantial shareholder and chairman. Mr Teh is also the chairman of the HKSE Mainboard-listed China Vanadium Titano-Magnetite Mining Company Limited where he has led this team to complete a RMB1.3 billion restructuring exercise in 2019. Mr. Teh is also the appointed advisor of the SGX Mainboard-listed Koda Ltd.

Mr. Teh was the Managing Director and Group CEO of the SGX Mainboard-listed Sapphire Corporation Limited ("**Sapphire**") from October 2013 to December 2017 where he restructured and transformed Sapphire by acquiring one of the largest privately-owned urban rail transit engineering groups in China. Mr. Teh led Sapphire to be the first company listed outside Hong Kong to receive the Listed Enterprise Excellence Awards from the Hong Kong-based Capital Weekly in 2016. Mr. Teh also served as non-executive non-independent directors of several public companies listed in Singapore, Hong Kong and Australia.

Mr Teh is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountant, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a member of the Hong Kong Securities and Investment Institute.

2.2 The Investor has entered into this HOA for financial investment purposes, with a view to leverage on his extensive experience in corporate finance and restructuring that he could provide strategic guidance on the evaluation and implementation of new investment strategies for the Company.

2.3 As at the date of this announcement, the Investor does not hold, directly or indirectly, any shares in the capital of the Company and does not have any connection (including business relationship) with any Director or substantial shareholder of the Company.

2.4 The Investor was introduced to the Company by Mr. Bernard Lui, a registered professional from the continuing sponsor of the Company ("**Sponsor**"). No fees has been or will be paid to Mr. Bernard Lui or the Sponsor in respect of the introduction.

3. Salient information under the HOA

Proposed Investments

The Investor shall invest an aggregate amount of up to S$2,000,000 in the following manner:

(a) S$750,000, by way of subscription of new ordinary shares in the capital of the Company ("**New Subscription Shares**") ("**Proposed Subscription**") such that the Investor shall own no less than 75% of the enlarged share capital of the Company, before taking into account of the Potential Capital Variation Events (as defined below). The Proposed Subscription is subject to the receipt by the Company of an approval-in-principle from the SGX-ST for a resumption of trading of its shares on the Catalist of the SGX-ST; *(Note: The issue price of the New Subscription Shares has not been fixed as the percentage of shareholding ownership of the Investor in the enlarged share capital of the Company has not been determined. The eventual shareholding percentage of shareholding ownership held by the Investor is also subject to Potential Capital Variation Events. Please refer to paragraph 4 of this announcement for further details on the Potential Capital Variation Events.)*

(b) up to S$750,000, in short-term loans ("**Proposed Loans**") to be disbursed in tranches at the sole discretion of the Investor, for the purpose of funding:

(i) expenses as may be incurred by the Company in relation to the Potential Capital Variation Events; and

(ii) general working capital provided that payments for such expenses are jointly approved by the Investor and an audit committee member; and such payments, if approved, may be made directly to the professional service providers, as applicable. The Company shall pay an interest at a rate of 10% per annum for each disbursed amount under the Proposed Loans.

Any disbursed loan shall be repaid on demand unless otherwise agreed by the Investor and an interest of 10% per annum shall accrue on the principal amount of Proposed Loans from the date of disbursement until full repayment; and

(c) up to S$500,000 in Investor's guarantees ("**Proposed Investor Guarantees**") to be provided, at the sole discretion of the Investor, to professional service providers, including but not limited to the reporting accountant , lawyers, sponsors and the company secretary (as may be applicable) for professional fees which may be incurred by the Company in connection with the Proposed Investments and the Potential Capital Variation Events provided that such expenses are jointly approved by the Investor and an audit committee member. The Proposed Investor Guarantee will guarantee payment on the professional fees of the service providers for the Proposed Investments and the Potential Capital Variation Events, if applicable, in the event that the Company does not make payment within 24 months from the date of the definitive agreements. The Company shall pay to the Investor an annual guarantee fee at a rate of 5% of any guaranteed amount.

4. Potential Capital Variation Events

The Board has, in an announcement dated 22 May 2022 by the Company, disclosed its assessment that the Company is a "cash company". Pursuant to Catalist Rule 1017(1), the suspension of the Company's securities will remain in force until the Company "*has a business which is able to satisfy the Exchange's requirements for a new listing*". Accordingly, any acquisition transaction initiated by the Company will thus be subject to the requirements of a "reverse takeover" under Catalist Rule 1015 (the "**Potential RTO**").

Following the Proposed Investments, it is the intention of both the Company and the Investor to propose further corporate actions to be undertaken by the Company, whether by way of issuance of equity securities, convertible securities or any other fund-raising exercise, to fund the Potential RTO. Any Potential RTO proposed by the Company is expected to involve a further issuance of dilutive securities which will in turn lead to further changes in the capital of the Company (collectively, the "**Potential Capital Variation Event**").

In particular, the issue price for the New Subscription Shares and the eventual shareholding ownership percentage of the Investor will be subject to adjustments arising from future share consolidation exercise that the Company will have to undertake in connection with the Potential RTO and thus, the Issue Price has not been fixed as at the date of this HOA. The initial share ownership of 75% (as elaborated in the above 3(a)) is also expected to be substantially diluted if there is completion of the Potential Capital Variation Event.

For the avoidance of doubt, the Company has not identified any potential RTO target as of the date of this announcement.

5. Key Conditions Precedent to the Proposed Investments

5.1 The Proposed Subscription shall be subject to the satisfaction of the following conditions:

(a) the completion of financial, legal, tax and other due diligence on the Company such that the Investor is reasonably satisfied that the Company could implement new investment strategies without lingering effects of the Company's legacy operations and existing breaches of the Catalist Rules;

(b) the Company being in full compliance of all listing rules of the SGX-ST applicable to the Company;

(c) the Company having made announcements on the SGXNET announcing the Group's unaudited results for financial year ("**FY**") ended 31 December 2020 ("**FY2020**") and 31 December 2021 ("**FY2021**");

(d) the Company having held Annual General Meeting ("**AGM**") for FY2021;

(e) there having been no delisting of the existing Shares from the Catalist of SGX-ST;

(f) the Company having procured irrevocable undertakings from existing shareholders of the Company ("**Shareholders**") representing not less than 51% (in aggregate) of the existing issued share capital of the Company (the "**Supporting Shareholders**") undertaking:

(i) to vote, in an extraordinary ordinary meeting(s) ("**EGM**") to be convened, to approve the Proposed Investment, and the Potential RTO including, *inter alia*, related matters and/or items incidental to the Potential Investment or the Potential RTO as applicable, including any fund raising exercise, proposed acquisitions, business diversifications and change of risk profiles which are necessary and

important for the Company's compliance with the Catalist Rules and application for resumption of trading of its shares on the Catalist Board of SGX-ST, including any resolution to receive and adopt the audited financial statements of the Company for the financial year ended 31 December 2020 and 31 December 2021, together with the directors' statement and the auditors' reports thereon; and

(ii) not to sell, transfer, dispose, realise, deal and/or create any encumbrance over their Shares held directly or indirectly by each of them before completion of the Proposed Investment and the Potential RTO or such other periods as may be required by the Investor.

(g) the Company having procured an irrevocable undertaking from Mr Chu Ming Kin ("**CMK**"), the executive director and chief executive officer of the Company, that:

(i) any sums outstanding and owing by the Company to CMK as at the latest practicable date before signing of the definite agreements for the Proposed Investments will be audited and confirmed by the Company's auditors;

(ii) in the event that the sums outstanding and owing by the Company to CMK (as audited and confirmed by the Company's auditors) exceeds S$300,000, CMK shall waive off any and all rights to receive any amount in excess of S$300,000 such that following such waiver, only S$300,000 will remain owing and outstanding to CMK;

(iii) CMK will waive any and all rights to receive repayment, and accordingly shall not receive any repayment, on any outstanding debts owing by the Company to CMK until the Shares have resumed trading on the Catalist of the SGX-ST;

(iv) no interest shall accrue on any sums outstanding and owing by the Company to CMK;

(v) any and all sums outstanding and owing by the Company to CMK shall be repaid through an issuance of Shares at the same issue price as the issue price for new shares pursuant to the Potential RTO; and

(vi) indemnify, defend and hold harmless the Investor from any claim, loss, cost, expense or liability of any kind (including legal fees and expenses) arising out of (i) the existing operations and/or legacy businesses of the Group, or (ii) any contingent liability claims and/or other claims relating to the existing operations and/or legacy businesses of the Group.

(h) approval of Shareholders at an extraordinary ordinary meeting(s) ("**EGM**") to be convened to approve the Proposed Investments and the Potential RTO including, *inter alia*, related matters and/or items incidental to the Potential Investments or the Potential RTO as applicable, including any fund raising exercise, proposed acquisitions, business diversifications and change of risk profiles which are necessary and important for the Company's compliance with the Catalist Rules and application for resumption of trading of its shares on the Catalist Board of SGX-ST, including any resolution to receive and adopt the audited financial statements of the Company for the financial year ended 31 December 2020 and 31 December 2021, together with the directors' statement and the auditors' reports thereon;

(i) the SGX-ST having approved the Company's application for resumption of trading of its Shares on the Catalist Board of SGX-ST;

(j) the SGX-ST having issued the listing and quotation notice in respect of new Shares in connection with the Proposed Investment and the Potential RTO and such approval remaining in full force and effect as at the date of completion of the Proposed Investment and the Potential RTO;

(k) if required, the Securities Industry Council (the "**SIC**") having granted all new Shareholders pursuant to the Proposed Investment and the Potential RTO ("**New Shareholders**") and their concert parties (and not having revoked or repealed such grant) a waiver on their obligation to make a mandatory general offer under Rule 14 of the Code for the shares of the Company (the "**Shares**") not held by them and their concert parties and from having to comply with the requirements of Rule 14 of the Code, subject to (i) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the New Shareholders; and (ii) the independent Shareholders approving at a general meeting of the Company, the relevant whitewash resolution;

(l) any third party, regulatory or tax consents or other approvals necessary for the Proposed Investment and the Potential RTO having been obtained and be in full force and effect as at the date of completion of the Proposed Investment and Proposed RTO; and

(m) such other condition(s) precedent as the Company and the Investor may agree to be included in the definitive agreements, including definitive agreement for the Potential RTO.

5.2 The Proposed Loan and the Proposed Investor Guarantee is subject only to the completion of financial, legal, tax and other due diligence on the Company such that the Investor is reasonably satisfied that the Company could implement new investment strategies without lingering effects of the Company's legacy operations and existing breaches of the Catalist Rules.

6. Irrevocable Undertakings and Representations

The Company shall undertake to the Investor, amongst others, that it shall:

(a) pending the completion of the Proposed Investment and the Potential RTO, not incur any additional interest-bearing debts or capital expenditure that will significantly and adversely affect the cash flow requirements of the Group (other than operating expenses incurred for corporate functions with repayment commitments); and

(b) indemnify, defend and hold harmless the Investor from any claim, loss, cost, expense or liability of any kind (including legal fees and expenses) arising out of (i) the existing operations and /or legacy businesses of the Group, or (ii) any contingent liability claims and/or other claims relating to the existing operations and/or legacy businesses of the Group.

7. Rationale for the Proposed Investment

Since the onset of the COVID-19 pandemic in February of 2020, the Company's coal trading business has faced significant headwinds caused by sporadic lock-downs by different countries and cities, and subsequently due to high freight costs and supply chain disruption. The downturn in the Company's business, coupled with certain non-performing receivables, had resulted in the Company facing severe cash-flow issues leading to it not being able to pay its corporate operating expenses and creditors, particularly its professional service providers.

In addition to the difficulties facing by the Company due to its operating cash-flow issues, the Company also lacks professional expertise in charting and evaluating new investment strategies. The Company has seen multiple resignations of directors and executives over the last 12 months and the Company has not been able to procure suitable replacements for those roles.

The Company had previously disclosed on 22 May 2022 that given its circumstances, it prefers to work with an investor with significant professional corporate experience:

"*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 and corporate plans.*

*Having considered the Company's existing position under the current pressing situation, which is very much affected by 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 further notes that as it had not submitted a proposal to the SGX-ST with a view to resuming trading in its securities within 12 months from the date of suspension of its Shares on the Catalist of the SGX-ST, as required by Catalist Rule 1304, any proposed investment into the Company would entail significant risks for the Investor as there is no assurance on whether regulatory approvals will eventually be obtained from the SGX-ST. As such, any restructuring undertaken by the Company would have to be effected with urgency, with the guidance of the Investor.

The Proposed Investment therefore represents an opportunity for the Company to work with a sophisticated investor with significant experience in corporate finance and restructuring to evaluate and implement feasible corporate plans for the Company. Based on the corporate profiles and business networks of the Investor, the Company has reasonable grounds to believe that the Investor has the relevant expertise and experience to guide the Company while initiating feasible and time-sensitive corporate actions with a view to submitting a trading resumption proposal to SGX-ST.

The Company has also considered the willingness of the Investor to enter into the Proposed Investments amid uncertainty which would allow the Company to meet its current working capital requirements and commence the process of identifying and evaluating potential RTO targets, including engagement of relevant professional service providers.

Given the Company's current difficult situation and weak financial position, it is unlikely that the Company, without the Proposed Investments and the support of the Investor, will be able to implement any corporate action which will enable the continued listing of its Shares on the Catalist of the SGX-ST.

As such, the Company believes that the Proposed Investments is in the best interest of the Company and its Shareholders.

8. Exclusivity

For a period of twelve (12) from the date of signing of the HOA, the Company will not, and will procure that its shareholders, directors or officers shall not, conduct or solicit any discussions or negotiations with any third party regarding any sale of a material number of shares in the Company or any sale of a material part of the business and assets of the Company, unless approved in writing by the Investor.

9. Further Announcements

The Company will provide an update as and when there are any material developments in relation to the Proposed Investment or the Potential RTO, including the key milestones and timeline for completion of the Proposed Investment or the Potential RTO, as may be applicable.

10. Interests of Directors and Controlling Shareholders

Save for their shareholding interest in the Company, none of the directors or controlling shareholders or substantial shareholder of the Company has any interest, direct or indirect, in the above transaction.

11. Cautionary Note

The shares in the Company have been suspended from trading since 4 May 2021. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully.

As the Proposed Investments are subject to certain conditions precedent and definitive agreements, there is no certainty that the Investor will proceed with the Proposed Investments or that the Proposed Investments or the Potential Capital Variation Events will be completed. There is also no certainty that the Company will be able to receive approval for resumption of trading of its shares.

Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board
SINCAP GROUP LIMITED

CHU MING KIN
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
12 AUGUST 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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