

SINCAP GROUP LIMITED
(Company Registration No.:201005161G)

- (I) **THE PROPOSED DIVERSIFICATION OF THE BUSINESS OF THE GROUP TO INCLUDE PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT (THE "PROPOSED DIVERSIFICATION"); AND**
 - (II) **THE PROPOSED ALLOTMENT AND ISSUANCE OF UP TO 175,500,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.07 PER PLACEMENT SHARE.**
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1. INTRODUCTION

The board of directors (the "**Board**") of Sincap Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that:

- (i) the Group proposes to expand its core business to include property development and property investment (the "**Proposed New Business**"); and
- (ii) the Company intends to allot and issue up to 175,500,000 new ordinary shares in the capital of the Company ("**Placement Shares**") at an issue price of S\$0.07 per Placement Share to raise gross proceeds amounting to S\$12,285,000.

2. THE PROPOSED DIVERSIFICATION

2.1 The Proposed New Business

The Board proposes to explore opportunities in the undertaking of the following activities, as and when an appropriate opportunity arises:

- (a) property development activities including acquisition, development and/or sale of residential, hospitality, commercial (retail and office), industrial and any other types of properties (including mixed development properties) ("**Property Related Assets**"); and
- (b) holding of Property Related Assets as long term investment for the collection of rent, capital growth potential and/or provision of property related services and facilities.

The Company does not plan to restrict the Proposed New Business to any specific geographical market as each project and investment would be evaluated and assessed by the Board on its merits. Nevertheless, in the initial stage of the Proposed New Business, the Group intends to focus on the Asia Pacific region. The Group may also explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the Proposed

New Business as and when the opportunity arises. As at the date of this announcement, the Group has not identified any specific property related investments for the Proposed New Business. The Group will update the shareholders of the Company ("**Shareholders**") at the opportune time when it has identified any specific investments.

2.2 Rationale for the Proposed New Business

The existing principal business of the Group comprises the trading of alumina and thermal coal as well as the mining and sale of gypsum in the People's Republic of China ("**PRC**") (the "**Current Core Business**").

As stated in the Company's financial results announcement dated 28 February 2014 for the financial year ended 31 December 2013 ("**FY2013**"), the Group expects revenue and profit from the sale of gypsum in its Current Core Business to be adversely affected in the current financial year ending 31 December 2014 as some of its customers have stopped purchasing Grade 4 gypsum from the Group by substituting it with synthetic gypsum. Grade 4 gypsum represented approximately 26.9% of the Group's revenue from sales of gypsum products for FY2013. In addition, the Group is of the view that its alumina and coal trading business are expected to be directly affected by the soft commodities trading market in the PRC arising on the back of a slowdown in the domestic economic environment and uncertainties in the global economy. As such, the Group has been looking at diversifying its business.

The Group is of the view that the Proposed Diversification will:

- (a) reduce the Group's reliance on its Current Core Business; and
- (b) enable the Group to tap the potential of property development and investments in the Asia Pacific region for an additional revenue stream for the Group.

The Board is of the view that the Proposed Diversification is in the best interest of the Company.

2.3 Shareholders' Approval

The Proposed Diversification will involve a new business area which is substantially different from the Group's Current Core Business.

It is envisaged that the Proposed Diversification will change the existing risk profile of the Group.

Accordingly, an extraordinary general meeting ("**EGM**") will be convened by the Company to seek Shareholders' approval for the Proposed Diversification, notice of which will be announced in due course. The EGM will allow Shareholders the opportunity to communicate their views on the Proposed New Business, and consider, if thought fit, to approve the Proposed Diversification.

Shareholders' approval of the Proposed Diversification will allow the Group, in its ordinary course of business, to enter into transactions relating to the Proposed New Business in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when such transactions arise. For the avoidance of doubt, once the Shareholders' approval for the Proposed Diversification has been obtained, any future transaction involving the Proposed New Business will fall within the ordinary course of the Group's business, and will not require further Shareholders' approval even if it constitutes a major transaction (i.e. where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited exceeds (i) for an acquisition, 75% but less than 100%, or (ii) for a disposal, 50%). The exception to this would be a transaction which will change the risk profile of the Group, and in such event, Shareholders' approval would need to be separately sought.

3. THE PROPOSED PLACEMENT

3.1 Structure of the Proposed Placement

The Company has on 23 May 2014 entered into a placement agreement (the "**Placement Agreement**") with Canaccord Genuity Singapore Pte. Ltd. (the "**Placement Agent**"). Pursuant to the Placement Agreement, the Placement Agent has agreed, on a best efforts basis, to procure the subscription and payment for up to 175,500,000 Placement Shares at S\$0.07 per Placement Share ("**Placement Price**") to investors by way of a private placement in Singapore pursuant to Section 272B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") (the "**Proposed Placement**") on the terms and subject to the conditions of the Placement Agreement.

Pursuant to the Placement Agreement, the Company shall pay to the Placement Agent a placement commission of 2.5% on the gross proceeds raised from the Proposed Placement.

The Placement Price represents a discount of approximately 8.6% to the volume-weighted average price of S\$0.0766 for each ordinary share in the capital of the Company ("**Share**"), based on trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 23 May 2014, being the full market day on the date of the signing of the Placement Agreement. The 175,500,000 Placement Shares represent 100% of the existing issued and paid-up share capital of the Company as at the date of this announcement and will represent approximately 50% of the enlarged issued and paid-up share capital of the Company after the issue of the Placement Shares. Assuming that the Proposed Placement is fully subscribed, the Company's issued and paid-up share capital will increase from 175,500,000 Shares to 351,000,000 Shares.

The Placement Shares, when allotted and issued, shall be free from all claims, charges, liens and other encumbrances and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares (not being a treasury

share), except for any dividend, right, allotment or other distributions (if any), the record date of which falls on or before the Completion Date (as defined below).

Pursuant to the Placement Agreement, the Placement Agent has undertaken, *inter alia*, that it will not offer the Placement Shares for sale to, or procure subscriptions of or make an invitation for the Placement Shares to or by any person in the categories set out in Rule 812(1) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Rules of Catalist**").

None of the Placement Shares will be issued to any placees which will result in the placees holding a controlling interest (i.e. 15% of the enlarged issued and paid-up share capital of the Company) in the Company.

3.2 Shareholders' Approval

The Proposed Placement requires the approval of Shareholders under Section 161 of the Companies Act and Rule 805(1) of the Rules of Catalist.

Accordingly, the Company will be seeking the approval of Shareholders for the Proposed Placement at the EGM to be convened.

3.3 Placees

One (1) placee and his associates will be subscribing for Placement Shares representing in aggregate approximately 12.65% of the enlarged issued and paid-up share capital of the Company.

Save as disclosed in this paragraph, none of the placees intend to or will be subscribing for Placement Shares which represent 5% or more of the enlarged issued and paid-up share capital of the Company.

3.4 Listing of and Quotation of the Placement Shares

The Company will be making an application to the Sponsor (as defined herein) and the SGX-ST for the dealing in, listing of and quotation for the Placement Shares on Catalist. The Company will make the relevant announcement in due course.

3.5 No Prospectus or Offer Information Statement

The Proposed Placement will be undertaken by way of a private placement in accordance with Section 272B of the SFA. As such, no prospectus or offer information statement will be issued in connection with the Proposed Placement.

3.6 Conditions Precedent to Completion

Completion of the Proposed Placement is to take place on the date falling three (3) market days after the date of receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of the Placement Shares on Catalist (the

“**Listing Approval**”) or such other date as the Parties may agree in writing (the “**Completion Date**”).

The obligations of the parties under the Placement Agreement and the completion of the Proposed Placement (the “**Completion**”) are conditional on, *inter alia*:

- (a) Shareholders' approval for the Proposed Placement being obtained at the EGM to be convened; and
- (b) the Listing Approval being obtained and such approval not having been revoked or amended and, where such approval is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to the Placement Agent and, to the extent that any conditions for such approval are required to be fulfilled on or before the Completion Date, they are so fulfilled.

3.7 Rationale

The Proposed Placement will strengthen the Company's balance sheet and further consolidate the Company's financial resources as the Group continues to explore new business opportunities, and in particular the Proposed Diversification.

In addition, the Proposed Placement will enable the Company to diversify its shareholding base. After Completion of the Proposed Placement, the free float of the Company is expected to be increased to approximately 52%. With a higher free float, there may be greater participation by investors and increased liquidity of the Shares.

3.8 Use of Proceeds

Assuming that the Proposed Placement is fully subscribed, the gross proceeds from the Proposed Placement is S\$12,285,000. The net proceeds from the Proposed Placement will be approximately S\$11,848,000 after deducting estimated expenses of approximately S\$437,000 in connection with the Proposed Placement (the “**Net Proceeds**”).

The Company intends to use up to 90% of the Net Proceeds to fund the Proposed New Business and the balance towards general working capital for the Group. For the avoidance of doubt, the Proposed Placement is not conditional upon the passing of the resolution for the Proposed Diversification and vice versa.

Pending the deployment of the Net Proceeds for the above-mentioned purposes, the Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities and/or debt instruments or used for any other purposes on a short-term basis as the Board may in their absolute discretion deem fit in the best interest of the Group.

The Directors are of the opinion that, after taking into consideration the present internal resources, operating cashflows and present bank facilities available to the Group, the Group has sufficient working capital to meet its present requirements.

Notwithstanding the above, the Proposed Placement is to provide funds to support the Proposed Diversification.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company's annual report.

3.9 Financial Effects

The proforma financial effects presented below are for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after the Completion of the Proposed Placement.

Such financial effects have been computed based on the audited consolidated financial statements of the Group for FY2013 as well as the following assumptions:

- (a) the Proposed Placement had been completed on 31 December 2013 for purposes of computing the net tangible assets ("NTA") per Share;
- (b) the Proposed Placement had been completed on 1 January 2013 for purposes of computing the loss per Share; and
- (c) Net Proceeds from the Proposed Placement is converted based on the exchange rate of RMB4.88 to S\$1.

Share Capital

	Before the Proposed Placement	After the Proposed Placement
No of Shares	175,500,000	351,000,000
Share Capital (RMB'000)	27,754	85,570

NTA

The effect of the Proposed Placement on the NTA per Share of the Group for FY2013 is as follows:

	Before the Proposed Placement	After the Proposed Placement
NTA (RMB'000)	37,298	95,114
NTA per Share (RMB cents)	21.25	27.10

Net loss per Share

The effect of the Proposed Placement on the net loss per Share for FY2013 is as follows:

	Before the Proposed Placement	After the Proposed Placement
Net loss attributable to Shareholders (RMB'000)	47	47
Number of Shares	175,500,000	351,000,000
Loss per share (RMB cents)	0.03	0.01

Gearing

There is no impact on the Group's gearing ratio arising from the Proposed Placement.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial Shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Diversification and the Proposed Placement.

5. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Shares in relation to this announcement as there is no certainty that the Proposed Diversification and the Proposed Placement will be completed as they are subject to, *inter alia*, fulfilment of terms and conditions set out in the Placement Agreement and Shareholders' approval. When in doubt as to the action they should take, Shareholders and potential investors should consult their financial, tax or other advisors.

6. 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 about the Proposed Diversification, the Proposed Placement, 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 any information has been extracted from published or publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement in its proper form and context.

7. CIRCULAR TO SHAREHOLDERS

A circular containing further details of the Proposed Diversification and the Proposed Placement, together with a notice of the EGM in connection therewith, will be despatched to Shareholders in due course.

8. ANNOUNCEMENTS

Further announcements on the Proposed Diversification and the Proposed Placement will be made in due course as and when appropriate.

BY ORDER OF THE BOARD

Ng Hong Whee

Executive Chairman & Chief Executive Officer

27 May 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the SGX-ST.

The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by 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.

The contact person for the Sponsor is Ms Karen Soh, Managing Director, Corporate Finance, at 77 Robinson Road #21-02 Singapore 068896, telephone 68546160.