

APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

SINCAP GROUP LIMITED

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

11 June 2020

To the Shareholders of Sincap Group Limited (the “Shareholders”)

Dear Sir / Madam

1. RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

We refer to the notice of Annual General Meeting (“AGM”) of the Company dated 11 June 2020 convening the AGM to be held by electronic means on 26 June 2020 at 10:00 a.m., and in particular the ordinary resolution number 8 (“**Resolution 8**”) under the heading “**As Special Business**”, in relation to the proposed renewal of the Company’s general mandate for interested person transactions (the “**IPT General Mandate**”) under Chapter 9 of the Rules of Catalist of the Listing Manual (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”);

The purpose of this Appendix is to provide Shareholders with relevant information relating to and explaining the rationale for the IPT General Mandate, and seek Shareholders’ approval for the IPT General Mandate at the AGM to be held by electronic means on 26 June 2020 at 10:00 a.m. (the “**2020 AGM**”). Printed copies of this Appendix, the Notice of AGM (“**Notice**”) and proxy form will not be sent to Shareholders. Instead, this Appendix, the Notice and proxy form will be sent to the members solely by electronic means via publication on the SGX website at <https://www.sgx.com/securities/company-announcements>.

Shareholders should note that passing each resolution is not inter-conditional on passing any other resolution.

This Appendix has been reviewed by the Company’s Sponsor, Stamford Corporate Services Pte. Ltd. It has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix including the correctness of any of the statements made or opinions expressed or reports contained in this Appendix. If a Shareholder is in any doubt as to the action he/she should take, he/she should consult his/her legal, financial, tax or other professional adviser(s) immediately.

1.1 Background

At the Extraordinary General Meeting of the Company held on 27 April 2018 (the “**EGM**”), the Company had sought and obtained Shareholders’ approval for the IPT General Mandate. The IPT General Mandate is subject to annual renewal. The IPT General Mandate approved at the EGM was expressed to continue in force until the next annual general meeting of the Company, and was renewed at the annual general meeting of the Company for FY2019 on 30 April 2019 (“**2019 AGM**”). Accordingly, it is proposed that the IPT General Mandate be renewed at the 2020 AGM, to take effect until the conclusion of the following AGM of the Company.

1.2 Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, if a listed company or any of its subsidiaries or associated companies defined as an “entity at risk” proposes to enter into a transaction with an “interested person”, an immediate announcement or an immediate announcement and shareholders’ approval are required for that transaction if its value is equal to, or more than, certain financial thresholds.

In particular, an immediate announcement is required where:

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- (a) the transaction is of a value equal to, or more than, 3.0% of the group's latest audited net tangible assets ("**NTA**"); or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3.0% or more of the group's latest audited NTA.

Further, shareholders' approval (in addition to an immediate announcement) is required where:

- (a) the transaction is of a value equal to, or more than, 5.0% of the group's latest audited NTA; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, 5.0% of the group's latest audited NTA.

The above requirements for immediate announcement and/or for shareholders' approval do not apply to any transaction below S\$100,000, and certain transactions that, by reason of the nature of the transactions, are not considered to put the listed company at risk and hence excluded from the ambit of Chapter 9 of the Catalist Rules.

For the purpose of Chapter 9 of the Catalist Rules:

an "**entity at risk**" means:

- (a) the listed company;
- (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
- (c) an associated company of the listed group that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;

an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Catalist Rules;

an "**interested person transaction**" means a transaction between an entity at risk and an interested person; and

a "**transaction**" includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of goods or services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly.

Rule 920 of the Catalist Rules permits a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons. A general mandate is subject to annual renewal.

In relation to the Company, an "entity at risk" refers to the Company and its subsidiaries (collectively, the "**Group**"), in particular, Orion Energy Resources Pte. Ltd. ("**Orion**").

For illustration purposes, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2019, the audited NTA of the Group was approximately RMB206,148,000. Accordingly, in relation to the Group and for the purposes of Chapter 9 of the Catalist Rules for the current financial year, Shareholders' approval is required where:

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- (a) the interested person transaction is of a value equal to, or more than, approximately RMB10,307,400, being 5% of the latest audited NTA value of the Group; or
- (b) the interested person transaction, when aggregated with other transactions entered into with the same interested person or interested persons of the same group during the same financial year, is of a value equal to, or more than, approximately RMB10,307,400, being 5% of the latest audited NTA value of the Group.

1.3 Existing IPT General Mandate

Pursuant to the IPT General Mandate, an “entity at risk” (including Orion) was approved to enter into transactions of a revenue and trading nature in respect of and relating to the sale of coal (“**Mandated Transactions**”) with Artwell Minerals Resources Company Limited (“**Artwell**”) (the “interested person”), provided that the transactions are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

As at the latest practicable date prior to the issuance of this Appendix (the “**Latest Practicable Date**”, being 31 May 2020), Mr. Chu Ming Kin, the Executive Chairman and Chief Executive Officer of the Company, owns approximately 8.24% of the ordinary shares in the Company (“**Shares**”). Accordingly, Mr. Chu Ming Kin and his immediate family members, or any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more (“**Associates**”) are “interested persons” within the meaning of Chapter 9 of the Catalist Rules.

Mr. Chu Min Fang, the brother of Mr. Chu Ming Kin, owns the entire shareholding in Artwell, a company incorporated in Hong Kong that is principally engaged in the business of coal trading and acting as agent for certain coal purchasers. Accordingly, Artwell is an interested person of the Group.

Since the approval of the IPT General Mandate at the EGM and its renewal at the 2019 AGM, there have been recurrent transactions of a revenue and trading nature between the Group and Artwell. Particulars of the transactions conducted pursuant to the IPT General Mandate during the financial year ended 31 December 2019 (“**FY2019**”) can be found at pages 54 to 55 and 96 of the Company’s annual report for FY2019, issued on 15 April 2020 (“**2019 Annual Report**”).

For the avoidance of doubt, the scope of the IPT General Mandate does not include sale or purchase of any assets (other than coal), undertakings or businesses. The IPT General Mandate also does not cover any transaction with Artwell below S\$100,000 in value under the threshold and aggregation requirements of Chapter 9 of the Catalist Rules, which would not apply to such transactions.

Transactions with Artwell that do not fall within the ambit of the IPT General Mandate will be subject to Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

1.4 Rationale for, and Benefits of, Renewal of the IPT General Mandate

Orion is the only company in the Group carrying on the coal trading business. The coal trading transactions with Artwell entail Artwell making a deposit payment of 90% of the shipment value in advance, with the balance 10% payment made at the time loading of the coal onto the vessel is completed. These terms are favourable to the Group as the risks relating to shipment will be borne by Artwell instead of the Group. Other buyers of coal from the Group are usually only willing to make payment after the coal have arrived at the discharging port, and after the discharge and sampling of the coal. In the meantime, the Group has to pay their suppliers first, which poses risks to the Group. Such favourable payment terms in trading with Artwell allows the Group to negotiate for lower prices from their suppliers, as the Group can pay their suppliers sooner upon receiving the deposit payment from Artwell. With better cashflow, the Group can complete more shipments, thus carrying out more transactions annually and generating more revenue.

In view of the time-sensitive and recurrent nature of these commercial transactions, and the need for smooth and efficient conduct of business, it would be advantageous for the Group to renew the IPT General Mandate to continue to enter into transactions of a revenue or trading nature with Artwell in the

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ordinary course of business without the need to convene a general meeting to seek Shareholders' approval each time potential transactions arise provided that they are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. It is anticipated that there will continue to be recurrent transactions between the Group and Artwell that are of a revenue and trading nature in respect of and related to the trading of coal. Renewal of the IPT General Mandate will substantially reduce the time and expenses associated with convening general meetings, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

Therefore, the Company is seeking Shareholders' approval for the renewal of the existing IPT General Mandate as described in section 1.3 of this Appendix.

1.5 Guidelines and Review Procedures for the Mandated Transactions under the IPT General Mandate

The Group has followed these procedures, established at the EGM, to ensure that the Mandated Transactions are carried out on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and on terms generally not less favourable than those offered by unrelated third parties and will not be prejudicial to the interests of the Company and its minority Shareholders.

(a) Guidelines and review procedures for the Mandated Transactions

The transaction prices for coal are negotiated between the Group and Artwell on an arm's length basis, with reference to the relevant coal price index, in particular the Indonesian Coal Index. The transaction prices are at the relevant index price, or a margin over the relevant index. In the event that the specifications of the coal sold and delivered to or on behalf of Artwell deviate from the specified tolerance levels stated in the contract or agreement with Artwell, the transaction prices will be adjusted according to the price adjustment mechanism stated in the relevant contract or agreement. The relevant head of business for Orion (who is independent of the interested persons and who has no direct or indirect interest in the Mandated Transactions), will compare the quotation offered to Artwell with at least two (2) contracts or agreements recently entered into by the Group with unrelated third parties to determine whether the margin, price adjustment mechanism and terms offered to Artwell are in accordance with the Group's usual business practices and policies and not more favourable to Artwell than those extended to unrelated third parties taking into consideration factors such as, but not limited to, product quantity, delivery schedule, customer requirements and specifications, duration of contract and credit terms. The quotation as determined by the head of business for Orion shall be approved by the Group Chief Financial Officer, and in the absence of the Group Chief Financial Officer, the chairman of the Audit Committee (each of whom is independent of the interested persons and who has no direct or indirect interest in the Mandated Transactions) prior to entry and subject to the audit and risk committee's review on a half-yearly basis.

Where it is impossible or impractical to obtain the terms of other similar transactions with unrelated third parties or where the prevailing market prices are not available, the pricing of the coal is to be determined in accordance with the Group's usual business practices and pricing policies, consistent with the usual margin and price adjustment mechanism to be obtained for substantially similar type of contracts with unrelated third parties taking into consideration factors such as, but not limited to, product quantity, delivery schedule, customer requirements and specifications, duration of contract and credit terms.

1.6 Additional Guidelines and Review Procedures

In addition to the guidelines and review procedures set out above, the Company has implemented and will continue to implement the following supplementary procedures to ensure that the Mandated Transactions are undertaken on an arm's length basis and on normal commercial terms.

(a) Maintain register of Mandated Transactions

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The Group's finance department maintains and updates a register of all transactions carried out with Artwell, including those of value below S\$100,000. The register records the basis for the Mandated Transactions including but not limited to, the size of each Mandated Transaction, the pricing and terms of two other transactions of a similar nature with non-interested persons used for comparison.

The Group's finance department will, on a half-yearly basis, submit a report to the audit and risk committee on all the Mandated Transactions and the basis of such transactions entered into by the Group with Artwell.

(b) Review by Audit and Risk Committee

The Company's audit and risk committee conducts regular periodic reviews of all Mandated Transactions on a half-yearly basis to ensure that the established Guidelines and Review Procedures for the Mandated Transactions have been complied with and the relevant approvals have been obtained.

The audit and risk committee also reviews the established Guidelines and Review Procedures for Mandated Transactions and determines if they continue to be adequate and/or are commercially practicable in ensuring that the Mandated Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders. If the audit and risk committee is of the view that the Guidelines and Review Procedures have become inappropriate or insufficient to meet such objectives, the Company will seek a fresh mandate from Shareholders based on new guidelines and review procedures for the Mandated Transactions. During the period prior to obtaining a fresh mandate from Shareholders, all Mandated Transactions will be subject to prior review and approval by the audit and risk committee. In the event that a member of the audit and risk committee has a conflict of interest in relation to the Mandated Transaction, he will abstain from reviewing and/or approving that particular transaction.

(c) Review by Internal Auditors

The Group incorporates a half-yearly review of all Mandated Transactions in its internal audit plan. The internal auditors will review the Mandated Transactions to check that the relevant approvals have been obtained and the Guidelines and Review Procedures for the Mandated Transactions have been adhered to. The internal auditors will forward its review reports to the audit and risk committee.

(d) Review by External Auditors

The Group's external auditors reviews the Mandated Transactions on a sampling basis as part of the Group's annual audit. The external auditors report to the audit and risk committee any non-compliance issues noted from the reviews.

(e) Review by Directors

The Company's board of directors will ensure that all disclosure, approval and other requirements on the Mandated Transactions, including those required by prevailing legislation, the Catalist Rules and accounting standards, are complied with.

1.7 Audit and Risk Committee's confirmation

The audit and risk committee of the Company confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT General Mandate have not been changed since the EGM; and
- (b) the methods or procedures referred to in (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

For the purpose of the IPT General Mandate, the audit and risk committee as at the Latest Practicable Date comprises Mr Chia Soon Hin William, Mr Teng Wai Leung Wilson and Mr Lee Chong Yang.

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1.8 Validity Period of the Renewed IPT General Mandate

The IPT General Mandate, if renewed, will take effect from the 2020 AGM until the conclusion of the following AGM of the Company. Approval from the Shareholders will be sought for the renewal of the IPT General Mandate at the next AGM and each such subsequent AGM, subject to satisfactory review by the audit and risk committee of the continued requirement of the IPT General Mandate and the continued sufficiency of the review procedures to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

1.9 Abstention from voting

Mr Chu Ming Kin is not considered independent for the purposes of the IPT General Mandate and has not made any voting recommendation to Shareholders regarding Resolution 8. Mr Chu Ming Kin will abstain from voting and has undertaken to ensure that his Associates will abstain from voting on Resolution 8 in relation to the IPT General Mandate.

Furthermore, in view that the 2020 AGM will be held by way of live webcast, shareholders who wish to exercise their voting rights at the 2020 AGM must appoint the chairman of the 2020 AGM as their proxy to vote on their respective behalves. For avoidance of doubt, Mr Chu Ming Kin and his Associates will not accept nominations to act as proxy, corporate representative or attorney in respect of Resolution 8.

1.10 Non-Interested Directors' Recommendation

The directors who are considered independent for the purpose of the renewal of the IPT General Mandate are Mr Robby, Mr Chia Soon Hin William, Mr Teng Wai Leung Wilson and Mr Lee Chong Yang (the "Non-Interested Directors").

Having considered, inter alia, the terms, rationale and benefits of the IPT General Mandate as set out in this Appendix, the Non-Interested Directors are of the opinion that the renewal of the IPT General Mandate is in the best interests of the Company. Accordingly, the Non-Interested Directors recommend that the Shareholders vote in favour of Resolution 8 relating to the renewal of the IPT General Mandate at the forthcoming AGM.

1.11 Disclosure under Catalist Rules

In accordance with Rule 920 of the Catalist Rules, the Company will disclose the IPT General Mandate in the annual report, giving details of the aggregate value of the transactions conducted pursuant to the IPT General Mandate during the financial year. Particulars of the transactions conducted pursuant to the IPT General Mandate during FY2019 can be found at pages 54 to 55 and 96 of the Company's 2019 Annual Report.

The Company will announce the aggregate value of transactions conducted with Artwell pursuant to the IPT General Mandate for the relevant financial periods on which the Company is required to report pursuant to Rule 705 of the Catalist Rules and within the time required for the announcement of such reports.

2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the directors and substantial Shareholders of the Company in the issued share capital of the Company as at 20 March 2020 can be found on pages 61 and 109 of the Company's Annual Report 2019. Shareholders should note that since the Annual Report 2019, as at the Latest Practicable Date, Mr Chu Ming Kin holds 8.24% of the shares in the issued share capital of the Company. Save for the foregoing, the interests of the remaining directors and substantial shareholders as set out in pages 61 and 109 of the Company's Annual Report 2019 remain unchanged as at the Latest Practicable Date.

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3. ACTION TO BE TAKEN BY SHAREHOLDERS

Please refer to the Notice of AGM for more information on actions to be taken to participate in the 2020 AGM via live webcast and / or to vote on the relevant resolution.

4. DIRECTORS' RESPONSIBILITY STATEMENT

The Company's directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable inquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the renewal of the IPT General Mandate, the Company and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

5. DOCUMENTS FOR INSPECTION

A copy of the 2019 Annual Report has been made available for the inspection of shareholders at the following SGX website:

<https://links.sgx.com/FileOpen/Sincap%20-%20Annual%20Report%20FY2019.ashx?App=Announcement&FileID=607006>

Yours faithfully

for and on behalf of the Board of Directors of
SINCAP GROUP LIMITED

Chu Ming Kin
Executive Chairman and Chief Executive Officer

11 June 2020