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

QUALIFIED OPINION AND MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

In compliance with Rule 704(4) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist, the board of directors (the "**Board**") of Sincap Group Limited (the "**Company**" and together with its subsidiaries, collectively the "**Group**") would like to announce that its independent external auditor, Baker Tilly TFW LLP (the "**Auditor**"), has included a qualified opinion (the "**Qualified Opinion**") and has indicated the existence of material uncertainties related to going concern ("**Material Uncertainty**") in relation to the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2020 ("**FY2020**") (the "**Financial Statements**").

An extract of the nature and contents of the Qualified Opinion and Material Uncertainty contained in the independent auditor's report (the "**Independent Auditor's Report**") is annexed hereto as **Appendix A (*Extract of the Independent Auditor's Report*)** to this announcement. The Independent Auditor's Report and the Financial Statements will form part of the Company's annual report for FY2020 (the "**FY2020 Annual Report**") which will be released separately on the SGXNet today. Shareholders of the Company are advised to read this announcement in conjunction with the FY2020 Annual Report in its entirety.

An extract of an update on the efforts taken by the management of the Company (the "**Management**") to address the Qualified Opinion, including the Management's views in relation to the audit issues contained in the FY2020 Annual Report, is annexed hereto as **Appendix B (*Extract of the Updates on Audit Issues*)** to this announcement.

An extract of the note 3(a) to the Financial Statements pertaining to the Group's and Company's going concern assumption contained in the Financial Statements, including the factors taken into consideration by the Board when providing its view that the use of the going concern assumption is reasonably appropriate, is annexed hereto as **Appendix C (*Extract of the note 3(a) to the Financial Statements*)** to this announcement.

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 subject matter contemplated thereunder, 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 this announcement 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 announcement in its proper form and context.

CAUTIONARY STATEMENT

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 by the Company carefully and to exercise caution when dealing in the securities of the Company.

Although the shares of the Company are under suspension, shareholders and potential investors of the Company are advised to read this announcement and any past and future announcements of the Company carefully when dealing with the shares and securities of the Company. In the event of any doubt, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants and other professional advisers.

By Order of the Board
SINCAP GROUP LIMITED

CHU MING KIN
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
21 DECEMBER 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.*

The contact person for the Sponsor is Mr Bernard Lui, Telephone: +65 6389 3000, Email: bernard.lui@morganlewis.com

INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Sincap Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 76 to 119, which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Qualified Opinion

1 *Impairment of trade receivables*

As disclosed in Note 14 to the financial statements, trade receivables amounted to RMB195,127,000 as at 31 December 2020. Management of the Group has provided an allowance for expected credit losses ("ECL") of RMB1,086,000 on the interest charged on trade receivables during the financial year. We are unable to obtain sufficient appropriate evidence to audit and conclude on the basis and appropriateness of management's ECL assessment on the trade receivables.

Accordingly, we are unable to satisfy ourselves as to whether any allowance for ECL is required in accordance with SFRS(I) 9 *Financial Instruments* with respect to the trade receivables as at 31 December 2020 and consequently, whether interest income on the trade receivables of RMB1,086,000 and allowance of expected credit loss of RMB1,086,000 are appropriately recognised in profit or loss during the financial year.

Our independent auditor's report for the financial year ended 31 December 2019 included a similar qualification on the ECL assessment of trade receivables due from a related party amounted to RMB225,290,000 as at 31 December 2019.

2 *Valuation of bond*

As disclosed in Note 15 to the financial statements, the carrying value of the bond ("Bond") amounted to RMB5,956,000 (2019: RMB12,928,000) as at 31 December 2020. The Bond may be redeemed at the Company's option through cash payment and/or issuance of new fully paid ordinary shares of the Company based on the terms of the Bond agreement. The Group and the Company had measured and recorded the Bond at initial recognition based on its issue amount of SGD12,000,000 which is the equivalent of RMB60,483,000. Having considered the Company's option with respect to the redemption of the Bond, we are not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation and carrying value of the Bond at initial recognition, as at 31 December 2019 and 31 December 2020.

Report on the Audit of the Financial Statements (Continued)

Basis for Qualified Opinion (Continued)

2 *Valuation of bond* (Continued)

Our independent auditor's report for the financial year ended 31 December 2019 included a qualified opinion for the similar matter as described above.

3 *Impairment of investments in subsidiaries and amounts due from subsidiaries*

As disclosed in Note 13 to the financial statements, the net carrying amount of the Company's investments in subsidiaries amounted to RMB129,664,000, after deducting allowance for impairment losses of RMB38,807,000 as at 31 December 2020. As disclosed in Note 14 to the financial statements, the net carrying amount of the Company's amount due from subsidiaries amounted to RMB58,637,000. During the financial year ended 31 December 2020, an impairment loss on investment in subsidiaries of RMB49,000 was recognised in the Company's profit or loss. Management determined that no further impairment loss is required on the Company's investments in subsidiaries and amounts due from subsidiaries as at 31 December 2020.

We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverable amount of the Company's investments in subsidiaries and the recoverability of amounts due from subsidiaries as at 31 December 2020. Consequently, we are unable to determine whether any adjustments might be necessary in respect of the net carrying amount of the Company's investments in subsidiaries and amounts due from subsidiaries as at 31 December 2020.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(a) to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2020, the Group and the Company incurred a net loss of RMB18,101,000 and RMB4,887,000 respectively, and the Group reported net cash used in operating activities of RMB2,072,000.

Current assets of the Group included trade receivables which is a matter included in the *Basis for Qualified Opinion* section in this report. In the event that an allowance for ECL is required on these receivables, this may have an impact on the net current asset position of the Group.

As further disclosed in Note 3(a) to the financial statements, the COVID-19 pandemic has brought uncertainties to the Group's and the Company's operating environments and has impacted the Group's operations and its financial performance, cash flows and liquidity.

Report on the Audit of the Financial Statements (Continued)

Material Uncertainty Related to Going Concern (Continued)

These factors indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as going concerns and therefore they may not be able to realise their assets and discharge their liabilities in the ordinary course of business.

With the measures taken to improve the Group's and the Company's financial performance and position as disclosed in Note 3(a), the Board believes that the Group and the Company will be able to obtain sufficient resources to satisfy its future working capital requirements and to meet its financial obligations and when they fall due.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business. Adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.

Our opinion is not further modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Basis for Qualified Opinion and Material Uncertainty Related to Going Concern* sections, we have determined that there is no other key audit matter to be reported for the financial year ended 31 December 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in our report above, we have issued a qualified opinion due to the matters highlighted in the *Basis for Qualified Opinion* section. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Goup to cease to continue as a going concern.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to be bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner of the audit resulting in this independent auditor's report is Mr Ng Wei Lun.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

16 December 2022

APPENDIX B - Extract of the Updates on Audit Issues

Updates on Audit Issues pursuant to Paragraph 3A of Appendix 7C of the Catalist Rules

With regard to the qualified opinion issued by the Group's independent auditor in relation to the Group's audited financial statements for FY2020 (the basis of which is set out on pages 71 to 72 of this Annual Report), the Company wishes to provide an update on the efforts taken to address the basis for the qualified opinion to date, including management's views in relation to these audit issues. Shareholders are advised to read the audited financial statements accompanying this Annual Report in conjunction with the updates set out below:

1. Impairment of trade receivables

The Group had previously assessed that no impairment of trade receivables were made for FY2020 due mainly to the following:

a) The Company's subsidiary Orion received a proposed scheduled payment dated 10 March 2020 from Artwell (the "**Proposed Scheduled Payment**") stating that Artwell proposed to (i) repay at least USD1,000,000 every month commencing on or before 25 March 2020; and (ii) pay an interest at a rate of 7.5% per annum on the outstanding amount owing to Orion;

b) there were no related outstanding bankruptcy/ winding up petition filed against Artwell as announced by the Company on 4 December 2020;

c) the Group's demand request to Artwell has not been outright rejected;

d) the executive chairman and chief executive officer of the Company had been following up with Artwell in relation to the Proposed Scheduled Payment;

Given the above, the management had previously believed that Artwell would continue to make best efforts to repay the trade receivables which demonstrated that the risk of expected credit loss as at 31 December 2020 could still be reasonably managed. As a result, there was no allowance loss were provided for in the un-audited results as at 31 December 2020.

Notwithstanding the above and given the recent challenging operating environment, the Group has reasonable ground to believes that the risk of expected credit loss for the trade receivables as at 31 December 2020 has increased substantially as at the date of this Annual Report, which may require the Group to evaluate potential legal actions and reassess the need for impairment. As a result, the Group has engaged Chevalier Law LLP to issue a letter of demand on 26 October 2022 (the "**Latest Letter of Demand**"), claiming the full amount of the trade receivables as none of the terms previously proposed by Artwell under the Proposed Scheduled Payment have materialized. The management has, following the issuance of the Latest Letter of Demand, requested Artwell to evaluate and re-propose a repayment schedule as both parties understand that many industries, including the trading businesses, have been severely affected by the major supply chain disruption triggered by the COVID-19 pandemic. Whilst the management is still unsure if the Latest Letter of Demand will lead to any constructive discussions on revised repayment terms as of the date of this Annual Report, the management is hopeful to receive a revised payment proposal from Artwell.

As the negotiation process entails evaluating and discussing several commercial factors which may take longer-than-expected time, the Group is thus not able to assess if partial and full impairment of the trade receivables would be appropriate for the financial year ended 31 December 2020 as at the date of this Annual Report. As such, the Company has continued to uphold the decision not to provide any impairment loss on the trade receivables as at 31 December 2020 despite the fact that the risk of expected credit loss has increased, as explained in the above.

Under such circumstances, the management will continue to follow up closely with Artwell and shall, based on the potential outcomes of the negotiations which may arise following the issuance of the Latest Letter of Demand, reassess the appropriateness of partial or full impairment of the trade receivables as at 31 December 2021. If there is any concrete evidence that induces the management to reasonably believe that such impairment loss is required, the Group will record the financial effects in the financial year ended 31 December 2021.

2. Valuation of bond

The Company is required to appoint an independent professional valuer to conduct the valuation of the Bond as the Bond may be redeemed, at the Company's option, through cash payment and/or through conversion of the Bond into new ordinary shares in the capital of the Company (the "**Company's Option**"). However, having considered the Company's Option under the current situation that (i) the Company's shares have been suspended for trading since 4 May 2021; and (ii) the Company has ceased its trading operations and has limited resources to operate; it is unlikely that the Company would be able to redeem the Bond and thus, the Company believes that it would not be meaningful and cost effective to engage an independent professional valuer to conduct the valuation of the Bond. As a result, the Company have continued to record the carrying value of the Bond as at 31 December 2020 based on its initial issue amount and subsequently measured at amortised cost using the effective interest method.

3. Impairment of investments in subsidiaries and amounts due from subsidiaries

The impairment assessments in relation to investments in subsidiaries and amounts due from subsidiaries are dependent on the status of the collectability of the trade receivables owing by Artwell to the Company's principal subsidiary, Orion. As disclosed in the above Note 1 with regard to assessment of impairment of trade receivables, as at the date of this annual report, the Group was not able to assess if partial and full impairment of the trade receivables would be appropriate for the financial year ended 31 December 2020 given the reasons as stated therein. Under such circumstances, the management can only reassess the appropriateness of partial or full impairment of the trade receivables as at 31 December 2021 and arising from which, if there is any concrete evidence that induces the management to reasonably believe that the impairment loss for trade receivables as at 31 December 2021 is required, the Group will record the financial effects in the financial year ended 31 December 2021. For the same reasons, the Company will only be able to reassess the appropriateness of partial or full impairment of the investments in subsidiaries and amounts due from subsidiaries as at 31 December 2021 and will then record the financial effects thereof.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Foreign currencies (Continued)

Translation of Group entities' financial statements (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

(a) Going concern assumption

During the financial year ended 31 December 2020, the Group and the Company incurred a net loss of RMB18,101,000 and RMB4,887,000 respectively, and the Group reported net cash used in operating activities of RMB2,072,000.

Current assets of the Group included trade receivables of RMB195,127,000. As disclosed in Note 3(c), the calculation of expected credit losses ("ECL") on receivables is subject to assumptions and forecasts and any changes to these estimations will affect the ECL allowance and carrying amount of receivables.

The coal trading business, as conducted under the principal subsidiary, Orion Energy Resources Pte Ltd ("Orion"), faced substantial challenges, including high freight costs and supply chain disruptions due to the COVID-19 pandemic, coupled with certain non-performing receivables have thus affected both operating cash flows and financial performance of the Group.

The Group does not have any revenue-generating activities since 4 May 2021, despite efforts from the management. The Group had, on 22 May 2022, notified the SGX-ST of its cash company status. On 26 August 2022, the Group also announced that the bank balance held in the Company's bank account back then, was not sufficient to repay all the estimated outstanding liabilities, mainly comprising costs incurred and accrued for its professional service providers.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the entity's accounting policies (Continued)

(a) Going concern assumption (Continued)

Having considered the Company's existing position under the current pressing situation, the Company has been working with an investor who possesses significant professional corporate experience (the "Professional Investor") such that the Professional Investor could align interest with the Company's shareholders, to assess and evaluate corporate turnaround plans which may involve certain commercial structures which could lead to de-consolidation of certain key assets from the Group and streamlining of existing corporate structure (the "Proposed Reorganisation"), for the Group to proceed with preparation for the potential reverse takeover (the "Potential RTO").

Arising from the foregoing, the Company had on 12 August 2022, entered into a binding heads of agreement ("HOA") with the Professional Investor for a proposed investment of up to SGD2,000,000 into the Company (the "Proposed Investment"). Please refer to the Company's announcement dated 12 August 2022 for further information on the HOA.

The factors highlighted in the earlier paragraphs indicate the existence of material uncertainties which may cast significant doubts about the Group's and the Company's ability to continue as a going concern, while the Group is concurrently working on the Proposed Reorganisation to partly address this issue.

Nonetheless, the Board believes that the use of the going concern assumptions in the preparation of the financial statements for the financial year ended 31 December 2020 is still reasonably appropriate after taking into consideration the following assumptions and measures:

(1) under the HOA, the Professional Investor will provide:

(i) short-term loans of up to SGD750,000 with an interest rate of 10% per annum, to be disbursed in tranches for the purpose of funding of:

a. expenses as may be incurred by the Company in relation to the Potential RTO; and

b. general working capital provided that payments for such expenses are jointly approved by the Professional Investor and an audit and risk committee member and such payments may be made directly to the professional service providers, as applicable.

(ii) investor's guarantees of up to SGD500,000 to professional service providers. This will guarantee payment on the professional fees of the service providers for the Proposed Investment and any capital variation event that is expected to involve a further issuance of dilutive securities which will in turn lead to further changes in the capital of the Company, in the event if the Company does not make payment within 24 months from the date of the definitive agreements. The Company shall pay an annual guarantee fee at a rate of 5% of any guaranteed amount.

(iii) SGD750,000, by way of subscription of new ordinary shares in the capital of the Company, subject to the receipt by the Company of an approval in principle from the SGX-ST for a resumption of trading of its share on the Catalist of the SGX-ST; and

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the entity's accounting policies (Continued)

(a) Going concern assumption (Continued)

(2) the Company's executive chairman and chief executive officer, Mr Chu Ming Kin (the "CEO"), has agreed to waive any and all rights to receive repayment of any amounts owing to him in excess of SGD300,000, and he shall not receive any repayment, on any outstanding debts owing by the Company until the Shares have resumed trading on the Catalist of the SGX-ST that 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 if there is a completion of the Potential RTO; and

(3) the Bond Settlement as disclosed and defined in Note 15(a) will reduce the Group's liabilities by approximately SGD646,000 for the financial year ending 31 December 2022. The Company shall repay SGD60,000 (being 10% of the Settlement Amount) in cash to CEO on or before 31 March 2023 and the CEO shall not receive any repayment of SGD540,000 (being 90% of the Settlement Amount) payable to him arising from the Bond Settlement, so long as the repayment will affect the ability of the Company and/or the Group to continue as a going concern.

Taking into account of the abovementioned, the Group has prepared a cash flow projection which cover a period of not less than twelve months from the date of these consolidated financial statements. Based on the projected cash flows, the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due over the next twelve months.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business. Adjustments may have to be made to reflect the situation that assets may need to realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.

(b) Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed these factors in determining the functional currency of each entity within the Group, and concluded that the functional currency of the entities of the Group is their respective local currency.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(c) Calculation of loss allowance for financial assets at amortised cost

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.