

**MEMORANDUM OF UNDERSTANDING DATED 20 MARCH 2019 WITH JIANG XIAOLIN  
IN RELATION TO TECHCOMM TECHNOLOGY LIMITED**

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**1. INTRODUCTION**

The Board of Directors (the “**Board**”) of Sincap Group Limited (the “**Company**”) wishes to announce that the Company has on 20 March 2019 entered into a Memorandum of Understanding (“**MOU**”) with Mr Jiang Xiaolin (“**Mr Jiang**”) whereby the parties have agreed to negotiate exclusively for a period of six (6) months from the date of the MOU (or such other period as the parties may agree from time to time) with regards to any potential collaboration, joint venture, investment and/or acquisition in relation to Techcomm Technology Limited and its wholly-owned subsidiary, Xiamen Xinya Science and Technology Ltd (“**Target Group**”).

**2. BACKGROUND OF THE TARGET GROUP**

**A. INFORMATION ON TECHCOMM**

Techcomm Technology Limited (“**Techcomm**”) is a private company incorporated in Hong Kong on 6 August 2018. Mr Jiang is the sole director and shareholder of Techcomm. Techcomm is an investment holding company and has a wholly-owned subsidiary, Xiamen Xinya Science and Technology Ltd (“**Xiamen Xinya**” or “**Xinya**”).

**B. INFORMATION ON XIAMEN XINYA**

Xiamen Xinya is a private company incorporated on 12 October 2016 in the People’s Republic of China. The sole shareholder is Techcomm Technology Limited. The sole director and authorised legal representative is Zhu Geng Wen.

Xiamen Xinya is a technology company that is developing and rolling out a revolutionary “new retail ecosystem” – a full spectrum of products which enables the digitalisation of businesses in order to improve all aspects of business management from front- to back-end across both online and offline retail channels. Online shopping has emerged as the preferred mode of shopping in China, with consumers shopping online for everyday goods and services including groceries, meals and tourist attraction tickets. While consumers enjoy visiting physical stores for the retail experience, they prefer the quick convenience of making purchases and payments online. This integrated, multi-channel mode of retail has become a burgeoning trend in China. However, many traditional retail stores are unable to adapt and are stuck in limbo between online and offline retail. With the aim of addressing these challenges and increasing the competitive advantage of these businesses, especially small and medium-sized enterprises (SMEs), Xiamen Xinya has developed a comprehensive “new retail ecosystem”. The “ecosystem” not only enables brick and mortar retail businesses to harness the potential of online retail, but also to adopt “new retail” – a business model in which online and offline sales channels, as well as the relevant logistics, can be effectively and seamlessly integrated using technology, to provide shoppers with the best of both online and offline retail.

What this means is that for example, a shopper can place an online order for tonight’s dinner ingredients while on the bus home from work and opt for self-collection; upon alighting from the bus, he can simply collect his ingredients (which have already been packed for him and which he has paid for online) and continue straight home for dinner, saving the hassle of meandering through the grocery store aisles searching for ingredients. Alternatively, another shopper could prefer to handpick seafood, fruits or other fresh produce directly from the store; instead of joining the queue for the cashier, he could simply make payment online and get back home before the ice cream he has also bought melts. “New retail” makes simple

but revolutionary changes to shopping as we now know it, eliminating the either-or dichotomy between online and offline shopping. In doing so, “new retail” offers traditional retailers an avenue for development and expansion.

The “new retail ecosystem” developed by Xiamen Xinya is a comprehensive suite of software systems, currently comprising products such as an online retail platform, enterprise resource planning (“**ERP**”) system, cashless payment system and delivery (or self-pickup) service system. The aim of these systems is to provide effective smart solutions that enable businesses to move towards “new retail” to increase operational efficiency and profitability. The systems can function independently, or can be integrated for maximum benefits and convenience, as well as to create a large database from which data can be analysed and the information used to improve operations, marketing, inventory and other aspects of business management.

Beyond installing and working with businesses to implement these systems, Xiamen Xinya has an experienced technical team that provides the accompanying support services to ensure a smooth system experience for businesses and an elevated shopping experience for their customers across different shopping channels.

#### Details of Xiamen Xinya’s “new retail ecosystem”

The “new retail ecosystem” developed by Xinya is an entire package of software systems which enables retailers to adopt “new retail” and vastly improve all aspects of business management. The package currently includes the following key systems, which can be used independently or integrated for maximum convenience and benefits to businesses:

- (i) ERP (Enterprise Resource Planning) system
- (ii) Online retail platform
- (iii) Payment system
- (iv) Delivery system; and
- (v) Cash register system.

#### **(i) ERP system**

The ERP system is the fundamental element in Xinya’s “new retail ecosystem”. It combines the most essential functions in systemizing and managing a business and provides retailers with an integrated platform to systemize their resource management, procurement, data, logistics etc. in order to improve business management. Using the ERP system, merchants can have control and oversight over products, inventory and procurement, logistics, marketing and promotions, as well as orders from both online and offline channels.

The ERP system integrates the following functions:

- 1) Data management;
- 2) Procurement and inventory management;
- 3) Data analysis system;
- 4) Marketing and operational management;
- 5) Front-desk cashier management;
- 6) Accounting management; and
- 7) External interface management.

#### **(ii) Online retail platform**

The online retail platform currently offered by Xinya is a WeChat mini-programme which allows retailers to easily create an online store accessible by consumers from WeChat, the most commonly used mobile app in China. In addition to setting up the online store, this system also includes the following functions:

- 1) Store management;
- 2) Marketing, operating and information management; and
- 3) Financial management.

### **(iii) Payment system**

Xinya's payment system connects consumers' WeChat Pay wallets to retailers' bank accounts. It allows customers (at both online stores and physical stores) to make cashless payments through WeChat Pay and the payments will be received directly in the retailers' bank accounts.

### **(iv) Delivery system**

Using precise location-based services, the delivery system facilitates delivery to customers from the nearest physical stores, which increases promptness of delivery to customers while reducing delivery costs for businesses.

### **(v) Cash register system**

#### Software

Xinya has developed a software system which can be installed into the existing hardware used by merchants in physical stores. The benefits of using Xinya's cash register software lies in its ability to integrate with Xinya's other systems to facilitate business management.

#### Hardware

Xinya eventually intends to offer merchants a smart cash register hardware system which will come pre-installed with the aforementioned software.

### Xiamen Xinya's business development and progress

Xiamen Xinya has been working on research and development of its products since 2016 and currently has approximately 40 employees, with the majority being technical and marketing staff. With the rollout of its products and its nationwide expansion plans, Xinya expects its headcount to increase to about 100 by December 2019.

In January 2019, Xinya launched a pilot project in Quanzhou, Fujian, rolling out its systems to merchants. The initial target clientele that Xinya is focusing on comprise supermarket and grocery store chains. A number of such merchants, who run a total of approximately 5,000 physical stores, have already entered into agreements with Xiamen Xinya.

In addition to working with merchants, Xinya also partners with banks and has entered into agreements with a number of banks. Xinya's payment system directs retailers' daily earnings to their bank accounts, thus increasing bank deposits. Banks are thus incentivized to work with Xiamen Xinya by recommending clients and charging reduced transaction fees.

The low cost of signing up to use Xinya's package of useful products, as well as the benefits of system integration, incentivize businesses to adopt the entire suite of Xinya's systems. Xinya is thus able to develop a captive audience who use Xinya's products throughout their companies. Xinya then derives consistent revenue by providing services to these businesses which utilise Xinya's system on a daily basis. The sources from which Xinya currently derives revenue are as follows:

#### **1) Technical services**

Xinya charges each retailer an annual maintenance fee for using Xinya's products. This fee covers technical support services by Xinya, as well as version upgrades to the programme.

#### **2) Financial services**

Other online retail platforms impose transaction fees of up to 0.6% of each transaction's value. Due to the preferential transaction rates which Xiamen Xinya enjoys from the banks, Xinya is able to charge lower fees while still earning a commission.

#### **3) Advertisements**

Xinya's cash register software system offers merchants numerous advertising opportunities, from which Xinya can earn advertising fees.

### Xiamen Xinya's market development plans

Currently, Xiamen Xinya's main market is in the cities where it has launched its pilot project – Quanzhou and Xiamen, where Xinya already works with more than a hundred merchants.

Following its pilot project, Xiamen Xinya intends to expand its presence across the different provinces of China, with an aim of achieving the following targets in 2019:

<b>Year 2019</b>	<b>Number of daily transactions</b>	<b>Value of daily transactions (RMB)</b>	<b>Number of merchants</b>	<b>Estimated number of physical stores</b>
By 31 March	200,000	6 million	1,875	7,500
By 30 June	1 million	40 million	12,500	50,000
By 30 September	5 million	200 million	62,500	25,000
By 31 December	10 million	400 million	130,000	520,000

### **3. RATIONALE**

The Company had obtained shareholders' approval at the Extraordinary General Meeting on 27 April 2018 to diversify into the technology business, as the Board believes that the technology business presents an opportunity for the Group to generate new revenue and profit streams in industries not closely related to the Group's existing businesses. The current progress of Xiamen Xinya's development has been promising and the Company sees huge growth potential in Xiamen Xinya's business. The Company believes that a potential collaboration with Xiamen Xinya represents the initial step the Group can take to capitalize on the growing e-commerce and digital technology space, which will help to diversify the risks involved in the Group's existing business (i.e. coal trading).

### **4. CAUTION IN TRADING**

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the negotiations will be successful. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

### **5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Target Group or the MOU, other than through their respective shareholdings (if any) in the Company.

BY ORDER OF THE BOARD  
**SINCAP GROUP LIMITED**

**Chu Ming Kin**  
Executive Chairman and Chief Executive Officer  
20 March 2019

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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"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("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. The Sponsor and the SGX-ST assume 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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