

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

**PROPOSED PLACEMENT OF 1,738,000,000 NEW ORDINARY SHARES IN THE
CAPITAL OF SINCAP GROUP LIMITED AT S\$0.0026 FOR EACH PLACEMENT
SHARE TO RAISE GROSS PROCEEDS OF S\$4,518,800**

1. BACKGROUND

The Board of Directors (the “**Board**” or the “**Directors**”) of Sincap Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today entered into a subscription agreement for the issue and allotment of new ordinary shares in the capital of the Company (the “**Subscription Agreement**”) with Hong Kong Puzhou New Material Co., Limited (the “**Subscriber**”).

Pursuant to the terms of the Subscription Agreement, the Company proposes to raise capital by issuing an aggregate of 1,738,000,000 new ordinary shares in the share capital of the Company (the “**Placement Shares**”) to the Subscribers (the “**Proposed Placement**”). The total consideration for the Proposed Placement is S\$4,518,800 (the “**Total Consideration**”). The total number of Placement Shares represent approximately 50.54% of the share capital of the Company on an enlarged basis (excluding treasury shares), following the Proposed Placement. Accordingly, there will be a change in control of the Company pursuant to the completion of the Proposed Placement (as the Subscriber will acquire a shareholding of 50.54%), and specific shareholder approval will be sought pursuant to an extraordinary general meeting (“**EGM**”) to be convened by the Company subsequently.

To facilitate the Proposed Placement, the Company will convene an extraordinary general meeting to seek shareholder approval for the following resolutions:

- (a) a whitewash resolution for the shareholders to waive their rights to receive a general offer from the Subscriber under Rule 14 of the Singapore Code on Take-Overs and Mergers (the “**Take-Over Code**”);
- (b) pursuant to Rule 803 of the Catalist Rules, the change in controlling interest of the Company upon the completion of the Proposed Placement, which will result in the Subscriber’s acquisition of 50.54% shareholding in the Company,
- (c) the issue of the Placement Shares, in accordance with Rule 811(3) of the Rules of Catalist of the Listing Manual of the SGX-ST (“**Catalist Rules**”);
- (d) the allotment and issuance of the Placement Shares at the Issue Price (as defined below); and
- (e) the Company’s plans for the diversification of business.

2. RATIONALE OF PROPOSED PLACEMENT

Since the onset of the COVID-19 pandemic in February of 2020, the Company's coal-trading business has faced significant headwinds which is expected to continue into the near future. While there are currently no restrictions in the China market on the purchase of coal from overseas territories, the business is currently affected by supply chain issues owing mainly to high freight costs. The COVID-19 pandemic and various lockdown measures imposed by governments around the globe had precipitated a surge in freight costs due to disrupted shipping and port-handling capacity. While the Company has orders on hand and receivables on the horizon, it is not commercially viable for the Company to fulfil such orders in the short-term as the high freight costs for shipment will result in losses to the Company. Notwithstanding the current situation, the Company is in the process of sourcing for other potential freights in the coal trade to execute these orders. Further, the Board is in discussions with the Subscriber to diversify the Company's business to establish more profitable revenue streams. Accordingly, while the Company is currently facing cost issues, the Board's view is that the Company's business is and will remain viable.

In light of the aforementioned situation, the Proposed Placement presents a valuable opportunity for the Company to address its current cashflow issues by bringing in a strategic shareholder with fresh visions and ideas and to initiate a collaborative partnership for the purposes of pivoting the Company's business towards more profitable endeavours.

In this regard, the Subscriber has committed himself to assisting the Company to pivot both in terms of business and investment opportunities and potential fund-raising activities. The onboarding of the Subscriber and its two (2) nominated directors will bring fresh visions to the Company's Board, and the Company will eventually take a new direction in its businesses. One of the businesses being contemplated is in the industry of construction materials. The details of the businesses in contemplation are not yet available as the Subscriber and the Board are still in discussion on the same. As such, the Company will make a separate announcement elaborating in detail what these plans are when they are finalized.

3. TERMS OF THE PROPOSED PLACEMENT PURSUANT TO THE SUBSCRIPTION AGREEMENT

3.1 Issue Price

The Placement Shares shall be allotted and issued at an issue price of S\$0.0026 per Placement Share (the "**Issue Price**"). The Issue Price was arrived at following arm's length negotiations between the Company and the Subscriber and represents a discount of approximately 48% to the volume weighted average price of S\$0.005 for trades done on the shares of the Company (the "**Shares**") on Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 28 April 2021 (being the last full market day on which shares of the Company were traded preceding the day on which the Subscription Agreement was signed).

As the Issue Price represents a discount exceeding 10% to the volume weighted average price for trades done on the shares of the Company on SGX-ST on the last full market day on which shares of the Company were traded preceding the day on which the Subscription Agreement was signed, the Company will be seeking specific shareholder approval for the issues of the Placement Shares, in accordance with Rule 811(3) of the Rules of Catalist of the Listing Manual of the SGX-ST. The Company will subsequently convene an extraordinary general meeting to seek specific shareholder approval for the allotment and issuance of the Placement Shares.

3.2 The Placement Shares

The Placement Shares, when issued and delivered to the Subscriber, shall rank *pari passu* with and shall carry all rights similar to the existing Shares except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion of the Proposed Placement.

Pursuant to the allotment and issue of the Placement Shares, the Company's issued and paid-up share capital (excluding treasury shares) will increase from 1,701,000,410 Shares, as at the date of this announcement, to 3,439,000,410 Shares (the "**Enlarged Share Capital**").

3.3 Conditions Precedent under the Subscription Agreement

Under the terms of the Subscription Agreement, the Company has requested the Subscriber and the Subscriber has agreed to subscribe for the Placement Shares on the terms and subject to the conditions set out in the Subscription Agreement.

The Proposed Placement is subject to, amongst others, the following conditions precedent:

- (a) the Subscriber obtaining a waiver from the Securities Industry Council from any requirements under the Take-Over Code to make a mandatory general offer to the shareholders of the Company in connection with the allotment and issuance of the Placement Shares;
- (b) the Company obtaining shareholders' approval, at an extraordinary general meeting to be held by the Company, of a Whitewash Resolution to waive their rights to receive a general offer from the Subscriber under Rule 14 of the Take-Over Code;
- (c) the Company obtaining shareholders' approval, at an extraordinary general meeting to be held by the Company, for the allotment and issuance of the Placement Shares to the Subscriber in accordance with Section 161 of the Companies Act (Cap. 50);
- (d) the appointment of 2 new executive directors as nominated by the Subscriber to the Company's board of directors;
- (e) the trading suspension of the Company's shares on the Catalist board of the SGX-ST being lifted;
- (f) the receipt of the listing and quotation notice of the Placement Shares on the Catalist of the SGX-ST (the "**LQN**") being obtained from the SGX-ST via the Sponsor and not having been revoked or amended as at the date of completion (the "**Completion Date**") and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Company and to the Subscriber;
- (g) a deposit of S\$450,000 is made by the Subscriber within 90 days of the date of the Placement Agreement, to be held on trust by the Company for the Subscriber to fulfil its obligations under the terms of the Placement Agreement and in the event that the Subscriber should breach or fail to fulfil its obligations under the Placement Agreement, such deposit will be retained by the Company as fees paid to the Company;

- (h) the transactions contemplated in the Subscription Agreement (including but not limited to the issue and subscription of the Placement Shares) not being prohibited or restricted by any statute, order, rule, regulation, ruling, direction, directive, guideline or request, whether or not having the force of law, and whether promulgated or made by any legislative, executive or regulatory body or authority of Singapore (including the SGX-ST and the Monetary Authority of Singapore) or of any other jurisdiction which is applicable to the Company or the Subscriber;
- (i) there having been no occurrence of any event or discovery of any fact rendering any of the warranties in Clause 7 or Clause 8 of the Subscription Agreement untrue or incorrect in any material respect as at the Completion Date as if such warranties had been given again on the Completion Date; and
- (j) the Company and the Subscribers not being in breach of any of the undertakings in the Subscription Agreement as at the Completion Date.

If the conditions set forth in the Subscription Agreement are not satisfied on the date falling eight (8) months from the date of the Subscription Agreement (“**Long Stop Date**”) (or such other date as may be mutually agreed between the Company and the Subscriber), the obligations of the Subscriber to subscribe for the Placement Shares shall terminate and in that event the Company and the Subscriber shall be released and discharged from their respective obligations under the Subscription Agreement and neither the Company nor the Subscriber shall have any claim against each other or any costs, expenses, damages, losses, compensation or otherwise in respect of the Subscription Agreement, save for any antecedent breach of the Subscription Agreement.

An announcement of the receipt of the LQN in relation to the Placement Shares will be made in due course when the LQN is obtained.

3.4 Completion

Completion is scheduled to take place on the date falling no later than twenty-one (21) market days immediately following the satisfaction of the conditions precedents as set out in paragraph 3.3 above (or such other date after the satisfaction of the conditions precedents as the Company and the Subscriber may agree).

4. ADDITIONAL LISTING APPLICATION

The Company will be making an application to the SGX-ST via the Company’s sponsor, Stamford Corporate Services Pte. Ltd. (the “**Sponsor**”), for the admission of the Placement Shares to the Catalist of the SGX-ST and for the listing and quotation of the Placement Shares on the Catalist of the SGX-ST after it has rectified its existing non-compliance of the Catalist Rules, including to convene an annual general meeting for the financial year ending 31 December 2020 as required under Catalist Rule 701(1) and (2) and to meet the minimum number of three (3) members in its audit committee as required under Catalist Rule 704(7). The Company will make the necessary announcements once the receipt for the listing and quotation of the Placement Shares has been obtained from the SGX-ST.

5. THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong, with its registered address at Room 4, 16/F, Ho King Commercial Centre, 2-16 Fayuen Street, Mongkok, Kowloon, Hong Kong. The ultimate beneficial owner of the Subscriber is a one Huang Hairong, the director and sole shareholder of the Subscriber. He was born in Jiangsu, China in 1970 and is presently 51 years of age. From 2014 to 2021, Huang Hairong was a deputy general manager of a real estate company in Jiangsu, China. In his role as deputy manager, he worked with the general manager to manage and supervise the affairs of the company. He was also principally involved in organizing the acquisition of supplies and materials necessary for the company's operations, including controlling all aspects of the supply chain. From 2009 to 2013, Huang Hairong was the resource manager of a construction company. In his role as resource manager, he was in charge of all supply chain-related matters including the acquisition of construction materials for the operation of the company.

The Subscriber and the Executive Chairman and CEO, Mr Chu Ming Kin, were acquainted in a social setting. The Subscriber is making its investment in the Company based solely on its own assessment and evaluation of the Company (including its financials and prospects). No introductory fees of any kind were paid by the Company and/or its Directors for the Proposed Placement.

The Subscriber does not have any connection (including business relationships) with, the Company, its Directors and substantial shareholders, and is not a person to whom the Company is prohibited from issuing shares to, as provided for by Rule 812 of the Rules of Catalyst of the Listing Manual of the SGX-ST.

The Subscriber and its beneficial owners have had no previous business, commercial, trade dealings or any other connection with the Group, the Directors and controlling shareholders of the Company.

6. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

The financial effects of the Proposed Placement set out below are for illustrative purposes only and are based on the unaudited financial statements of the Company for the financial year ended 31 December 2020 ("**FY2020**") on the assumptions that:

- (a) the Proposed Placement of 1,738,000,000 Placement Shares is fully subscribed for by the Subscriber on the basis of an aggregate placement consideration of S\$4,518,800;
- (b) the expenses incurred in the Proposed Placement are approximately S\$300,000;
- (c) the financial effect on the consolidated net tangible assets ("**NTA**") per Share is computed based on the assumption that the Proposed Placement was completed on 31 December 2020; and
- (d) the financial effect on the earnings per Share ("**EPS**") is computed based on the assumption that the Proposed Placement was completed on 31 December 2020.

The Company will set out the financial effects of the Proposed Placement based on the audited financial statements of the Company for FY2020 in the circular to be dispatched to Shareholders for the Proposed Placement ("**Circular**") in due course.

NTA

For the financial year ended 31 December 2020

| | Before the Proposed Placement | After the Proposed Placement |
|---|-------------------------------|------------------------------|
| NTA (RMB'000) | 157,363 | 178,207* |
| Number of issued shares of the Company ("Shares") | 1,701,000,410 | 3,439,000,410 |
| NTA per Share (RMB cents) | 9.25 | 5.18 |

**the exchange rate used is as at 31 December 2020, being RMB/SGD: 4.9407.*

EPS

For the financial year ended 31 December 2020

| | Before the Proposed Placement | After the Proposed Placement |
|---|-------------------------------|------------------------------|
| Net earnings attributable to Shareholders (RMB'000) | (4,601) | (4,601) |
| Weighted average number of shares for the year ended 31 December 2020 | 1,701,000,410 | 3,439,000,410 |
| EPS (RMB cents) | 0.27 | 0.13 |

7. USE OF PROCEEDS

Following the Proposed Placement, the Company will use the proceeds of the Proposed Placement to meet its immediate working capital requirements and also provide a buffer for the Company's future working capital requirements. Additionally, funds will also be used to pursue new business opportunities.

Based on the Issue Price, the estimated amount of proceeds from the Proposed Placement (net of estimated expenses of approximately S\$300,000) will be approximately S\$4,218,800 ("**Net Proceeds**").

The Company intends to utilize the Net Proceeds as follows:

- (a) up to 35% of the Net Proceeds will be used to settle the Company's immediate outstanding debts and for general working capital purposes, which includes general and administration expenses; and
- (b) up to 75% of the Net Proceeds will be used to acquire new business through potential investments, acquisitions, joint ventures in furtherance of the Company's intention for the Proposed Placement (as set out in paragraph 2 of this announcement) and collaborations.

The Company will make periodic announcements on the utilisation of the Net Proceeds from the Proposed Placement as and when the funds are materially disbursed and whether such use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the proceeds raised from the Proposed Placement in the Company's interim and full year financial statements issued under Rule 705 of Section B: Rules of Catalist of the Listing Manual of the SGX-ST and the Company's annual report. Where the proceeds are used for working capital purposes, the Company will provide a breakdown with specific details on how the proceeds have been applied in the announcements and the status report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the proceeds from the Proposed Placement, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit, from time to time.

8. WORKING CAPITAL AND GOING CONCERN

The Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into consideration:

- (a) the Group's cash and cash equivalents;
- (b) the Group's present bank facilities; and
- (c) the total net proceeds of the Proposed Placement;

that the working capital available to the Group is sufficient to meet the Group's present requirements and for the next 12 months following completion of the Proposed Placement.

9. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The number of Placement Shares as a percentage of the Enlarged Share Capital and the total number of shares held by the Subscriber after the completion of the Proposed Placement as a percentage of the Enlarged Share Capital is set out below:

| Name of Subscriber | Number of Placement Shares | Current number of Shares | Total number of shares upon completion | Total number of Shares as a percentage of the Enlarged Share Capital |
|--|-----------------------------------|---------------------------------|---|---|
| Hong Kong Puzhou New Material Co., Limited | 1,738,000,000 | 0 | 1,738,000,000 | 50.54% |

The Company's substantial shareholders' shareholdings before and after the Proposed Placement based on the Company's register of substantial shareholder as at 31 December 2020 are set out below:

| | Before the Proposed Placement ⁽¹⁾ | | After the Proposed Placement ⁽²⁾ | |
|--|---|------------------------|--|------------------------|
| | Direct interest | Deemed interest | Direct interest | Deemed interest |
| | No. of Shares (%) | No. of Shares (%) | No. of Shares (%) | No. of Shares (%) |
| Hong Kong Puzhou New Material Co., Limited | 0 | - | 1,738,000,000 (50.54%) | - |
| Wang Xiaoling | 157,373,000 (9.25%) | - | 157,373,000 (4.58%) | - |
| Chu Ming Kin (director) | 35,520,000 (2.09%) | - | 35,520,000 (1.03%) | - |
| Teng Wai Leung Wilson (director) | 0 (0.00%) | - | 0 (0.00%) | - |
| Tay Boon Zhuan, Max (director) | 0 (0.00%) | - | 0 (0.00%) | - |
| Sze Wai Bun Raymond | 87,562,500 (5.15%) | - | 87,562,500 (2.55%) | - |
| Huang Qingquan | 87,562,500 (5.15%) | - | 87,562,500 (2.55%) | - |
| Chen Jianming | 87,562,500 (5.15%) | - | 87,562,500 (2.55%) | - |

Notes:

- (1) Based on the Company's issued and paid-up share capital of 1,701,000,410 Shares as at the date of this announcement.

(2) Based on the Company's Enlarged Share Capital of 3,439,000,410 Shares.

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Placement.

10. DIRECTORS' SERVICE CONTRACTS

Following the completion of the Proposed Placement, the Subscriber will become the single largest shareholder and will be appointing 2 nominees to the Board of Directors of the Company.

The 2 nominees to the Board of Directors will be nominated and voted on at the Company's EGM as referred to in paragraph 1 of this announcement.

The Company will provide further details on the appointment of the 2 nominees to the Board of Directors of the Company in the Circular to be dispatched to the shareholders of the Company in due course.

11. NO PROSPECTUS OR OFFER INFORMATION STATEMENT TO BE ISSUED

The Proposed Placement will be undertaken pursuant to Sections 272B of the Securities and Futures Act (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the Proposed Placement.

12. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Placement is subject to various conditions (including the condition that trading suspension of the Company's shares on the Catalist board of the SGX-ST must be lifted), and there is no certainty or assurance as at the date of this announcement that the Proposed Placement will be completed or that the trading suspension on the Company's shares on the Catalist board of the SGX-ST will be lifted.

In the event that the conditions of the Placement Agreement are not satisfied by the Long Stop Date, the Proposed Placement may be terminated.

Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take. The Company will make the necessary announcements as and when there are any material updates in relation to the Proposed Placement or the plans of the Company.

13. CONFIRMATION BY DIRECTORS

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

14. 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 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 information in the 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.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Subscription Agreement are available for inspection at the Company's registered office at 10 Anson Road, #11-03 International Plaza, Singapore 079903 during normal business hours for a period of three (3) months commencing from the date of this announcement.

By Order of the Board
SINCAP GROUP LIMITED

CHU MING KIN
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
19 August 2021

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.