SINCAP GROUP LIMITED
(Company Registration Number: 201005161G)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 7,595,000 ORDINARY SHARES IN ORION ENERGY RESOURCES PTE. LTD.

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1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of Sincap Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has entered into a conditional Sale and Purchase Agreement ("the "**Agreement**") with Magnigrow Capital Pte. Ltd. (the "**Vendor**") on 27 November 2018 to acquire 7,595,000 ordinary shares in Orion Energy Resources Pte. Ltd. ("**Orion**" or the "**Target**"), which represents approximately 48.97% of the issued and paid-up share capital of the Target, on the terms and conditions of the Agreement (the "**Proposed Acquisition**") for an aggregate consideration of S$12,000,000 (the "**Consideration**").

2. INFORMATION ON THE VENDOR AND THE TARGET

2.1 Vendor

The Vendor is a private company incorporated in Singapore with limited liability and is principally an investment holding company. The directors of the Vendor are Ip Miu Hing and Chen Xin Yi. Ip Miu Hing is also the sole shareholder of the Vendor. Ip Miu Hing currently holds 17,500,000 shares in the Company (approximately 1.03% of the entire issued and paid-up share capital of the Company).

2.2 Orion

Orion is a company incorporated in Singapore on 3 October 2014, with an issued and paid-up share capital of S$15,510,000, comprising 15,510,000 ordinary shares. Orion is engaged in mineral trading and logistics management.

The Company currently owns 7,910,100 ordinary shares in Orion, which comprise 51% of the entire issued and paid-up share capital. Chu Ming Kin, the Executive Chairman and Chief Executive Officer of the Company, is the sole director of Orion. Robby, an Executive Director of the Company, is also the Chief Operating Officer of Orion.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition is in the best interests of the Company and the shareholders of the Company ("**Shareholders**") as the Target is financially strong and profitable and is expected to continue providing consistent returns to the Group. The Board's view in this regard is based on the audited financial results of the Target for the financial year ended 31 December 2017 ("**FY2017**"). As announced in the Company's latest annual report, the Target contributed to the Group's revenue and profit after tax (before deducting minority interests) in the amounts of RMB306.7 million and RMB28.3 million respectively. These figures represent an increase from the financial year ended 31 December 2016, when the Target contributed to the Group's revenue and profit after tax (before deducting minority interests) in the amounts of RMB173.5 million and RMB15.1 million respectively.

In addition, the Proposed Acquisition will result in the Company holding 99.97% of the entire issued and paid-up share capital in the Target, allowing the Company to have almost full control of the Target. This will enable the Company to better manage the businesses, finances and resources of the Target in order to optimise returns for the Group.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1 Sale and Purchase

Pursuant to the Agreement, the Company will acquire 7,595,000 ordinary shares of the Target (the "**Sale Shares**"), representing approximately 48.97% of the entire issued and paid-up capital of the Target, free from all encumbrances and together with all rights and advantages attaching thereto from the Vendor. Following completion of the Proposed Acquisition ("**Completion**"), the Company's shareholding in the Target will increase from 51% to approximately 99.97%.

4.2 Consideration

The Consideration for the sale and purchase of the Sale Shares shall be satisfied by the Company through the issue of a 3-year non-listed, non-tradable, convertible bond by the Company to the Vendor with an aggregate value of S$12,000,000 at Completion ("**Bond**").

The Bond will carry an interest of 5% per annum which will be payable annually. The maturity period of the Bond is three (3) years but the Company is entitled at its discretion to redeem the Bond in whole or in part any time before maturity.

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 ("**Redemption Shares**"). In deciding the method of redemption, the Company will monitor its shareholdings and ensure that Redemption Shares will not be issued to the Vendor such that:

(a) the Vendor and/or any person who may have an interest in such Redemption Shares through the Vendor will become a controlling shareholder of the Company, as defined under the Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**"); or

(b) a mandatory offer is triggered in accordance with the Singapore Code on Take-overs and Mergers.

In determining whether any issuance of Redemption Shares may result in a change of controlling interest or trigger a mandatory offer, the Company shall take into consideration the existing share interests (if any) of the Vendor and/or any person who, through the Vendor, may have an interest in the Redemption Shares to be issued.

The issue price of each Redemption Share to be issued to the Vendor shall be S$0.012, which represents a premium of approximately 9.09% of the weighted average price of S$0.011 per ordinary share in the capital of the Company for trades done on the SGX-ST on 27 November 2018, being the full market day on which the Agreement was signed. Issuance of Redemption Shares (if any) will most likely be pursuant to a general mandate from Shareholders to issue shares.

Should the Company exercise its option to redeem the Bond through conversion of the Bond into Redemption Shares, the Company will make an application to the SGX-ST via the Company's sponsor, Stamford Corporate Services Pte. Ltd., for the listing and quotation of the Redemption Shares. The Redemption Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Redemption Shares.

The Consideration was arrived at on a willing buyer and willing seller basis, and taking into account (i) the net profit of the Target for FY2017 based on audited financial statements; and (ii) the net asset value of the Target as at 31 December 2017 based on audited financial statements. There was no external independent valuation conducted on the Target but the Company is aware of the financial position of the Target. The Consideration amount gives the Target an overall valuation of S$24,504,798.85, which is close to the Target's net tangible assets ("**NTA**") of S$25,044,491.48 as at 31 December 2017, as announced in the Company's latest annual report (based on a closing exchange rate of 1 SGD = 4.8661 RMB on 31 December 2017). This comes up to a price over book value ratio of 0.98.

4.3 Completion

Under the terms of the Agreement, the Completion is conditional upon the following conditions (the "**Sale Conditions**"):

(a) no person has any right of pre-emption or right of first refusal over the Sale Shares whether pursuant to any contract, the constitution of the Target, or otherwise;

(b) all necessary requirements under the Catalist Rules and all necessary consents or approvals (if any) being granted by third parties or governmental or regulatory bodies or competent authorities having jurisdiction over the acquisition of the Sale Shares and any other transaction contemplated under the Agreement as the Company may deem necessary (including without limitation, the consent or approval of the SGX-ST or the Shareholders (as applicable and where required)) and where any such consent or approval is subject to any conditions, such conditions being reasonably acceptable to the party on which they are imposed, and if such conditions being fulfilled before Completion and such consents or approvals not being revoked or repealed on or before Completion;

(c) there not having been at any time prior to or on Completion the occurrence of any of the following events:

   (i) liquidation, bankruptcy, or insolvency of the Target;

   (ii) termination of substantially all or part of the business of the Target;

   (iii) appointment of any assignee, receiver or liquidator for substantially all or part of the assets of the Target; and

   (iv) suspension or withdrawal of the rights and privileges of the Target which are material in the conduct of their respective present businesses by any authority or regulator;

(d) none of the Company, the Vendor and the Target having received, on or prior to Completion, notice of any directive, injunction or other order, which restrains or prohibits the consummation of the Proposed Acquisition and there being no action, on or prior to Completion, seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such directive, injunction or other order or action which is threatened; and

(e) all of the warranties, representations and undertakings contained in the Agreement being true and accurate in all material respects at Completion, as if repeated at Completion.

If any of the Sale Conditions is not satisfied or waived on or before the date falling one (1) month from the date of the Agreement, the Agreement shall terminate automatically and all obligations and liabilities of the parties shall cease.

Completion of the Proposed Acquisition will take place no later than 14 business days after the Sale Conditions are fulfilled or waived in accordance with the Agreement.

4.4 Value of the Sale Shares

(a) Net Asset Value

The net asset value of the Target as at 31 December 2017 based on the audited financial statements of the Target is US$18,691,764.

(b) Net Profit

The net profit before tax attributable to the Target for FY2017 based on the audited financial statements of the Target is US$5,027,082.

4.5 Service Contracts

There are no persons proposed to be appointed as directors of the Target in connection with the Proposed Acquisition, as the sole director of the Target is Chu Ming Kin, the Executive Chairman and Chief Executive Officer of the Company.

There are no service contracts to be entered into at completion, as the Company currently manages the affairs and operations of the Target and will continue to do so.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

5.1 Assumptions

The pro forma financial effects in this section are based on the audited consolidated accounts of the Group for FY2017 and the audited financial statements of the Target for FY2017, and are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group following Completion.

5.2 Net Tangible Assets

For illustrative purposes and assuming the Proposed Acquisition had been completed on 31 December 2017, the pro forma financial effects on the consolidated NTA for FY2017 are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA (RMB'000)	148,354	149,708

Number of shares	900,500,410	900,500,410
NTA per share (RMB cents)	16.5	16.6

5.3 Earnings per Share

For illustrative purposes and assuming the Proposed Acquisition had been completed on 1 January 2017, the pro forma financial effects on the earnings per share of the Group for FY2017 are as follows:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Net profit attributable to shareholders after tax from continuing operations (RMB'000)	3,549	17,415
Net profit attributable to shareholders after tax from discontinued operations (RMB'000)	10,198	10,198
Number of weighted average shares	796,437,284	796,437,284
Earnings per share (RMB cents) (continuing operations)	0.45	2.19
Earnings per share (RMB cents) (discontinued operations)	1.28	1.28

5.4. Share Capital

The Proposed Acquisition will not have any immediate effect on the share capital and shareholding structure of the Company as the Consideration is satisfied through the issuance of the Bond and does not involve the allotment and issuance of any new shares in the Company on Completion.

6. <u>RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006</u>

Based on (i) the unaudited consolidated financial statements of the Group for the six (6) months period ended 30 June 2018 ("**1H2018**") and (ii) the unaudited financial statements of the Target for 1H2018, the relative figures for the Proposed Acquisition computed on the bases set out in Rules 1006 (a) to (e) of the Catalist Rules are as follows:

Rule 1006	**Bases**	**Size of Relative Figures (%)**
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. Not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits	83.33%(1)

(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	64.13% [(2)]
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

(1) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit before income tax, minority interests and extraordinary items. The net profits of the Target for 1H2018 is US$1,634,023 and the net profits of the Group for 1H2018 is RMB6,674,147. Assuming an exchange rate of USD1 = RMB6.95 as at the date of this announcement, the net profits of the Target for 1H2018 is RMB11,356,459.85. 48.97% of RMB11,356,459.85 is approximately RMB5,561,258.39.

(2) The market capitalisation was derived from the 1,701,000,410 shares of the Company in issue and the weighted average price of S$0.011 per share as at 27 November 2018, being the last traded market day immediately preceding the date of the Agreement.

Whilst the relative figure in relation to Rule 1006(b) exceeds 75%, it is due to the acquisition of a profitable asset, hence in accordance with Rule 1014(2), the Proposed Acquisition constitutes a discloseable transaction under Chapter 10 of the Catalist Rules for which Shareholders' approval is not required.

7. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as Directors or Shareholders of the Company) has any interest, direct or indirect, in the Proposed Acquisition.

8. RESPONSIBILITY STATEMENT

The Directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the Directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

9. DOCUMENT FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this announcement.

10. <u>CAUTION IN TRADING</u>

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 Proposed Acquisition will be completed. 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.

BY ORDER OF THE BOARD
SINCAP GROUP LIMITED

Chu Ming Kin
Executive Chairman and Chief Executive Officer
27 November 2018

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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.

The contact person for the Sponsor is Mr. Bernard Lui, Telephone: +65 63893000, Email: bernard.lui@morganlewis.com.