

**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) (“SIAS”) IN RELATION TO ANNUAL REPORT 2020**

The Board of Directors (the “**Board**”) of Sincap Group Limited (the “**Company**”) and together with its subsidiaries, collectively the “**Group**”) wishes to announce that it did not receive any questions from shareholders as at the cut-off timeline for submission of questions as at 6.00 p.m. on 3 January 2023.

The Board further refers to the questions raised by SIAS in relation to the Company’s annual report for the financial year ended 31 December 2020 (“**FY2020**”), and sets out the Company’s responses and the corresponding questions below.

*Note: This is a voluntary disclosure. Shareholders may read the Company’s responses in conjunction with its previous announcements including (i) relevant responses to SGX queries; (ii) the announcement relating to the entry into a binding heads of agreement (“**HOA**”) dated 12 August 2022; and (iii) the corporate update announcement dated 21 September 2022. Please also note that the replies provided herein may not be in the sequence of which the questions are raised.*

*Unless otherwise expressly defined herein, all capitalised terms and references used herein shall have the same meanings ascribed to them in the Company’s annual report for the financial year ended 31 December 2020 (the “**FY2020 AR**”).*

Question 1

- (i) Has the board examined the track record of the potential investor, especially in creating long-term, sustainable value for shareholders, especially minority shareholders?
- (ii) How much influence does the potential investor have over the group at this stage? Is the board/company “shopping” for superior offers or transactions that would preserve/create more shareholder value?
- (iii) Other than a binding HOA, has the company received any cash injection from the potential investor?
- (iv) How does the board ensure that the interests of the company and of the shareholders are taken care of? What are the roles played by the independent directors in the negotiation with the potential investor?
- (v) Who is leading the group’s restructuring efforts?
- (vi) How does the company/board ensure that long-standing shareholders of the company do not suffer undue dilution in the potential RTO?

Company’s response

The Company had disclosed the background of the potential investor, Mr Teh Wing Kwan (“the “**Professional Investor**”), in the Company’s announcement dated 12 August 2022. The profile of the Professional Investor is also publicly available and his corporate track record with other public companies listed in Singapore, Hong Kong and Australia had previously been reported in the mass media.

On 21 September 2022, the Company announced that (a) it has taken steps to address the existing issues pertaining to compliance of Catalist Rules under the guidance of the Professional Investor; and (b) the Professional Investor has provided strategic guidance to the Company in relation to the operational review and the Proposed Reorganisation. The operational review and the Proposed Reorganisation forms part of the Company's proposed restructuring, the execution of which is led by Mr Chu Ming Kin, the executive chairman and chief executive officer of the Company (the "CEO"). The progress of which is thereafter reported to the audit and risk committee of the Board (the "ARC").

Please refer to the Company's announcement dated 12 August 2022 for rationale for and factors taken into consideration by the Company in determining that the proposed investment by the Professional Investor is in the best interests of the Company and its shareholders. In the Company's announcement dated 22 May 2022, the Company had also highlighted that it has been extremely cautious in evaluating potential fund-raising options, corporate actions and strategic plans following the termination of the previously announced proposed placement dated 19 August 2021. These previous announcements had set out background, issues, factors, limitations and other pertinent details which the Board had considered prior to entry into the binding HOA with the Professional Investor.

In addition to the above and as previously disclosed, the Company wishes to highlight that whilst the Professional Investor has provided it with useful strategic guidance following the announcement of the HOA, there is no certainty that the Professional Investor will proceed with the proposed investments as it is contingent upon the fulfillment of certain conditions precedents. The Company is working closely with the Professional Investor and will update shareholders if there is a material development in the key corporate plans.

Please take note that any cash injections from the Professional Investor to the Company will be in accordance with the Proposed Subscription, the Proposed Loans and the Proposed Investor Guarantees as part of the binding HOA as announced on 12 August 2022.

The Board wishes to highlight that the Company is not in the position to provide any comments on the Potential RTO for the time being as the Company has yet to announce an RTO target. In the event that the Potential RTO is announced, the Board will include the rationale of the Potential RTO in the announcement.

Question 2

- (i) Can the company help shareholders understand if the transactions were carried out according to the safeguards as stipulated in the IPT mandate?
- (ii) In addition, were the gross amount of trade receivables totaling RMB225.3 million and RMB167.3 million as at 31 December 2019 and 2020 respectively within the IPT & risk management limit set by the audit committee / board?
- (iii) What is the current (financial and operational) status of Artwell? When was the last communication from Artwell? What role did the executive chairman and CEO play in the granting of credit to Artwell and also in the group's efforts to collect the long-outstanding receivables from Artwell?
- (iv) What role did the executive chairman and CEO play in the granting of credit to Artwell and also in the group's efforts to collect the long-outstanding receivables from Artwell?
- (v) What is the level of involvement by the board, especially the independent directors, in recovering the USD25.6 million from Artwell?
- (vi) Going forward, will the independent directors be taking ownership of the issue of the unpaid trade receivables since this is an IPT and concerns the brother of the executive chairman and CEO?
- (vii) Given the increase in the risk of expected credit loss for the trade receivables, would it be prudent for the board/audit committee to impair the receivables from Artwell?
- (viii) When will the company be releasing the updated financial results for FY2021 and FY2022?

Company's response

The Company had disclosed the Board's annual review of the internal controls and risk management systems on page 47 of the Company's annual report for financial year ended 31 December 2019 which includes the transactions carried out with Artwell. The extract of the relevant portion is as follows:

"The Company's external auditors had conducted their audit of the Group's financial statements for the year ended 31 December 2019. The Company's internal auditor had conducted their annual review on Orion Energy Resources Pte. Ltd. ("Orion") in relation to interested person transactions, sales and account receivables and a follow-up of the prior year's findings.

The Company's external and internal auditors reported their respective findings to the ARC.

Based on the internal controls established and maintained by the Group, work carried out by the external and internal auditors, the Assurance and reviews performed by the Management and the various Board Committees, the Board, with the concurrence of the ARC, are of the opinion that, save for certain areas for improvement as identified by the external and internal auditors, the Group's internal controls and the risk management system are generally adequate and effective addressing financial, operational, compliance and information technology and risk management during FY2019."

Save for the outstanding trade receivables brought forward from FY2019 and interest accrued thereof as disclosed on Page 56 of the FY2020 AR, the Company did not conduct any interested person transactions in FY2020.

Please refer to the section titled "Updates on Audit Issues pursuant to Paragraph 3A of Appendix 7C of the Catalist Rules" on Page 6 of the FY2020 AR in which the Company has provided updates on the efforts taken, including management's views in relation to qualified opinion issued by the Group's independent auditor in relation to "Impairment of trade receivables" that the Company has updated therein the re-assessment of credit risk given the recent challenging operating environment (including potential impairment), evaluation of potential legal actions, issuance of the Latest Letter of Demand and potential longer-than-expected negotiation process, among others.

Whilst the CEO remains responsible in dealing with Artwell, the ARC has direct access to the Company's legal advisor(s), which will continue to provide it with updates on the collection process. The ARC is also authorised to communicate with the legal advisor(s) in connection with matters such as issuance of letter of demand, commencement of legal actions, including issuance of a winding-up petition (if necessary). The ARC will also review revised payment proposals from Artwell (if any) and the CEO shall not conclude any matters pertaining to negotiations with Artwell without final approval from the ARC. In the meantime, the CEO has been following up on the Latest Letter of Demand issued and will continue to report to the ARC on such matters relating to receivables from Artwell.

With regard to the release of updated results for FY2021 and FY2022, the Company has engaged the Group's independent auditor to commence audit planning meetings after the conclusion of AGM for FY2020. The management of the Company will evaluate if it is feasible to complete the audits for both FY2021 and FY2022 concurrently. However, the Company is aware of the forthcoming peak periods for most audit firms over the next few months. The Company will provide an update on this matter in due course.

Question 3

- (i) Has the board/nominating committee considered the benefit of having an independent chairman to lead the board and the group at this critical juncture given the group's financial position?
- (ii) What is the search and nomination process for directors, especially independent directors?
- (iii) Is the company cognisant of the requirements in the Companies Act (Cap. 50) with regard to the size and composition of the audit committee?
- (iv) What progress has been made by the board in identifying and appointing suitable directors, especially independent directors? Are there any challenges faced by the board in identifying and onboarding of new board members?

Company's response

Whilst the Chairman is not independent, the majority of the Board committee comprises two independent directors out of the current three Board members. Notwithstanding the foregoing, as disclosed in Company's announcement dated 26 May 2022 and on page 40 of the FY2020 AR, the ARC and the Board having considered the current cash company status of the Company, the Company has included the chairman of the ARC as an authorized signatory for its main bank account, which was identified as an area of concern. As a result, and in light of the fact that the Company's existing resources are limited, the Company believes that there is currently no significant benefit of having an independent Chairman.

The Company has also provided an explanation for its variation from Provision 4.2, Provision 6.2 and Provision 10.2 of the Code of Corporate Governance 2018 on pages 23, 31 and 43, respectively, of the FY2020 AR.

The NC has put in place a formal process for the selection of new Directors as disclosed on page 24 of the FY2020 AR. The selection and appointment process will also cover the independent assessment of each proposed director. In addition, sponsor will, through an independent third party, undertake background checks for all proposed directors, and conduct appointment interviews, prior to formal appointment by the Company.

The Company is cognisant of the requirements under section 201 of the Companies Act 1967 of Singapore in relation to the size and composition of its audit committee alongside the requirements under Catalist Rule 704(7).

As announced on 25 November 2022, the Company has endeavoured and continues to search for a suitable independent director to be appointed to fill in the unexpected and sudden vacancy following the unexpected demise of Mr Ng Hoi-Gee Kit to ensure compliance with applicable laws, the provisions of the Code and the Catalist Rules. In the meantime, the Board has taken into account the Group's existing limited resources in its search of an additional independent director. Further, the Board is in the midst of finalising the Proposed Reorganisation and evaluating the Potential RTO and is of the view that the potential independent director should carry the relevant skills and competencies to provide constructive input to these corporate actions which are of paramount importance to the Company at this juncture.

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 past and future announcements by the Company carefully and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the 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
9 JANUARY 2023

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.

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