

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

QUERIES FROM SIAS

The board of directors (the “**Board**”) of Sincap Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the questions received from Securities Investors Association (Singapore) (“**SIAS**”) on 23 April 2018. The Board wishes to address the questions with the following corresponding responses in this announcement.

Q1. Excluding the one-time recognition of income from the disposal of the Beijing Raffles group, revenue from the group’s continuing business of trade of thermal coal under its 51% subsidiary, Orion Energy Resources Pte Ltd (“**Orion**”), increased by 40% to hit RMB306.7 million in FY2017. Sales volume increased by 57% from 763,000 MT in FY2016 to 1,196,000 MT in FY2017.

Question	Answer
<p>a) What were the key drivers that led to the higher revenue and volume of thermal coal in FY2017?</p>	<p>The key driver for the higher revenue and volume of thermal coal in FY2017 was due to an enlarged balance sheet which allowed Orion to carry out more trades in FY2017.</p> <p>The enlarged balance sheet was due to the following:</p> <ol style="list-style-type: none"> 1) Injection of capital via a share capitalisation exercise completed on 24 May 2017 <p>As a result of the share capitalisation exercise, the share capital of Orion increased by S\$15,510,000. Through this exercise, Orion had a new investor – Magnigrow Capital Pte Ltd, who invested S\$7,595,000 in Orion. The Company also subscribed for its entitlement of 7,905,000 new ordinary shares in Orion through the capitalisation of an existing loan amount of S\$7,905,000 owed by Orion to the Company. With this exercise, the Company retains its 51% shareholding stake in Orion.</p> <ol style="list-style-type: none"> 2) Loan of S\$10,000,000 from the Company following the disposal of the Company’s former subsidiary, Beijing Raffles Investment Advisory Co. Ltd. (“Beijing Raffles”) <p>Following the Company’s disposal of Beijing Raffles, which was completed and announced on 12 October 2017, the sale proceeds of S\$10,000,000 were loaned by the Company to Orion to expand Orion’s business and for use as working capital. This was in accordance with the intended use of proceeds from the sale, as announced by the Company on 12 June 2017.</p> <p>There has always been a steady demand for coal from Orion’s key clients. Having more funds from the abovementioned allowed Orion to have more capability to fulfil the orders and shipments of coal which eventually led to higher revenue.</p>
<p>b) How does Orion obtain its thermal coal and who are its major suppliers and customers?</p>	<p>Orion obtains its thermal coal from various suppliers in Indonesia. These suppliers include mines, from which Orion purchases coal directly, other coal trading agents or Indonesian domestic coal resellers.</p> <p>Orion has a few key customers, ranging from direct buyers to coal traders based in mainland China.</p>

<p>c) What is the competitive advantage of Orion that would allow it compete with other coal producers and coal traders?</p>	<p>Orion oversees the whole process from sourcing of coal from Indonesia to delivery of such coal to end customers, which offers convenience for its customers. In addition, Orion possesses intimate knowledge of the Indonesian coal suppliers and also the mainland China buyers. These factors combine to give Orion a competitive advantage over other coal producers and traders.</p>
<p>d) Can the company explain its role in the management and oversight of Orion?</p>	<p>The management of the Company is in direct control of Orion, including the day-to-day operations and finance-related matters. Management personnel of Orion is appointed by the Company. Additionally, Chu Ming Kin, the Executive Chairman and Chief Executive Officer of the Company, is managing Orion himself.</p>
<p>e) Is the RM5.8 million of receivable written off related to the coal trading business?</p>	<p>The write-off of RMB5.8 million of receivables was not related to the coal trading business. This amount is in relation to the amount due from Beijing Raffles. The management had sought its Independent Auditor's advice on this and is of view that this amount would not be recoverable, thus writing off against the gain on disposal.</p>
<p>f) Regardless, how does the group ensure that it is not exposed to increasing/excessive credit risk as the group scales up its thermal coal trading business?</p>	<p>As mentioned in paragraph 1 (d), the Company is in direct control of Orion. With that direct control, the Company is in the position to manage exposure as the Group scales up its thermal coal trading business. In addition, the Company has certain risk management procedures in place to manage its exposure.</p>
<p>g) Is Orion financially self-sufficient? Is Orion able to secure funding on its own and not depend on the company for its funding needs?</p>	<p>Orion will continue to conduct business based on the amount of capital and funding it has. At the moment, Orion is still partially dependent on the Company for certain funding needs e.g. the S\$10,000,000 loan from the Company (which is for an agreed duration of two (2) years), but Orion has demonstrated its ability to raise funds on its own such as by attracting a new investor in its capitalisation exercise, as mentioned in paragraph 1 (a) above.</p>

Q2. On 21 May 2015, the Board announced that, on 14 May 2015, it was made aware of certain irregularities in respect of certain transactions undertaken by its Australian subsidiaries, SCL Murray Pty Ltd. A AUD5.1 million loan was taken up from Reliance Finance and a loan of AUD4.7 million was extended to Richardson 1 Pty Ltd. As on the date of announcement, Mr Damon Ferguson, Mr Chad Ferguson and Mr Anthony Hatt are common directors of both SCL Murray and Richardson.

A settlement agreement was announced on 8 September 2015 and the salient terms include:

- the Richardson 1 directors to make all requisite payments to SCL Murray by 31 October 2015
- the Richardson 1 directors and Mr Lawrence Tan to resign as directors of SCL Murray

The terms were subsequently revised to extend the deadline to 14 November 2015 but as of 22 December 2017, a sum of over AUD4 million still remains outstanding.

Question	Answer
	<p>The Company would first like to clarify as follows:-</p> <p>A supplemental agreement to the settlement agreement was signed and announced on 3 December 2015 ("Supplemental Agreement"). Under the Supplemental Agreement, an outstanding amount of AUD3.945 million ("Outstanding Sum") and an agreed</p>

	<p>interest amounting to AUD289,249.39 on the Outstanding Sum was to be paid by Damon Ferguson, Chad Ferguson and Anthony Hatt (collectively, the “Defaulting Parties”) to SCL Murray Pty Ltd (“SCL Murray”) by 1 September 2017.</p> <p>The Company duly sought payment from the Defaulting Parties on or around 1 September 2017 but there was a default by the Defaulting Parties of the Supplemental Agreement. The Company promptly released an announcement the following market day, on 4 September 2017. Subsequent update announcements have also been released on 7 September 2017 and 22 December 2017.</p>
<p>a) Can the board elaborate further on the relationship between SCL Murray and Richardson 1 Pty Ltd? Were SCL Murray and Richardson 1 partners in any development?</p>	<p>Other than the Defaulting Parties being common directors at the time of the transactions, there is no relationship or partnership between SCL Murray and Richardson 1 Pty Ltd (“Richardson 1”). The Company is aware of a development being undertaken by Richardson 1 but SCL Murray is not involved in such development.</p>
<p>b) What are the company’s plans for SCL Murray and the Australian property development segment? Does the company intend to wind up or dispose of SCL Murray given that the company has decided to cease its Australia property development business?</p>	<p>The Company currently has no plans in the Australian property development segment. The current intention is to wind up SCL Murray once the issues in relation to the defaulted Supplemental Agreement are fully resolved.</p>
<p>c) A letter of demand was only issued on 5 September 2017, some two years after the irregularities took place. As announced on 22 December 2017, the company has also consulted lawyers on the matter. Can the board clarify its position on the matter? Why has there been such a long delay in enforcing the company’s rights?</p>	<p>As explained above, the Company has consistently followed up and promptly made announcements whenever there were any developments on this matter. There was no long delay in enforcing the Company’s rights. Based on the announcements, a letter of demand had been issued to the Defaulting Parties promptly following default. The Company is still dealing with the issue through the lawyers engaged by the Company, as mentioned in the Company’s announcement dated 22 December 2017. Following the exchanges between the Company / its lawyers and the Defaulting Parties, the Company had received part payment of AUD500,000 in January 2018. The Board’s position has always been to pursue the best chance of recovery for the Company. Talks are still ongoing between the relevant parties and the Company will provide further updates on this matter as and when appropriate.</p>
<p>In addition, has the board investigated how its wholly own subsidiary could have entered into these unauthorised transactions? What are the improvements made to the group’s oversight of its subsidiaries and its internal controls? How does the board ensure that unauthorised transactions do not happen again?</p>	<p>The Company’s understanding is that the unauthorised transactions were entered into by the then directors of SCL Murray.</p> <p>To ensure that such events do not happen again, the Board is committed to ensuring that the Company is represented on the board and management of its subsidiaries in future.</p>

Q3. On 5 December 2016, the company announced a renounceable non-written rights issue of up to 2.6 billion new ordinary shares of the company on the basis of 5 rights shares for every 1 existing ordinary share of the company at an issue price of \$0.01 per rights share.

At the conclusion of the rights issue, the level of valid acceptances and excess applications were 12.13% and 2.46%, meaning the total level of subscription was just 14.59%.

The issue price of \$0.01 per rights share represented a discount of approximately 60% to the last traded price of \$0.025 per share. Given the discount and the 5:1 ratio of the rights issue, this was a highly dilutive rights issue for shareholders.

Question	Answer
<p>a) Has the board and management reviewed the rights issue exercise and evaluated the reasons for the low level of subscription?</p>	<p>The low level of subscription was due to various concerns arising over its then-subsidiary, Beijing Raffles, which raised certain issues for the Company (please refer to announcements dated 9 March 2017, 15 March 2017, 20 March 2017, 3 April 2017, 12 October 2017 and 22 December 2017).</p> <p>To address the issues, the Board has since made the decision to dispose of Beijing Raffles and to reinvest the sale proceeds into profitable subsidiaries like Orion.</p>
<p>b) What could the company have done better to improve the amount of funds raised?</p>	<p>The Company announced its proposed rights issue on 5 December 2016. The subsequent issues which arose in relation to Beijing Raffles in the first half of 2017 were circumstances that were unforeseeable by the Board. The Board could not have done anything else to improve the amount of funds raised since the unforeseeable circumstances were beyond the Board's control.</p>
<p>c) Has the board also considered the interests of minority shareholders who would have been severely diluted if they did not take part in the rights issue exercise? What were the deliberations by the board when it approved the price of the rights shares and the 5:1 ratio?</p>	<p>The Board had considered this point and felt it was a good opportunity for minority shareholders to participate in the development and growth of the Company. The proceeds raised from the rights issue were used to further the growth of Orion's business, which has led to increased revenue and profitability for the Company.</p>

In addition, since 30 August 2017, the Group has appointed a placement agent to place out a further 450 million new ordinary shares of the Company at a price of not less than \$0.18 per placement share. The placement agreement was extended to 31 May 2018.

Question	Answer
<p>d) Can shareholders understand from management and the board the reasons for the delay/difficulty of the placement?</p>	<p>As announced on 12 April 2018, the Company only submitted an application, through its sponsor, to the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the Placement Shares on Catalist on 4 April 2018 due to the time taken in investigating and resolving the issues surrounding the letter received from the management and employees' union of Shandong Luneng Taishan Mining Co., Ltd. and the letter of demand from Fu Hao as previously announced. The listing and quotation notice ("LQN") was received on 12 April 2018.</p>

	<p>As announced on 25 April 2018, the Company was unable to meet the condition of the LQN in relation to placing all the placement shares out by 23 April 2018, being within seven (7) market days from the date of the LQN. The Company, through its Placement Agent (KGI Securities (Singapore) Pte. Ltd.), has identified the placees and the placement shares are fully subscribed. However, as most of these potential placees are based overseas, there are logistical issues involved in getting the potential placees to sign the placee letters and ensure that the required funds are transferred to the Placement Agent. The Company has provided an expected timetable for the completion of the Placement Shares in the announcement on 25 April 2018.</p> <p>The Company will provide further updates on the placement as and when necessary.</p>
<p>e) What are the capital needs of the group in the next 2-3 years?</p>	<p>Over the next 2-3 years, the capital needs of the Group will be geared towards the following:</p> <ol style="list-style-type: none"> 1. Focusing on the business of Orion and its continuous growth; 2. Exploring further businesses in relation to the newly set up subsidiary, Sincap Properties Pte. Ltd.; and 3. The Company is also looking at further expansion into the areas of businesses that are being proposed at the upcoming extraordinary general meeting ("EGM") to be held on 27 April 2018. These areas of businesses include property management, as well as the logistics and technology sectors. After obtaining shareholders' approval at the EGM, the Company will look at possible opportunities and funding to further grow the Group.

In the meantime, shareholders of the Company ("**Shareholders**") are advised to exercise caution when dealing in the shares of the Company ("**Shares**"), and to refrain from taking any action in respect of their Shares which may be prejudicial to their interests. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD
SINCAP GROUP LIMITED

CHU MING KIN
Executive Chairman and Chief Executive Officer
26 April 2018

*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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