

SINOCLOUD GROUP LIMITED

(Incorporated in Bermuda on 13 August 2003)

(Company Registration No: 34050)

PROPOSED ISSUANCE OF CONVERTIBLE BOND OF A PRINCIPAL AMOUNT OF UP TO HK\$31,060,000

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or “**Directors**”) of SinoCloud Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had, on 7 October 2020 entered into a convertible bond agreement (the “**Convertible Bond Agreement**”) with Lam Cho Ying Terence Joe (the “**Subscriber**”), pursuant to which the Subscriber agreed to subscribe for a bond in principal amount of up to HK\$31,060,000 (equivalent to S\$5,546,429, at a fixed exchange rate of S\$1.00 : HK\$5.60) to be issued by the Company (“**Bond**”) at a subscription price of 100% of the principal amount of the Bond (“**Subscription Price**”), on the terms and subject to the conditions of the Convertible Bond Agreement (“**Issuance of Bond**”).
- 1.2 There is no placement agent appointed in connection with the Issuance of Bond. The Issuance of Bond is by way of a private placement pursuant to an exempted offer under Section 272B of the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”). Hence, no prospectus or offer information statement in connection with the Issuance of Bond will be lodged with the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) acting as agent on behalf of the Monetary Authority of Singapore.
- 1.3 The Subscriber is currently a controlling shareholder of the Company, details as set out in paragraph 2.2 of this announcement. Accordingly, pursuant to Rule 812 of the SGX-ST Listing Manual Section B: Rules of the Catalist (“**Catalist Rules**”), the Company will be seeking the approval of its shareholders (“**Shareholders**”) for the Issuance of Bond at a special general meeting (“**SGM**”) to be convened. A circular to Shareholders setting out, amongst others, further information on the Issuance of Bond, together with a notice of the SGM to be convened, will be despatched to Shareholders in due course.

2. THE ISSUANCE OF BOND

2.1 Principal terms of the Bond

The principal terms and conditions of the Bond are summarised as follows:

Principal Amount	:	Up to HK\$31,060,000 (equivalent to S\$5,546,429, at a fixed exchange rate at S\$1.00 : HK\$5.60).
Issue Price	:	100% of the aggregate principal amount of the Bond.
Interest Rate	:	The Bond bears interest at a rate of six per cent (6.0%) per annum.
Completion Date	:	The later of (i) the date falling 1 month from the date of the Convertible Bond Agreement and (ii) seven (7) days after the Company receives the listing and quotation notice from the SGX-ST in respect of the Conversion Shares (as defined below).

Subscription	:	On Completion Date, the Subscriber is to deliver a subscription notice in the form set out in the Convertible Bond Agreement, setting out the amount he intends to subscribe.
Bondholder	:	In relation to any Bond, the person whose name is registered on the register of bondholders as holder of such Bond.
Transfer	:	A Bondholder shall have the right, at his/her/its sole discretion, to sell, transfer or assign the Bond without the consent of the Company. Any transferee of a Bond will be bound by the terms and conditions of the Bond.
Maturity Date	:	The Bond shall be redeemable at 100% of its principal amount together with all accrued and unpaid interest that was scheduled to be paid at the Maturity Date, on the date falling two (2) years from the date of the issue of the Bond (" Issue Date ").
Purchase	:	The Company and/or any of its related corporations may at any time purchase the Bond from the Bondholder. All Bond purchased by or on behalf of the Company or any of its related corporations may be surrendered for cancellation by and, if so surrendered, shall together with all Bond redeemed by the Company, be cancelled forthwith.
Conversion Price	:	S\$0.0011 for each ordinary share.
Listing status	:	The Bond will not be listed and quoted.
Adjustments to the Conversion Price	:	<p>The Conversion Price will be subject to adjustments under certain events provided for in the Convertible Bond Agreement in accordance with the following formula:</p> $\mathbf{NCP = CP \times \frac{OSC}{NSC}}$ <p>where:</p> <p>NCP: is the new Conversion Price;</p> <p>CP: is the Conversion Price;</p> <p>OSC: is the entire outstanding share capital of the Company immediately before such event, and</p> <p>NSC: is the entire enlarged share capital of the Company immediately after such event.</p> <p>Such events include the consolidation or subdivision of the Shares, bonus issues, capitalisation of profits or reserves, rights issues and other issues to all shareholders of the Company on a pro rata basis. Any such adjustments shall be announced by the Company on SGXNET.</p> <p>Save as provided in the Convertible Bond Agreement, there shall be no material alteration to the terms of the Conversion Price and/or adjustments as described herein to the advantage of the Subscriber, without the express prior approval of the Shareholders in a general meeting of the Company.</p>

Voluntary Conversion	:	The Bondholder may convert all or part of the outstanding Bond and any accrued and unpaid interest in respect of each Bond (if and where the Bondholder waives its right for cash payment of such amount) into new ordinary shares (" Conversion Shares ") at the Conversion Price at any time within the period commencing three (3) months from the Issue Date up until the Maturity Date. The Company may reject any conversion of Bond of an aggregate principal amount of less than HK\$1,000,000.
Mandatory Conversion	:	None.
Discharge of Loans	:	<p>As at the date of this announcement, the aggregate outstanding amount due and payable (comprising non-convertible bonds and advances, and interests payable) by the Group to the Subscriber and Alternus Capital Holdings Limited ("Alternus Capital") (an investment company wholly owned by the Subscriber) amounted to approximately HK\$31 million ("Outstanding Loans").</p> <p>On the Completion Date and subject to the terms and conditions of the Convertible Bond Agreement, the Subscriber and Alternus Capital shall execute and issue to the Company, a discharge letter in the form set out in the Convertible Bond Agreement, irrevocably and unconditionally agreeing and acknowledging that the Issuance of Bond to the Subscriber constitutes full and final settlements of the equivalent amount of the Outstanding Loans and all the claims of the Subscriber and Alternus Capital against the Company, and the Company is absolutely and finally exonerated and discharged from the Outstanding Loans and all further and other claims of any nature whatsoever by the Subscriber or on the Subscriber's behalf, arising out of or in relation to the Outstanding Loans, or otherwise.</p>
Status of the Bond	:	The Bond constitutes unsecured, direct, subordinated and unconditional obligations of the Company which shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.
Status of the Conversion Shares	:	The Conversion Shares, when issued and fully-paid, shall be free from all claims, charges, liens and other encumbrances whatsoever and shall rank <i>pari passu</i> in all respects with the ordinary shares of the Company in issue (" Shares ") as at the date of the issue of the Conversion Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record of which falls on or before the date of completion of the allotment and issuance of the Conversion Shares.
Governing Law	:	Laws of Singapore.

Any material alteration to the terms of the Bond after issue, to the advantage of the Bondholder, will need to be approved by Shareholders, except where the alterations are made pursuant to the terms of the Convertible Bond Agreement.

2.2 Details of the Subscriber

The Subscriber has over 30 years of experience in the finance industry. He started his career in the banking division of Chase Manhattan Bank, and later ventured into investment banking with other

institutions. He has held numerous chief executive roles in Socgen-Crosby Securities (HK) Limited, Yuanta Securities (Hong Kong) Company Limited, and Value Convergence Holdings Limited. He is now working for his own investment company, Alternus Capital. The Subscriber was identified by the Company as he is a controlling shareholder of the Company. There was no agent involved and no commission or payment was paid to any party in relation to the Issuance of Bond.

As at the date of the Convertible Bond Agreement and this announcement, the Subscriber has total interests in 3,408,336,818 Shares (including deemed interest in Shares held by Alternus Capital by virtue of Section 4 of the SFA), representing approximately 23.82% of the Existing Share Capital (as defined below). As the Subscriber is currently a controlling shareholder of the Company, pursuant to Rule 812 of the Catalist Rules, the Company will be seeking the approval of Shareholders for the Issuance of Bond. The Subscriber and his associates (as defined in the Catalist Rules) will abstain from voting on the resolution to approve the Issuance of Bond at the SGM.

The Company confirms that none of its Directors or substantial shareholders (save for Alternus Capital) has, to the best of their knowledge, any relationships/connections (including business relationships) with the Subscriber.

2.3 Conversion Shares

As of the date of this announcement, the Company has an issued and paid-up share capital of 14,310,670,617 Shares ("**Existing Share Capital**") and has no treasury Shares. Assuming the Subscriber subscribes for the full principal amount of the Bond of HK\$31,060,000 (equivalent to S\$5,546,429, at a fixed exchange rate at S\$1.00 : HK\$5.60), the maximum number of Conversion Shares which may be allotted and issued to the Subscriber upon the full conversion of the principal amount of the Bond, including the accrued and unpaid interest up to the Maturity Date, is as follows:

Name of Subscriber	Maximum principal amount of the Bond (HK\$)	Maximum interest payable up to Maturity Date (HK\$)	Maximum number of Conversion Shares that may be allotted and issued	As a percentage of Existing Share Capital (%)	As a percentage of Enlarged Share Capital⁽¹⁾ (%)
Lam Cho Ying Terence Joe	31,060,000	3,727,200	5,647,272,727	39.46	28.30

Note:

- (1) Enlarged Share Capital refers to the enlarged issued and paid-up share capital of the Company of 19,957,943,344 Shares immediately after issuance of the Conversion Shares, assuming that the Subscriber subscribes for the full principal amount of the Bond and fully converts the Bonds (including interest payable up to the Maturity Date) into the Conversion Shares at Maturity Date.

If the Subscriber converts all or part of the Bond into Conversion Shares, which resulted in him holding 30% and above shareholding interest, the Subscriber will be obliged to make a general offer for the mandatory take-over of the Company pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers.

The Conversion Shares, when issued and fully-paid, shall be free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with the Shares as at the date of the issue of the Conversion Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record of which falls on or before the date of completion of the allotment and issuance of the Conversion Shares.

2.4 Conversion Price

The Conversion Price of S\$0.0011 represents a premium of 10% to the volume weighted average price (“**VWAP**”) of S\$0.001 per Share, based on trades done on the SGX-ST for the full market day on 2 October 2020, being the last market day on which the Shares were traded prior to the date of the Convertible Bond Agreement. The Conversion Price was agreed upon based on arm’s length negotiations between the Subscriber and the Company, taking into account, among others, the VWAP of the Shares quoted on the SGX-ST on 2 October 2020.

3. **RATIONALE FOR THE ISSUANCE OF BOND AND USE OF PROCEEDS**

- 3.1 The subscription of the Bond by the Subscriber is by way of discharge of equivalent amounts owing by the Group to the Subscriber. Accordingly, no cash proceeds will be received by the Group from the Subscriber.
- 3.2 Based on the Group’s audited financial statements for financial year ended 30 June 2020, the Group reported negative working capital of HK\$31,626,000 as at 30 June 2020. As at the date of the Convertible Loan Agreement, the Outstanding Loans (being the outstanding amounts due and payable by the Group to the Subscriber and Alternus Capital) amounted to approximately HK\$31 million. In order to facilitate the discharge and settlement of the Outstanding Loans, the Company and the Subscriber agreed to the Issuance of Bond to the Subscriber, as the Bond shall be redeemable at 100% of its principal amount together with all accrued and unpaid interest that was scheduled to be paid at the Maturity Date, on the date falling two (2) years from the date of the issue of the Bond, and is convertible to Conversion Shares at the option of the Bondholder.
- 3.3 The Outstanding Loans carry interests ranging from 6% to 15% per annum. The Bond carries an interest of 6.0% per annum which is lower than the interest rates of the Outstanding Loans. In view of this and factors set out in paragraph 3.2 above, the Board is of the view that the Issuance of Bond is beneficial to and is in the best interests of the Company as it may reduce the Group’s indebtedness (by way of the conversion feature of the Bond) and allow the Group to conserve its cash resources.

4. **FINANCIAL EFFECTS OF THE PROPOSED ISSUANCE**

- 4.1 The pro forma financial effects of the Issuance of Bond are presented for illustrative purposes only and are not intended to be indicative or reflective of the actual future financial situation of the Company and the Group after the completion of the Issuance of Bond.

The pro forma financial effects of the Issuance of Bond have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2020 (“**FY2020**”) and on the following bases and assumptions:

- (a) the financial effect on the Group’s consolidated net tangible asset (“**NTA**”) per Share is computed based on the assumption that the Issuance of Bond was completed on 30 June 2020;
- (b) the financial effect on the Group’s loss per Share (“**LPS**”) is computed based on the assumption that the Issuance of Bond was completed on 1 July 2019;
- (c) the Bond is fully subscribed by the Subscriber at a principal amount of HK\$31,060,000 (equivalent to S\$5,546,429, at a fixed exchange rate of S\$1.00 : HK\$5.60) and the principal amount of the Bond together with all interests payable up to Maturity Date of HK\$34,787,200 (equivalent to S\$6,212,000, at a fixed exchange rate of S\$1.00 : HK\$5.60) are converted at Maturity Date;

- (d) the aggregate outstanding amount due and payable by the Group to the Subscriber and Alternus Capital amounted to approximately HK\$31 million as at 30 June 2020; and
- (e) expenses to be incurred in respect of the Issuance of Bond, being mainly professional fees, are estimated to be approximately HK\$200,000 (equivalent to approximately S\$35,700).

4.2 NTA per Share

	Before the Issuance of Bond	After the Issuance of Bond and before Maturity Date	At Maturity Date and conversion of the Bond
NTA ⁽¹⁾ as at 30 June 2020 (HK\$'000)	124,976	124,776	159,563
Number of Shares	14,310,670,617	14,310,670,617	19,957,943,344
NTA ⁽¹⁾ per Share (HK cents)	0.87	0.87	0.80

Note:

- (1) NTA means total assets less the sum of total liabilities, intangible assets and non-controlling interest.

4.3 LPS

	Before the Issuance of the Bond	After the Issuance of Bond and before Maturity Date	At Maturity Date and conversion of the Bond
Net loss attributable to Shareholders for FY2020 (HK\$'000)	(105,385)	(105,585)	(105,585)
Weighted average number of Shares	14,310,670,617	14,310,670,617	19,957,943,344
LPS (HK cents)	(0.74)	(0.74)	(0.53)

4.4 Gearing

	Before the Issuance of the Bond	After the Issuance of Bond and before Maturity Date	At Maturity Date and conversion of the Bond
Net borrowings ⁽¹⁾ as at 30 June 2020 (HK\$'000)	36,559	36,359	5,299
Total equity as at 30 June 2020 (HK\$'000)	109,515	109,315	144,102
Gearing ratio ⁽²⁾	0.33	0.33	0.04

Notes:

- (1) Net borrowings mean total borrowings less cash and bank balances.
- (2) Gearing refers to the ratio of "Net borrowings" to "Total equity".

5. CONFIRMATION BY THE DIRECTORS

The Directors are of the opinion that, as at the date of this announcement, after taking into consideration:

- (a) the Group's present bank facilities, the working capital available to the Group is sufficient to meet its present requirements, and the Issuance of Bond is being undertaken for purposes set out in paragraph 3 above; and
- (b) the Group's present bank facilities, internal resources and operating cashflows, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the above, the Issuance of Bond is to restructure the Outstanding Loans into the Bond which has Maturity Date of two (2) years from the Issue Date and gives the Bondholder the option to convert the Bond and interest payable to Conversion Shares.

In light of the current COVID-19 outbreak, the Company is closely monitoring and working with its business associates and partners to assess and mitigate the financial impact of the unprecedented outbreak on the Group's business and financial performance, and will update Shareholders if there are any changes to the abovementioned confirmation.

6. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDER AND SUBSTANTIAL SHAREHOLDERS

Save for the Subscriber (a controlling shareholder of the Company) and Alternus Capital, none of the Directors and their respective associates, and to the best of the knowledge of the Directors, none of the substantial shareholders of the Company, as well as their respective associates, has any interest, whether direct or indirect, in the Issuance of Bond (other than in his capacity as Director or Shareholder, as the case may be).

7. SPECIAL GENERAL MEETING

The Circular containing, *inter alia*, information on the Issuance of Bond and the notice to convene the SGM will be despatched electronically in accordance with the provisions of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 by the Company to Shareholders in due course.

8. ADDITIONAL LISTING APPLICATION

Subject to all required consents and approvals for the Issuance of Bond being obtained, the Company will be submitting an application to the SGX-ST through its Sponsor for the permission to deal in and for the listing of and quotation for the Conversion Shares on the Catalist of the SGX-ST. The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Conversion Shares has been obtained from SGX-ST.

9. DIRECTORS' 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 Issuance of Bond, 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 contained in this

announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this announcement in its proper form and context.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Whilst the registered office of the Company is in Bermuda, the principal office of the Company is in Hong Kong and the office of the Company's share transfer agent is in Singapore. Taking into account that Hong Kong and Singapore are more accessible locations than Bermuda, a copy of the Convertible Bond Agreement will be made available for inspection during normal business hours at the principal office of the Company at Unit 505, W50, 50 Wong Chuk Hang Road, Hong Kong, and the office of the Company's Singapore Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, for a period of three (3) months from the date of this announcement. The Shareholders are required to make an appointment via email to sinocloud@mncsingapore.com prior to the inspection, in view of the social distancing measures currently in place in Singapore.

11. TRADING CAUTION

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. The Issuance of Bond and its respective conversion into ordinary shares of the Company are subject to the fulfilment of certain conditions. There is no certainty or assurance as at the date of this announcement that the Issuance of Bond will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors of the Company should exercise caution when trading in shares of the Company, and where in doubt as to the action they should take, they should consult their legal, financial, tax or other professional adviser immediately.

BY THE ORDER OF THE BOARD

Chan Andrew Wai Men

Chairman and Chief Executive Officer

11 October 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Catalist Rules.

This announcement has not been examined or approved by 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 Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.