

**SINOCLOUD GROUP LIMITED**  
(Company Registration No.: 34050)  
(Incorporated in Bermuda on 13 August 2003)

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**UPDATE ON THE REPAYMENT OF LOANS AND GOODWILL DEPOSITS EXTENDED BY THE COMPANY TO CERTAIN VENDORS OF CHINA SATELLITE MOBILE COMMUNICATIONS GROUP LIMITED**

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The board of directors (the "**Board**" or "**Directors**") of Sinocloud Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcements dated 29 May 2014, 14 August 2014, 30 September 2014 and 2 October 2015 (the "**Announcements**") in relation to, *inter alia*, loans and goodwill deposits extended by the Company to certain vendors of China Satellite Mobile Communications Group Limited ("**CSMCG**") in connection with the proposed acquisition by the Company of up to 45.95% of the existing issued and paid-up ordinary shares in the capital of CSMCG ("**Proposed Acquisition**").

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the Announcements.

## 1. INTRODUCTION

On 29 May 2014, the Company announced that it had extended loans amounting to an aggregate of HK\$24,700,000 (the "**Loans**") to certain vendors of CSMCG, namely, Tong Chor Ho, Geng Qiu Sheng, Chong Choi Fu, Jin Da Gang and Liu Yong Ning (collectively, the "**Pledging Parties**") in connection with the Proposed Acquisition. The Loans were secured by a pledge by the Pledging Parties in favour of the Company of an aggregate of 5,037 ordinary shares in the capital of CSMCG owned by the Pledging Parties (the "**Pledged Shares**"), representing approximately 25.19% of the total issued and paid-up capital of CSMCG as at the date of this announcement.

On 14 August 2014, the Company announced that it had made payments aggregating HK\$19,100,000 as goodwill deposits (the "**Goodwill Deposits**") to certain vendors of CSMCG, namely, Shing Man Lei, Andrew Chan, Florence Liu, Venus Liu and Tse Chi Nang (collectively the "**Transferring Parties**") in connection with the Proposed Acquisition.

Details of the Loans, Pledged Shares and Goodwill Deposits are set out below:

<b>Name of vendor of CSMCG</b>	<b>Loans</b>	<b>Number of Pledged Shares</b>	<b>Goodwill Deposits</b>
	<b>(HK\$)</b>		<b>(HK\$)</b>
<b>Transferring Parties</b>			
Shing Man Lei (盛敏莉)	-	-	5,145,000
Andrew Chan (陈志云)	-	-	3,715,000
Florence Liu (廖淑玲)	-	-	4,570,000
Venus Lui (雷詠怡)	-	-	4,570,000
Tse Chi Nang (谢子能)	-	-	1,100,000
<b>Pledging Parties</b>			
Chong Choi Fu (庄才富)	6,471,400	1,320	-

Tong Chor Ho (唐楚豪)	5,384,600	1,100	-
Geng Qiu Sheng (耿秋生)	5,137,600	1,045	-
Jin Da Gang (靳大钢)	6,446,700	1,316	-
Liu Yong Ning (刘永宁)	1,259,700	256	-
<b>Total</b>	<b>24,700,000</b>	<b>5,037</b>	<b>19,100,000</b>

The Proposed Acquisition was subsequently terminated, as announced by the Company on 2 October 2015, as certain conditions precedent were not met by the long stop date set out in the individual sale and purchase agreements entered into between the Company and each of the Vendors of CSMCG.

## 2. PROPOSED SETTLEMENT

The Board wishes to announce that the Company has reached an agreement with the Pledging Parties and the Transferring Parties to settle the aggregate amount of HK\$43.8 million due and owing to the Company in respect of the Loans and the Goodwill Deposits (“**Proposed Settlement**”) in the following manner:

- (a) Pursuant to an agreement dated 9 December 2015 and entered into between the Company, Chong Choi Fu (acting as attorney for and on behalf of the Transferring Parties) and the Pledging Parties, (i) the Transferring Parties agreed to transfer the Goodwill Deposits to the Pledging Parties; and (ii) the Pledging Parties agreed and undertook to accept and assume the liabilities and obligations of the Transferring Parties to repay, the Goodwill Deposits. As a result, the aggregate amount due and owing by the Pledging Parties to the Company increased from the Loans amount of HK\$24.7 million to HK\$43.8 million, being the aggregate amount of the Loans and the Goodwill Deposits (the “**Outstanding Amount**”).
- (b) Pursuant to an agreement dated 9 December 2015 and entered into between the Company and the Pledging Parties (the “**Settlement Agreement**”), the Pledging Parties agreed to transfer, and the Company agreed to accept, the Pledged Shares in full settlement and satisfaction of the Outstanding Amount.

Based on the audited consolidated financial statements of CSMCG for the financial year ended 31 March 2015 (“**FY2015**”), CSMCG recorded a net loss before tax of approximately HK\$14.2 million (equivalent to S\$2.6 million based on an exchange rate of S\$1.00:HK\$5.5 (the “**Exchange Rate**”)) and net liabilities of approximately HK\$17.2 million (equivalent to S\$3.1 million based on the Exchange Rate) as at 31 March 2015.

Based on the unaudited consolidated financial statements of CSMCG for the six months ended 30 September 2015 (“**6M2016**”), CSMCG recorded a net loss before tax of approximately HK\$0.7 million (equivalent to S\$0.1 million based on the Exchange Rate) and net liabilities of approximately HK\$18.3 million (equivalent to S\$3.3 million based on the Exchange Rate) as at 30 September 2015.

The unaudited net liabilities of CSMCG of approximately HK\$18.3 million as at 30 September 2015 was largely due to an amount owing to the Company of approximately HK\$16.2 million in relation to the payment on behalf of CSMCG by the Company to CSMCG’s satellite service provider for the procurement of satellite phones, airtime and arrangement of marketing activities. Upon consolidation of the financial statements of CSMCG and the

Group, the Group's total liabilities will increase by approximately HK\$2.1 million (the difference between HK\$18.3 million and HK\$16.2 million), as the inter-company balance will be eliminated upon consolidation.

No independent valuation was conducted on CSMCG for the purposes of the Proposed Settlement.

Following the completion of the Proposed Settlement ("**Completion**"), CSMCG, which is currently a 45%-associate of the Company, will become a 70.19%-subsidiary of the Company.

### **3. RATIONALE FOR THE PROPOSED SETTLEMENT**

The Vendors have proposed the Proposed Settlement to the Company for the settlement of the Outstanding Amount.

After due and careful consideration of the latest available information on CSMCG's business development as well as available options including the Proposed Settlement and repayment in cash, the Board is of the opinion that, notwithstanding the current poor financial performance and position of CSMCG, the Proposed Settlement is in the interests of the Company and its shareholders in view of the following:

- (i) Despite a slow growth in the first two years since the Company's 45% acquisition of CSMCG, the market for satellite telecommunication in the PRC is starting to pick up. Airtime usage in 2015 has recorded significant growth and is expected to continue as the number of satellite terminal increases and the introduction of data services in addition to voice services. CSMCG reported that the average monthly airtime usage had increased from approximately 250,000 minutes in January to December 2014 to approximately 500,000 minutes in January to November 2015, with 100% year-on-year growth, representing a 100% growth in airtime revenue as well. The average monthly airtime usage had further increased to approximately 700,000 minutes in September to November 2015. In view of the above, it is envisaged that the satellite telecommunication demand will continue to increase in the PRC.
- (ii) Based on the audited financial statements of CSMCG for FY2015 and the existing airtime usage figures as well as an internal assessment by CSMCG on airtime growth, operating cash flow projection, co-operation with satellite service provider, market statistics and the role out of provision of data services, the Board is of the view that the business potential of satellite telecommunication in the PRC should be viable.
- (iii) The Proposed Settlement would enable the expeditious settlement of the Outstanding Amount as the Vendors are unable to confirm a repayment schedule.
- (iv) CSMCG's net loss before tax of HK\$14.2 million for FY2015 was primarily due to the business arrangement of having to commit to a minimum purchase of satellite airtime from the satellite service provider. Such committed airtime, however, did not translate into corresponding revenue for CSMCG due to low take-up rate by its end customers. Since 1 April 2015, such minimum purchase commitment has ceased and payment to the satellite service provider is currently based on actual satellite airtime usage by CSMCG. In addition to the cessation of minimum purchase commitment, the increase in airtime revenue had decreased CSMCG's net loss before tax significantly, by approximately 91% or HK\$7.0 million, from HK\$7.7 million for the six months ended 30 September 2014 to HK\$0.7 million in 6M2016.

- (v) The Proposed Settlement offers the Company an opportunity to increase its shareholding in CSMCG. The existing 45% shareholding in CSMCG is stated at approximately HK\$152.8 million in the audited balance sheet of the Group as at 31 March 2015. The Proposed Settlement will result in an increase in the Company's shareholding in CSMCG by 25.19%.

#### 4. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The Proposed Settlement will result in an acquisition transaction falling under Chapter 10 of the Catalist Rules.

The relative figures of the Proposed Settlement computed based on the Group's latest unaudited consolidated financial results for 6M2016, in accordance with Rule 1006 of the Catalist Rules are as follows:-

Rule 1006		Relative figures
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable
(b)	The net profit attributable to the assets acquired, compared with the group's net profit	4.84 <sup>(1)</sup>
(c)	Aggregate value of the consideration given, compared with the issuer's market capitalization	24.31% <sup>(2)</sup>
(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 of proved and probable reserves to be disposed of compared with the Group's probable and proved reserves	Not applicable

**Notes:**

- (1) Based on (i) net loss incurred by the Group of approximately HK\$3.1 million for 6M2016; and (ii) net loss incurred by CSMCG attributable to the Pledged Shares of approximately HK\$0.15 million for 6M2016.
- (2) Based on the Outstanding Amount of HK\$43,800,000 (equivalent to approximately S\$7,964,000 based on the Exchange Rate) and the closing price of S\$0.003 for the Shares traded on 27 November 2015 (being the last market day preceding the signing of the Settlement Agreement) multiplied by the total number of 10,917,813,474 Shares in issue.

Pursuant to Practice Note 10A Paragraph 11 of the Catalist Rules, tests based on assets and profits may not give a meaningful indication of the significance of the transaction to the issuer in instances where, for example, the issuer or the asset to be acquired is loss making. In such instance, the Sponsor (as defined herein) should consult the SGX-ST. As both the Group and CSMCG are loss making, the relative figure calculated under Catalist Rule 1006(b) may not be meaningful and accordingly, the Company will seek confirmation from SGX-ST (through the Sponsor) that shareholders' approval will not be required for the Proposed Settlement.

In the event the aforesaid confirmation from SGX-ST is not obtained, the Company will convene a special general meeting ("**SGM**") to seek approval from its shareholders for the Proposed Settlement. A circular setting out further information and details of the Proposed Settlement, together with the notice of SGM to be convened, will then be despatched by the Company to its shareholders in due course.

## 5. FINANCIAL EFFECTS

The pro forma financial effects of the Proposed Settlement 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 Proposed Settlement.

The proforma financial effects of the Proposed Settlement have been computed based on the audited consolidated financial statements of the Group for FY2015 and the following bases and assumptions:

- (a) the financial effect on the consolidated net tangible asset (“**NTA**”) per Share is computed based on the assumption that the Proposed Settlement was completed on 31 March 2015 and that the Settlement Amount is equivalent to the value of the Pledged Shares;
- (b) the financial effect on the loss per Share (“**LPS**”) is computed based on the assumption that (i) the Proposed Settlement was completed on 1 April 2014; (ii) there is no goodwill attributable to the acquisition of the Pledged Shares at the Settlement Amount; and (iii) there is no provision for impairment in conjunction with the acquisition of the Pledged Shares;
- (c) the financial effects have not taken into account any revaluation of the Company’s existing 45% equity interests in CSMCG which may be required; and
- (d) expenses to be incurred in respect of the Proposed Settlement are expected to be minimal and have not been taken into account in the computation of the financial effects.

For the avoidance of doubt, such pro forma financial effects have not taken into account (i) any corporate actions announced and undertaken by the Group subsequent to FY2015; and (ii) any issuance of new Shares subsequent to FY2015.

### 5.1 NTA per Share

The effects of the Proposed Settlement on the NTA per Share are as follows:

	<b>Before the Proposed Settlement</b>	<b>After the Proposed Settlement</b>
NTA <sup>(1)</sup> of the Group as at 31 March 2015 (HK\$’000)	363,986	362,293
Number of Shares	7,540,813,474	7,540,813,474
NTA <sup>(1)</sup> per Share (HK\$ cents)	4.83	4.80

**Note:**

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

## 5.2 Loss per Share (“LPS”)

The financial effects of the Proposed Settlement on the LPS are as follows:

	<b>Before the Proposed Settlement</b>	<b>After the Proposed Settlement</b>
Net loss attributable to Shareholders of the Company for FY2015 (HK\$'000)	42,511	46,081
Weighted average number of Shares	5,083,401,000	5,083,401,000
LPS (HK\$ cents)	0.84	0.91

## 6. INTERESTS IN THE PROPOSED SETTLEMENT

None of the Directors, and to the best of the Directors' knowledge, none of the substantial Shareholders of the Company, as well as their respective associates, has any interest, direct or indirect, in the Proposed Settlement (other than through their respective shareholdings in the Company, if any).

## 7. SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Proposed Settlement and no service contracts in relation thereto will be entered into by the Company.

## 8. 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 Settlement Agreement will be made available for inspection during normal business hours at the principal office of the Company at Unit 605, 6/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, 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.

## 9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company 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 Settlement, 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 this 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.

BY ORDER OF THE BOARD

CHAN ANDREW WAI MEN

Chairman and Chief Executive Officer

9 December 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Canaccord Genuity Singapore Pte. Ltd., for compliance with the relevant rules of the 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 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 and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.*