

CIRCULAR DATED 14 OCTOBER 2020

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by SinoCloud Group Limited (the “Company”). If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

Unless otherwise stated, capitalised terms on this cover are defined in this Circular under the section entitled “DEFINITIONS”.

This Circular has been prepared by the Company and its contents have been reviewed by the Sponsor in accordance with Rule 226(2)(b) of the Catalyst Rules.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made, or reports contained in this Circular.

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.



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

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) PROPOSED DIVERSIFICATION OF THE GROUP’S EXISTING BUSINESS TO INCLUDE THE NEW BUSINESSES; AND**
- (2) PROPOSED ISSUANCE OF BOND IN PRINCIPAL AMOUNT OF UP TO HK\$31,060,000 TO THE SUBSCRIBER IN DISCHARGE AND SETTLEMENT OF EQUIVALENT SUM OF THE OUTSTANDING LOANS (INCLUDING ANY ACCRUED INTEREST) OWED BY THE GROUP TO THE SUBSCRIBER AND ALTERNUS CAPITAL, AND THE BOND IS CONVERTIBLE INTO CONVERSION SHARES AT THE CONVERSION PRICE OF S\$0.0011 PER SHARE.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of proxy forms	:	28 October 2020 at 11:00 a.m.
Date and time of Special General Meeting	:	30 October 2020 at 11:00 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the annual general meeting of the Company held on the same day at 10:30 a.m.)
Place of Special General Meeting	:	Meeting to be held by way of electronic means

This Circular has been made available on SGXNet. **A printed copy of this Circular will NOT be despatched to Shareholders.**

Shareholders will not be able to attend the SGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the SGM by (a) watching the SGM proceedings via “live” audio-visual webcast (“**LIVE WEBCAST**”) or listening to the SGM proceedings via “live” audio-only stream (“**LIVE AUDIO STREAM**”) (collectively, “**electronic means**”); (b) submitting questions in advance of the SGM; and/or (c) voting by proxy at the SGM. Please refer to section 7 of this Circular for further details.

Shareholders should note that the Company may make further changes to its SGM arrangements (including but not limited to any applicable alternative arrangements as may be prescribed or permitted (as the case may be) under the COVID-19 Act and any regulations promulgated thereunder (including the COVID-19 Order) as well as other guidelines issued by the relevant authorities) as the situation evolves. Shareholders are advised to keep abreast of any such changes as may be announced by the Company on SGXNet.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “Alternus Capital”** : Alternus Capital Holdings Limited (an investment company wholly owned by the Subscriber)
- “Annual General Meeting”** : the annual general meeting of the Company to be convened on 30 October 2020 at 10:30 a.m.
- “Audit Committee”** : the Audit Committee of the Company
- “Bermuda Companies Act”** : the Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
- “Board” or “Directors”** : the Directors of the Company as at the date of this Circular
- “Bond”** : the 6.0% interest-bearing convertible bond of principal amount of up to HK\$31,060,000 to be issued by the Company, and to be subscribed by the Subscriber, pursuant to the terms and conditions of the Convertible Bond Agreement
- “Bondholder”** : means in relation to any Bond, the person whose name is registered on the register of bondholders as holder of such Bond
- “Bye-Laws”** : the bye-laws of the Company, as amended, modified or supplemented from time to time
- “Catalist”** : the Catalist board of the SGX-ST
- “Catalist Rules”** : the SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, modified or supplemented from time to time
- “Circular”** : this circular to Shareholders dated 14 October 2020
- “Code”** : the Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
- “Companies Act”** : the Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
- “Company”** : SinoCloud Group Limited
- “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
- “Controlling Shareholder”** : a person who: a) holds directly or indirectly 15.0% or more of the nominal amount of voting shares in the Company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or b) in fact exercises control over the Company
- “Conversion Price”** : S\$0.0011 for each Conversion Share

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“Conversion Shares”	: Up to 5,647,272,727 new Shares to be allotted and issued by the Company pursuant to the conversion in full of the Bond and its maximum interest payable up to Maturity Date, at the Conversion Price
“Convertible Bond Agreement”	: the convertible bond agreement dated 7 October 2020 entered into between the Company and the Subscriber in relation to the Bond
“COVID-19 Act”	: COVID-19 (Temporary Measures) Act 2020, as amended, modified or supplemented from time to time, which, <i>inter alia</i> , enables the Minister for Law by order to prescribe alternative arrangements for listed companies in Singapore to conduct general meetings, either wholly or partly, by electronic communication, video conferencing, tele-conferencing or other electronic means
“COVID-19 Order”	: COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, as may be amended, modified or supplemented from time to time, which sets out the alternative arrangements in respect of, <i>inter alia</i> , the general meetings of companies
“Depositor Proxy Form”	: the depository proxy form in respect of the SGM as set out in this Circular
“Enlarged Share Capital”	: the enlarged issued and paid-up share capital of 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 Bond (including interest payable up to the Maturity Date) into the Conversion Shares at Maturity Date
“Existing Business”	: the ownership and operation of internet data centres
“Existing Share Capital”	: the existing issued and paid-up share capital of 14,310,670,617 Shares as at the Latest Practicable Date. The Company has no treasury shares
“Fixed Exchange Rate”	: S\$1.00 : HK\$5.60 pursuant to the terms and conditions in the Convertible Bond Agreement
“FY”	: financial year of the Company ended or ending 30 June (as the case may be)
“Group”	: the Company and its subsidiaries
“Guiyang Zhongdian”	: Guiyang Zhongdian Gaoxin Digital Technologies Limited (贵阳中电高新数据科技有限公司)
“IT”	: information technology
“IDC”	: internet data centre

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“Latest Practicable Date”	: the latest practicable date prior to the issue of this Circular, being 12 October 2020
“LPS”	: loss per share
“Maturity Date”	: the date that is two (2) years from the date of the issue of the Bond, pursuant to the terms and conditions of the Convertible Bond Agreement
“New Businesses”	: the investment in and operation of consumer discretionary businesses which include (1) tourism, (2) food and beverage, and (3) entertainment
“Notice of SGM”	: the notice of the special general meeting of Shareholders set out on pages 26 to 28 of this Circular
“NTA”	: net tangible assets
“Outstanding Loans”	: 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 amounting to approximately HK\$31 million as at the Latest Practicable Date
“PRC”	: the People's Republic of China
“Principal Amount”	: the principal amount of the Bond issued under the Convertible Bond Agreement, being up to a sum of HK\$31,060,000 (equivalent to S\$5,546,429 at the Fixed Exchange Rate)
“Proposed Diversification”	: the proposed diversification of the Group's existing business to include the New Businesses
“Proposed Bond Issuance”	: the proposed issuance of the Bond to the Subscriber, on the terms and subject to the conditions of the Convertible Bond Agreement
“SGM”	: the special general meeting of Shareholders, as set out in the Notice of SGM
“SGX-ST”	: the Singapore Exchange Securities Trading Limited
“Shares”	: the ordinary shares of HK\$0.001 each in the capital of the Company
“Shareholders”	: the registered holders of Shares in the share capital of the Company
“Subscriber” or “Mr Lam”	: Mr Lam Cho Ying, Terence Joe
“Take-over Code”	: The Singapore Code on Take-overs and Mergers, as may be amended, modified or supplemented from time to time
“VWAP”	: volume weighted average price

DEFINITIONS

Currencies, Units and Others

“HK\$”	:	Hong Kong dollar, the lawful currency of Hong Kong
“S\$”	:	Singapore dollar, the lawful currency of Singapore
“%” or “per cent.”	:	Per centum or percentage

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term "**Substantial Shareholder**" shall have the meaning ascribed to it in Section 81 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Bermuda Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act, the Bermuda Companies Act or any statutory modification thereof, as the case may be.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

SINOCLOUD GROUP LIMITED

(Incorporated in Bermuda on 13 August 2020)
(Company Registration Number 34050)

Board of Directors:

Chan Andrew Wai Men (Chairman and Chief Executive Officer)
Luk Siu Fung, Mark (Executive Director and Chief Operating Officer)
Chu Yin Ling, Karen (Executive Director and Chief Financial Officer)
Wan Ngar Yin, David (Independent Director)
Alexander Shlaen (Independent Director)
Chau King Fai (Independent Director)

Registered Offices:

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office:

Room 505, W50
50 Wong Chuk Hang Road
Hong Kong

14 October 2020

To: The Shareholders of SinoCloud Group Limited

Dear Sir/Madam,

- (1) **PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING BUSINESS TO INCLUDE THE NEW BUSINESSES; AND**
- (2) **PROPOSED ISSUANCE OF BOND IN PRINCIPAL AMOUNT OF UP TO HK\$31,060,000 TO THE SUBSCRIBER IN DISCHARGE AND SETTLEMENT OF EQUIVALENT SUM OF THE OUTSTANDING LOANS OWED BY THE GROUP TO THE SUBSCRIBER AND ALTERNUS CAPITAL, AND THE BOND IS CONVERTIBLE INTO CONVERSION SHARES AT THE CONVERSION PRICE OF S\$0.0011 PER SHARE.**

1. INTRODUCTION

1.1 The Board is convening the SGM to seek Shareholders' approval for the following:

- (i) the Proposed Diversification; and
- (ii) the Proposed Bond Issuance.

The purpose of this Circular is to provide Shareholders with the relevant information relating to, explain the rationale for, and to seek Shareholders' approval for each of the Proposed Diversification and the Proposed Bond Issuance at the SGM. The Notice of the SGM is set out on pages 26 to 28 of this Circular.

1.2 This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

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2. THE PROPOSED DIVERSIFICATION

2.1 Introduction

The Group is currently in the business of operating IDC services and businesses, being the Existing Business, in the PRC. Through its subsidiary, Guiyang Zhongdian, the Group is principally engaged in the operation of an IDC, cloud computing and big data services in the Guiyang region, Guizhou Province, the PRC. The Group has, since 2015, been focusing on the Existing Business, and is constantly exploring opportunities to build a network of IDCs as well as identifying investment opportunities, through greenfield development and/or acquisition of existing IDCs. Over the years, the Company had explored and was in advanced discussions with more than 10 potential investments across the PRC, in Shanxi, Beijing, and Lianyungang. However, none of these negotiations were concluded as at the date of this circular, largely due to pricing disagreements with the respective vendors.

With the advancement in technology and the increasing demand for internet data storage, the IDC landscape has evolved significantly over the past years and its potential has attracted many well established companies as investors. Such companies have stronger balance sheet with better access to financial resources provided by banks or funds, as compared to the Group. Such factors lowered the bargaining power of the Group in negotiations for investment opportunities of IDC businesses.

In view of the above considerations, in order to provide additional channels for the Company to improve Shareholders' long-term return, the Company intends to diversify its businesses to include the New Businesses, being the investment in and operation of consumer discretionary businesses, which include (a) tourism, (b) food and beverage, and (c) entertainment. Such business diversification changes the risk profile of the Company and the Group, and accordingly, Shareholders' approval is required for the Proposed Diversification.

2.2 Proposed Diversification

The Group intends to diversify its existing business to include the New Businesses as described below, as and when opportunities arise:

- (i) "Tourism" - investment in and operation of travel agencies, accommodation and transportation services in coaches, yacht and private jet;
- (ii) "Food and Beverage"- investment in and operation of food and beverage outlets (being restaurants, cafes and bars, fast food outlets, catering and bakery) and trading of food and beverage products; and
- (iii) "Entertainment" - investment in and operation of shopping and experience centres, theme parks, nightclubs, e-gaming and e-sports franchise and facilities.

The Group does not plan to restrict the New Businesses to any specific geographical market as each investment will be evaluated and assessed by the Board on its merits. The Group may also explore joint ventures, partnerships, cooperation and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the New Businesses as and when the opportunity arises. The decision on whether an investment should be undertaken by the Group on its own or in collaboration with third parties will be made by the Board after taking into consideration various factors, such as the nature and scale of the respective business, amount of investment required and risks associated with such an investment, nature of expertise required and economic conditions, taking into account the opportunities available.

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The Company intends to acquire, invest, or form joint ventures in business operations, and franchise or operating rights in the New Businesses, as follows:

- (i) to secure franchise and/or rights to operate businesses in the New Businesses. Such business undertakings may involve, among others, entering into franchise agreements, lease agreements of premises for operations, management agreement or joint venture agreement with operating partners; and
- (ii) to acquire existing businesses and operations that are in the New Businesses, with net asset value up to HK\$50 million.

The Company expects that deployment of capital for each transaction will be within HK\$20 million.

For the avoidance of doubt, the Group remains committed to the continuance of the Existing Business for so long as the Existing Business remains viable. As at the date of this Circular, the Company is exploring but has not committed to any specific business opportunity or investment under the New Businesses.

2.3 Rationale For The Proposed Diversification

The Company has actively sought out opportunities to improve Shareholders' long-term return. As part of the Company's strategy to broaden its stream of revenue and income, the Company intends to diversify its resources to pursue the New Businesses.

The Board believes that the Proposed Diversification is in the interests of Shareholders for the following reasons:

- (a) The Proposed Diversification may provide the Group with a more diversified business and income base

The Company has actively sought out investment opportunities to improve Shareholders' long-term return. The Proposed Diversification would reduce the Group's reliance on the Existing Business by diversifying its revenue and income stream, as well as improve future prospect and better support the growth of the Group, so as to enhance Shareholders' value for the Company.

- (b) The Proposed Diversification may enhance shareholder value, provide additional and recurrent revenue streams with a view to achieve long-term growth

The Board believes that the Proposed Diversification is aligned with the Company's corporate strategy to provide Shareholders with diversified returns and long-term growth. Through the Proposed Diversification, the Company may reduce its reliance on and mitigate against volatility of the Existing Business and enhance its profitability, shareholder value and returns through the introduction of possible recurring rental income and/or management income.

- (c) The mandate for the Proposed Diversification will give the Group the flexibility to enter into transactions relating to the New Businesses in the ordinary course of business

Upon Shareholders' approval of the Proposed Diversification, the Company may, in the ordinary course of business, enter into transactions relating to the New Businesses without having to seek Shareholders' approval. This can be done as long as such transactions do not change the risk profile of the Group, and will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to the New Businesses arise. This will reduce substantially the administrative time and expenses in

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convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company.

(d) Attractive value and opportunities in the New Businesses in the midst of the COVID-19 pandemic

The COVID-19 pandemic has affected many industries, with the tourism, food and beverage, and entertainment sectors appearing to be most affected. Further, the pandemic has created a window of opportunity where the value of certain businesses is being unlocked from the hands of private owners. The management of the Company has been presented with numerous opportunities which the Group can consider acquiring at attractive valuation. This is in contrast to the IDC sector which still generally demands high valuation. Notwithstanding that the current economic downturn is expected to continue, the management of the Company is of the view that when situations start to improve, consumer businesses in tourism, food and beverage, and entertainment will generate stable income, and their valuation will rebound strongly.

2.4 Funding For The New Businesses

The Company will fund the New Businesses through a combination of the Company's internal resources and borrowings from financial institutions. The Board will determine the optimal mix of internal funding and external funding, taking into account the cash flow of the Group and the prevailing financing costs. In addition, the Company may consider tapping the capital markets in the future, to fund the New Businesses in various ways including but not limited to the issuance of securities for cash by way of rights issues and placements and/or issuance of debt instruments as and when necessary and deemed appropriate.

2.5 Management For The New Businesses

The Company anticipates that the day-to-day management of the operations of the New Businesses will be undertaken by the existing management team of the acquired companies, or new personnel to be engaged by the Group, if the need arises. Such new business ventures will be supported by the current management team of the Group, comprising the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

2.6 Risk Factors

To the best of the Board's knowledge and belief, all the risk factors that are material to Shareholders in making an informed judgment on the Proposed Diversification are set out below. Shareholders should carefully consider and evaluate the following risk factors and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification.

The New Businesses could be affected by a number of risks which relate to the industries and countries in which the New Businesses are undertaken as well as those which may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. The risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Company or that the Company may currently deem immaterial, which could affect its operations. If any such risks develop into actual events, the business, results of operations, financial condition and prospects of the Group could be materially and adversely affected.

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- (i) The Group does not have an established track record and operating history in the New Businesses

The Group does not have a track record in the consumer discretionary industry and there is no guarantee that the New Businesses will be commercially successful, or that the Company will be capable of deriving sufficient revenue from the New Businesses to offset the capital and start-up costs involved. Further, the success of the Proposed Diversification is dependent on the Company's ability and expertise to navigate the challenges posed by the consumer discretionary industry and to adapt its existing knowledge and resources accordingly. There is no guarantee that the Company's existing knowledge and experience will be sufficient or that the Company will be able to attract and retain suitable candidates with the appropriate qualifications and experience to compete effectively with existing and future competitors in the consumer discretionary industry. While the Company may appoint third-party professionals and consultants to assist in its management of the New Businesses, there is no guarantee that these third-party professionals and/or consultants will be able to deliver or perform satisfactorily.

- (ii) The New Businesses may be affected by changes in general economic, political and social conditions

The New Businesses will be subject to the prevailing economic, political and social conditions in the markets and/or countries in which they operate. The business, earnings, asset values, prospects and valuations of the New Businesses may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, expropriation, social instability and other political, economic or diplomatic developments in or affecting the countries in which the New Businesses operate.

- (iii) Failure to successfully manage the Group's future growth may adversely affect the Group's results of operations

The Proposed Diversification increases the complexity of the Group's operations and places a significant strain on the management, operational and financial resources as the Group will need to be able to identify the different requirements of each industry and their varying market trends. While the Company may work with the existing management of the New Businesses, where applicable, the Company may continue to effectively hire, train and manage new employees who can apprise themselves of the constantly changing market trends of the different industries. If the new hires perform poorly or if the Company is unsuccessful in hiring, training, managing and integrating new employees, the business, financial condition and results of operations may be materially harmed. Moreover, the Group's current and planned personnel, systems, procedures and controls may not be adequate to support the Group's future operations. To effectively manage the expected growth of the Group's operations and personnel, the Group will need to continue to improve its transaction processing, operational and financial systems, procedures and controls, which could be challenging. These efforts will require significant managerial, financial and human resources. The Company is unable to assure that it will be able to effectively manage the growth of the Group or to successfully implement all these systems, procedures and control measures. If the Group is not able to manage its growth effectively, its business and prospects may be materially and adversely affected.

- (iv) The New Businesses are vulnerable to changes in consumer preference and economic conditions

The New Businesses depend on consumer discretionary spending and are often affected by changes in consumer tastes, national, regional and local economic conditions and demographic trends. In addition, economic downturns including those induced by

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pandemics such as the COVID-19 pandemic, inflation or increased food or energy costs could harm the consumer discretionary industry in general. Adverse changes in any of these factors could reduce consumer traffic or impose practical limits on pricing that could harm the business, financial condition, results of operations and cash flow. The New Businesses, financial condition and results of operations depend in part on the Company's ability to anticipate, identify and respond to changing consumer preferences and economic conditions. If the Company is unable to adapt to changes in consumer preferences and trends, there may loss of customers and revenues may decline.

(v) The Group may be exposed to risks associated with acquisitions, joint ventures or strategic alliances

Depending on available opportunities, feasibility and market conditions, the Group may participate in joint ventures, strategic alliances, acquisitions or other investment opportunities involving numerous risks, including the possible diversion of management's time and resources from existing business operations and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities. Furthermore, the Group may also rely on its joint venture partner(s) at the initial stage of its foray into the New Businesses and there is a risk that if any of its joint venture partner(s) is unable to deliver its obligations or commitments under the joint venture (such as failure to perform in accordance with the expertise expected of the joint venture partner or its ability to meet the financial obligations), it may result in additional costs to the Group. In such events, the Group's financial performance may be adversely affected.

In addition, in connection with the Group's participation in joint ventures, the Group may make investments in entities that are not the Group's subsidiary and over which the Group does not have majority control. The performance of these entities and the Group's share of their results are subject to the same or similar risks relating to the New Businesses that affect the Group as described herein. There is no assurance that the Group will be able to influence the management, operation and performance of these entities through its voting rights, in a manner which would be favourable to the Group, or at all. If all or any of these entities were to perform poorly, the Group's overall business, financial condition, results of operations and prospects may be adversely affected.

2.7 Requirements Under The Catalist Rules

As the Proposed Diversification will involve new business areas (being, the New Businesses) which are substantially different from the Existing Business, it is envisaged that the Proposed Diversification will change the existing risk profile of the Group. Accordingly, the SGM will be convened by the Company to seek the approval of Shareholders to approve the Proposed Diversification. Upon the approval by Shareholders of the Proposed Diversification, any acquisition which is in, or in connection with, the New Businesses, may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Group may, in its ordinary course of business, enter into transactions relating to the New Businesses which will not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the New Business arise, even where they crossed the thresholds of a "major transaction". This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

Pursuant to Rule 1014 of the Catalist Rules, a major transaction is a transaction (as defined in Rule 1002(1) of the Catalist Rules) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 75% but is less than 100% (for an acquisition)

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or exceeds 50% (for a disposal) and must be made conditional upon approval by shareholders at a general meeting.

For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:

- (a) which fall within the definition of Rule 1002(1) of the Catalist Rules, Rules 1010 and 1014 of the Catalist Rules will still apply;
- (b) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the Company, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions must be, among others, made conditional upon approval by Shareholders at a general meeting;
- (c) which constitute an “interested person transaction” as defined under the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such transaction and the Company will comply with the provisions of Chapter 9 of the Catalist Rules; and
- (d) which involve the expansion of the New Businesses resulting in a consequential change in the risk profile of the Group, the Company will make the relevant announcement(s) and seek the approval of the Shareholders at a general meeting.

3. THE PROPOSED BOND ISSUANCE

3.1 Background

On 11 October 2020, the Company announced that it had, on 7 October 2020, entered into the Convertible Bond Agreement with 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 the Fixed Exchange Rate) to be issued by the Company at a subscription price of 100% of the Principal Amount, on the terms and subject to the conditions of the Convertible Bond Agreement.

The Proposed Bond Issuance will be undertaken by way of an exempt offering in Singapore in accordance with Section 272B of the SFA. As such, no prospectus, offer document or offer information statement will be issued by the Company and lodged with the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore in connection with the Proposed Bond Issuance.

No placement agent has been appointed in respect of the Proposed Bond Issuance. The Subscriber was identified by the Company as he is a Controlling Shareholder. There was no agent involved and no commission or payment was paid to any party in relation to the Proposed Bond Issuance.

3.2 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.

As at the Latest Practicable Date, the Subscriber is a Controlling Shareholder, who has total interests in 3,408,336,818 Shares (including direct interest and deemed interest in Shares held by Alternus Capital, a substantial shareholder of the Company, by virtue of Section 4 of the SFA), representing approximately 23.82% of the Existing Share Capital.

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

3.3 Rationale And Use Of Proceeds

The subscription of the Bond by the Subscriber is by way of discharge of equivalent amount of the Outstanding Loans owing by the Group to the Subscriber and Alternus Capital. Accordingly, no cash proceeds will be received by the Group from the Subscriber.

Based on the Group's audited financial statements for FY2020, the Group reported negative working capital of HK\$31,626,000 as at 30 June 2020. As at the date of the Convertible Bond 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 Proposed Bond Issuance. 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.

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 this section 3.3, the Board is of the view that the Proposed Bond Issuance 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.

3.4 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 the Fixed Exchange Rate).
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.
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.

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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 Conversion 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 the Bond (if and where the Bondholder waives its right for cash payment of such amount) into new 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.

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Mandatory Conversion	:	None.
Discharge of Outstanding Loans	:	<p>As at the date of this Convertible Bond Agreement, 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 (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 Proposed Bond Issuance 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 Shares in issue 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.
Subordination of the Bond	:	Upon the occurrence of any winding-up proceeding of the Company, the rights of the Bondholder to payment of principal of and interest on the Bond, and any other obligations in respect thereto, are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors.
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.

3.5 Conditions Precedent

The Subscriber's obligation to subscribe for the Bond is conditional upon the following conditions precedent being satisfied by the Completion Date ("**Conditions Precedent**"):

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- (i) the approval of the Sponsor and/or the SGX-ST (if necessary) being obtained in respect of the transactions contemplated by the Convertible Bond Agreement, including but not limited to the listing and quotation notice (the “LQN”) having been obtained from the SGX-ST and not having been revoked or amended and, where such LQN is subject to conditions, to the extent that any conditions for the listing and quotation of the Conversion Shares on the Catalist are required to be fulfilled on or before the relevant completion date, they are so fulfilled;
- (ii) the approval of Shareholders (where required) being obtained in respect of the transactions contemplated by the Convertible Bond Agreement;
- (iii) each of the representations and warranties of the Subscriber set out in clause 5 of the Convertible Bond Agreement shall be true in on and as of the Completion Date;
- (iv) each of the covenants required to be performed or complied with by the Subscriber on or prior to the Completion Date has been performed and complied with;
- (v) the approval of the Directors and Shareholders (where necessary) being obtained in respect of the transactions contemplated by the Convertible Bond Agreement including but not limited to the issue and allotment of the Conversion Shares, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions, such conditions being acceptable to the Subscriber and the Company; and
- (vi) there not having been any event or discovery of any fact or circumstance which would affect, render untrue, incorrect or inaccurate or give rise to a material breach in any respect of any of the representations, warranties, agreements or undertakings on the part of the Subscriber contained or referred to in the Convertible Bond Agreement deemed to be repeated on each day hereafter, down to the date of Completion in all respects with reference to the facts and circumstances existing on each such day.

If any of the Conditions Precedent is not satisfied and/or waived (as the case may be) within six (6) months (or such other later date as the Subscriber and the Company may agree) after the date of the Convertible Bond Agreement, the Convertible Bond Agreement shall *ipso facto* cease and determine thereafter, without prejudice to any rights which the Company may have against the Subscriber with respect to his/its failure to fulfil any of the terms of the Convertible Bond Agreement prior to termination.

3.6 Completion Date

Completion of the subscription by the Subscriber and issue by the Company of the Bond shall take place on the Completion Date which is 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 LQN from the SGX-ST in respect of the Conversion Shares or such other date as may be agreed in writing between the Parties in respect of the date of issue of the Bond.

3.7 Conversion Shares

As of the Latest Practicable Date, the Company has an issued and paid-up share capital of 14,310,670,617 Shares 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 the Fixed Exchange Rate), the maximum number of Conversion Shares which may be allotted and issued to the Subscriber assuming full conversion of the principal amount of the Bond, including the accrued and unpaid interest up to the Maturity Date, is as follows:

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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 (%)
Lam Cho Ying Terence Joe	31,060,000	3,727,200	5,647,272,727	39.46	28.30

As at the Latest Practicable Date, the Subscriber is a Controlling Shareholder who has total interests in 3,408,336,818 Shares (including direct interest and 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. Assuming full conversion of the principal amount of the Bond, including the accrued and unpaid interest up to the Maturity Date, the Subscriber will have interests in 9,055,609,545 Shares, representing 45.37% of the Enlarged Share Capital.

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.

3.8 Conversion Price

The Conversion Price of S\$0.0011 represents a premium of 10% to the 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.

3.9 Requirements Pursuant To The Catalist Rules And The Companies Act

As the Subscriber is a Controlling Shareholder of the Company, the Proposed Bond Issuance will be subject to specific approval of Shareholders, pursuant to Rule 812 of the Catalist Rules and Section 161 of the Companies Act.

The Subscriber and his associates (as defined in the Catalist Rules) will abstain from voting on the ordinary resolution to approve the Proposed Bond Issuance at the SGM.

3.10 The Proposed Bond Issuance As An Interested Person Transaction

The Subscriber is a Controlling Shareholder of the Company, and is thus regarded as an "interested person" for purposes of Chapter 9 of the Catalist Rules. Accordingly, the Proposed Bond Issuance constitutes an "interested person transaction" under Chapter 9 of the Catalist Rules, where the amount at risk is the aggregate interest payable on the Bond, amounting to HK\$3,727,200 up to, the Maturity Date.

Based on the audited consolidated financial statements of the Group for FY2020, the Group's latest audited NTA was approximately HK\$109,515,000 ("**Group NTA**").

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The aggregate amount at risk of all transactions (excluding transactions that are less than S\$100,000) entered into between the Group and Mr Lam and his associate (Alternus Capital) since the beginning of the current financial year ended 30 June 2021 amounted to HK\$4,627,200 (“**Aggregate IPTs**”), comprising the following:

- (i) the aggregate interest payable on the Bond of HK\$3,727,200; and
- (ii) interest payable of HK\$900,000 on a one year non-convertible bond of HK\$15 million issued by the Company to Mr Lam on 18 August 2020. The non-convertible bond is interest bearing at 6% per annum and repayable on 18 August 2021.

The Aggregate IPTs represent approximately 4.2% of the Group NTA, which exceeded the relevant threshold of 3.0% under Rule 905(2) of the Catalist Rules (but is lower than the relevant threshold of 5.0% under Rule 906(1) of the Catalist Rules requiring Shareholders’ approval for the Proposed Bond Issuance as an Interested Person Transaction).

3.11 **Take-over Obligations Under The Take-over Code**

Pursuant to Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, amongst others, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% or 50% of the Company’s voting rights, increase their voting rights in the Company by more than 1% in any period of six (6) months. In calculating the percentages of voting rights of such Shareholder and their concert parties, treasury shares and subsidiary holdings shall be excluded.

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 Take-over Code.

3.12 **Financial Effects Of The Proposed Bond Issuance**

The *pro forma* financial effects of the Proposed Bond Issuance 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 Bond Issuance.

The *pro forma* financial effects of the Proposed Bond Issuance have been computed based on the audited consolidated financial statements of the Group for FY2020 and on the following bases and assumptions:

- (a) the financial effect on the Group’s consolidated NTA per Share is computed based on the assumption that the Proposed Bond Issuance 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 Proposed Bond Issuance 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 the Fixed Exchange Rate) 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 the Fixed Exchange Rate) 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

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- (e) expenses to be incurred in respect of the Proposed Bond Issuance, being mainly professional fees, are estimated to be approximately HK\$200,000 (equivalent to approximately S\$35,700).

NTA per Share

	Before the Proposed Bond Issuance	After the Proposed Bond Issuance 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.

LPS

	Before the Proposed Bond Issuance	After the Proposed Bond Issuance 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)

Gearing

	Before the Proposed Bond Issuance	After the Proposed Bond Issuance 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".

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3.13 Confirmation By Directors

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

- (a) 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; and
- (b) the Proposed Bond Issuance is to restructure the Outstanding Loans as set out in section 3.3 of this Circular. The Bond which has Maturity Date of two (2) years from the Issue Date, 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.

3.14 Statement By The Audit Committee On The Proposed Bond Issuance

Pursuant to Rule 917(4)(a) of the Catalist Rules, after taking into consideration the terms of the Convertible Bond Agreement, the rationale and the benefit for the Proposed Bond Issuance, the Audit Committee of the Company is of the view that the Proposed Bond Issuance is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

3.15 Authority For The Allotment And Issuance Of Conversion Shares To The Subscriber

The Proposed Bond Issuance is subject to, *inter alia*:

- (a) the approval of the SGX-ST for the listing of and quotation for the Conversion Shares on Catalist; and
- (b) approval of the Shareholders (with the Subscriber and his associates abstaining) at the SGM.

Subject to the approval of Shareholders for the Proposed Bond Issuance being obtained, the Company will, through its Sponsor, submit an application to the SGX-ST for the approval to deal in and for the listing of and quotation for the Conversion Shares on the Catalist of the SGX-ST. Such listing of and quotation for the Conversion Shares on the SGX-ST will be subject to the conditions as stated in the LQN.

The Company will make the necessary announcement upon receipt of the LQN from the SGX-ST.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 Directors' and Substantial Shareholders' Shareholdings in the Company

Details of the interests of Directors, and Substantial Shareholders (i) before the issuance of the Conversion Shares as at the Latest Practicable Date (based on information recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders respectively); and (ii) after the issuance of the Conversion Shares (assuming maximum conversion of the Bond (including maximum interest payable) at Maturity Date by the Subscriber), are set out as follows:

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Name	As at the Latest Practicable Date			
	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Directors				
Chan Andrew Wai Men	457,671,000	3.20	-	-
Chu Yin Ling, Karen	19,000,000	0.13	-	-
Luk Siu Fung, Mark	494,092,992	3.45	-	-
Alexander Shlaen	69,944,000	0.49	-	-
Wan Ngar Yin, David	64,200,000	0.45	6,000,000 ⁽³⁾	0.04
Chau King Fai	-	-	-	-
Substantial Shareholders				
Lam Cho Ying Terence Joe	2,180,731,668	15.24	1,227,605,150 ⁽⁴⁾	8.58
Alternus Capital Holdings	1,227,605,150	8.58	-	-
Xu Hong Na	1,516,249,000	10.60	-	-
After the issuance of the Conversion Shares				
Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Directors				
Chan Andrew Wai Men	457,671,000	2.29	-	-
Chu Yin Ling, Karen	19,000,000	0.10	-	-
Luk Siu Fung, Mark	494,092,992	2.48	-	-
Alexander Shlaen	69,944,000	0.35	-	-
Wan Ngar Yin, David	64,200,000	0.32	6,000,000 ⁽³⁾	0.03
Chau King Fai	-	-	-	-
Substantial Shareholders				
Lam Cho Ying Terence Joe	7,828,004,395	39.22	1,227,605,150 ⁽⁴⁾	6.15
Alternus Capital Holdings	1,227,605,150	6.15	-	-
Xu Hong Na	1,516,249,000	7.60	-	-

Notes:

- (1) Based on the Existing Share Capital.
- (2) Based on the Enlarged Share Capital.
- (3) Wan Ngar Yin, David is deemed to be interested in the 6,000,000 shares held by his wife.
- (4) Mr Lam is deemed to be interested in the 1,227,605,150 shares held by Alternus Capital by virtue of Section 4 of the SFA.

4.2 Interest of Directors and Substantial Shareholders in the Proposed Bond Issuance

Save for the Subscriber 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, as well as their respective associates, has any interest, whether direct or indirect,

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in the Proposed Bond Issuance (other than in their capacity as Director or Shareholder, as the case may be).

5. DIRECTORS' RECOMMENDATION

Having considered, *inter alia*, the rationale for the Proposed Diversification and the Proposed Bond Issuance, the Directors are of the opinion that each of the Proposed Diversification and the Proposed Bond Issuance is in the best interests of the Company and Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the Proposed Diversification and the Proposed Bond Issuance at the SGM.

Shareholders are advised to read this Circular in its entirety, in particular the rationale for the Proposed Diversification and the Proposed Bond Issuance, and for those who may require advice in the context of his specific investment, to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

6. ABSTENTION FROM VOTING

In accordance with Rule 812(2) of the Catalist Rules, the Subscriber and his associates (which includes Alternus Capital) have undertaken that:

- (a) they will abstain from voting on the Ordinary Resolution in respect of the Proposed Bond Issuance at the SGM in respect of their shareholdings in the Company; and
- (b) the Subscriber shall not, and shall ensure that his associates will not, accept any appointments to act as proxies of other Shareholders to vote on the Ordinary Resolution in respect of the Proposed Bond Issuance, unless the appointing Shareholder(s) has/have given express instructions in the Proxy Form as to the manner in which the votes are to be cast.

7. SPECIAL GENERAL MEETING

7.1 Date And Time Of SGM

The SGM, notice of which is set out on pages 26 to 28 of this Circular, will be held by way of electronic means (via LIVE WEBCAST and/or AUDIO ONLY MEANS) on 30 October 2020 at 11.00 a.m. (or as soon as practicable immediately following the conclusion or adjournment of the annual general meeting of the Company held on the same day at 10:30 a.m.) for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions relating to the Proposed Diversification and the Proposed Issuance, as set out in the Notice of SGM.

7.2 No Physical Attendance At The SGM

Shareholders will not be able to attend the SGM in person as the Company will not be arranging for a physical meeting. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the SGM by:

- (a) watching the SGM proceedings via "live" audio-visual webcast or listening to the SGM proceedings via "live" audio-only stream;
- (b) submitting questions in advance of the SGM; and

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- (c) voting by appointing the Chairman as proxy at the SGM.

Please refer to Section 9 below for further details on the alternative arrangements.

In addition, Shareholders should note that the Company may make further changes to the arrangements for the SGM (including but not limited to any applicable alternative arrangements as may be prescribed or permitted (as the case may be) under the COVID-19 Act and any regulations promulgated thereunder (including the COVID-19 Order) as well as other guidelines issued by the relevant authorities) as the situation evolves. Shareholders are advised to keep abreast of any such changes as may be announced by the Company as may be made from time to time on SGXNet.

8. NO DESPATCH OF PRINTED COPIES OF CIRCULAR, NOTICE OF SGM AND PROXY FORMS

In line with the provisions under the COVID-19 Order, no printed copies of the Circular, the Notice of SGM and the Proxy Forms in respect of the SGM will be despatched to Shareholders.

A copy of this Circular, the Notice of SGM and the Proxy Forms have been uploaded on SGXNet and the Company's corporate website at URL <https://www.sinocloudgroup.com>. A Shareholder will need an Internet browser and PDF reader to view these documents.

Shareholders are advised to read this Circular carefully in order to decide whether they should vote in favour of or against the ordinary resolutions in relation to the Proposed Diversification and the Proposed Bond Issuance, to be tabled at the SGM.

9. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to vote on the resolutions at the SGM must appoint the Chairman of the SGM as their proxy by completing the Proxy Forms as attached to the Notice of SGM.

Please refer to the alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the SGM as set out in the Company's announcement dated 14 October 2020, which has been uploaded together with this Circular on SGXNet and the Company's corporate website at URL <https://www.sinocloudgroup.com> on the same day.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Diversification, the Proposed Bond Issuance and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information contained in this Circular 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 Circular in its proper form and context.

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11. 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, copies of the following documents 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 ("**M&C Services**") at 112 Robinson Road #05-01, Singapore 068902, for a period of three (3) months from the date of this Circular:

- (a) the Bye-Laws of the Company; and
- (b) the Convertible Bond Agreement.

For inspection of the abovementioned documents at M&C Services, 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

Yours faithfully
For and on behalf of the Board of
SINOCLOUD GROUP LIMITED

Chan Andrew Wai Men
Chairman and Chief Executive Office

SINOCLOUD GROUP LIMITED
(Company Registration No. 34050)
(Incorporated in Bermuda)

NOTICE OF SPECIAL GENERAL MEETING

All capitalised terms in this Notice shall, unless otherwise defined in this Notice, bear the respective meanings ascribed thereto in the circular to shareholders dated 14 October 2020 (“Circular”) issued by the Company.

NOTICE IS HEREBY GIVEN that an Special General Meeting (“SGM”) of SinoCloud Group Limited (the “Company”) will be held by way of electronic means on **Friday, 30 October 2020 at 11.00 a.m.** (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting of the Company held on the same day at 10:30 a.m.), for the purpose of considering and, if thought fit, passing (with or without modifications) the Resolutions below:

ORDINARY RESOLUTION 1 – THE PROPOSED DIVERSIFICATION OF THE GROUP’S EXISTING BUSINESS TO INCLUDE THE NEW BUSINESSES

THAT

- (a) approval be and is hereby given for the diversification of the business of the Group to include the New Businesses as described under Section 2 of the Circular, and any other activities related to the New Businesses; and
- (b) the Directors and any one of them be and are hereby authorised and empowered to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable, necessary or in the interests of the Company to give effect to the Proposed Diversification and/or this Ordinary Resolution.

ORDINARY RESOLUTION 2 – THE PROPOSED ISSUANCE OF BOND IN PRINCIPAL AMOUNT OF UP TO HK\$31,060,000 TO THE SUBSCRIBER IN DISCHARGE AND SETTLEMENT OF EQUIVALENT SUM OF THE OUTSTANDING LOANS (INCLUDING ANY ACCRUED INTEREST) OWED BY THE GROUP TO THE SUBSCRIBER AND ALTERNUS CAPITAL, AND THE BOND IS CONVERTIBLE INTO CONVERSION SHARES AT THE CONVERSION PRICE OF S\$0.0011 PER SHARE

THAT

- (a) pursuant to Section 161 of the Companies Act and Rule 805(1) of the Catalist Rules, approval be and is hereby given to the Directors to allot and issue up to 5,647,272,727 Conversion Shares to the Bondholder, at the Conversion Price of S\$0.0011 per Conversion Share, on and subject to the terms of the Convertible Bond Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete, take such steps and to do all such acts and things as they may consider necessary, desirable or expedient to give effect to the transactions contemplated in this Resolution or in the interests of the Company, including without limitation, to negotiate, sign, execute and deliver all documents (if required), and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and ratified.

By Order Of The Board

Chu Yin Ling, Karen
Executive Director and Company Secretary
14 October 2020

Notes:

- (1) The SGM is being convened, and will be held, by way of electronic means pursuant to the First Schedule of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will NOT be sent to shareholders of the Company. Instead, the Notice of SGM will be sent to shareholders of the Company by electronic means via publication on SGXNet and the Company's website at the URL <https://www.sinocloudgroup.com>.
- (2) Alternative arrangements relating to attendance at the SGM via electronic means (including arrangements by which the SGM can be electronically accessed via "live" audio-visual webcast ("**LIVE WEBCAST**") or "live" audio stream ("**LIVE AUDIO STREAM**")), submission of questions in advance of the SGM, addressing of substantial and relevant questions, are set out in the Company's Letter to Shareholders dated 14 October 2020 (the "**Letter**"), which has been uploaded together with this Notice of SGM on SGXNet on the same day. The Letter may also be accessed on the Company's website at the URL <https://www.sinocloudgroup.com>. For the avoidance of doubt, the Letter is circulated together with and forms part of this Notice of SGM.
- (3) A shareholder of the Company (whether individual or corporate) must appoint the Chairman of the SGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the SGM, if such shareholder wishes to exercise his/her/its voting rights at the SGM. In appointing the Chairman of the SGM as proxy, a shareholder of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of each resolution to be proposed at the SGM in the form of proxy, failing which the appointment of the Chairman of the SGM as proxy for that resolution will be treated as invalid.
- (4) The Chairman of the SGM, as proxy, need not be a shareholder of the Company.
- (5) The instrument appointing the Chairman of the SGM as a proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged with the Company's Singapore Share Transfer Agent, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902; or
 - (b) if submitted electronically, via email to the Company's Singapore Share Transfer Agent, M & C Services Private Limited, at gpb@mncsingapore.com, in either case, by 11.00 a.m. on 28 October 2020 (being not less than forty-eight (48) hours before the time appointed for the holding of the SGM).

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for shareholders to submit completed proxy forms by post, the Company strongly encourages shareholders to submit completed proxy forms electronically via email.

- (6) Investors who hold Shares under the Supplementary Retirement Scheme ("**SRS Investors**") and who wish to vote at the SGM should approach their SRS operators to submit their votes at least seven (7) working days before the date of the SGM (i.e. by 11.00 a.m. on 21 October 2020). SRS Investors are requested to contact their SRS operators for any queries they may have with regard to the appointment of the Chairman of the SGM as proxy for the SGM.

Personal Data Privacy

By (a) submitting an instrument appointing the Chairman of the SGM as proxy to vote at the SGM and/or any adjournment thereof, and/or (b) registering to attend the SGM via LIVE WEBCAST or LIVE AUDIO STREAM, and/or (c) submitting any question prior to the SGM in accordance with this Notice of SGM, a shareholder of the Company consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or service providers) for the following purposes:

- (a) processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the SGM as proxy for the SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the SGM (including any adjournment thereof);
- (b) processing the pre-registration forms for purposes of granting access to shareholders (or their corporate representatives in the case of shareholders who are legal entities) to the LIVE WEBCAST or LIVE AUDIO STREAM to observe the proceedings of the SGM and providing them with any technical assistance, where necessary;

- (c) addressing relevant and substantial questions from shareholders received before the SGM and if necessary, following up with the relevant shareholders in relation to such questions;
- (d) preparation and compilation of the attendance lists, proxy list, minutes and other documents relating to the SGM (including any adjournment thereof); and
- (e) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the SGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the SGM. Accordingly, the personal data of a shareholder of the Company (such as his/her name, his/her presence at the SGM and any questions he/she may raise or motions he/she propose/second) may be recorded by the Company for such purpose.

This notice 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 Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

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.