

SINOCLOUD GROUP LIMITED
(Company Registration Number: 34050)
(Incorporated in Bermuda on 13 August 2003)

UPDATE ON LITIGATION SUIT OF GUIYANG ZHONGDIAN GAOXIN DIGITAL TECHNOLOGIES LIMITED (“GUIYANG ZHONGDIAN”)

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of SinoCloud Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s offer information statement dated 9 May 2023 in relation to the recent renounceable non-underwritten rights issue undertaken by the Company (“**Offer Information Statement**”) which had been lodged with the Singapore Exchange Securities Trading Limited, acting as agent on behalf of the Monetary Authority of Singapore and the Company’s annual report for the financial year ended 30 June 2022 (“**FY2022 Annual Report**”).
- 1.2. As set out in the Offer Information Statement, the Company’s 60%-owned subsidiary, Guiyang Zhongdian was named as a co-defendant in various legal proceedings including but not limited to the certain legal proceedings commenced by a microfinance company (连云港市创亿科技小额贷款股份有限公司) (“**Lianyun Company**” or the “**Plaintiff**”) in the People’s Republic of China (“**PRC**”) in August 2022, wherein there are six other co-defendants, one of whom is Mr. Zhang Dai, the legal representative of Guiyang Zhongdian and a controlling shareholder of the Company (the “**Lianyun Company Proceedings**”). The Lianyun Company Proceedings relate to the enforcement of loans granted by Lianyun Company to 中通联合(连云港)投资有限公司 (“**Lianhe Company**” or the “**Borrower**”) (the “**Loans**”), for which Guiyang Zhongdian has provided certain corporate guarantees.

2. UPDATE ON LIANYUN COMPANY PROCEEDINGS

- 2.1. The Company has been actively seeking updates from Guiyang Zhongdian and was recently provided with an update on the Lianyun Company Proceedings. The Company was only apprised by Mr. Zhang Dai on 25 August 2023 and 16 October 2023 that the People’s Court of Lianyungang Economic and Technological Development Zone had on 26 September 2022, made the following orders (“**Court Orders**”) pertaining to the Lianyun Company Proceedings, in particular:
- (a) The defendant, Lianhe Company, as the Borrower, shall repay the Plaintiff a total sum of approximately RMB 62,900,000 comprising, *inter alia*, (i) the principal sum of the Loans; (ii) the interest accrued on the Loans; (iii) the penalty fees incurred; (iv) the compound interest accrued on the Loans; (v) such penalty and compound interest accruing from 14 April 2022 to the date of repayment; and (vi) legal costs;

- (b) Guiyang Zhongdian, by virtue of providing a corporate guarantee, and Mr. Zhang Dai, by virtue of providing a personal guarantee, along with the other co-defendants, shall be jointly and severally liable for the aforementioned sums;
- (c) The Borrower shall repay the Plaintiff the case administration fee of approximately RMB 547,000 and the security fee of RMB 45,000, which was prepaid by the latter. Guiyang Zhongdian and Mr. Zhang Dai, along with the other co-defendants, shall be jointly and severally liable for the payment of the case administration fee and security fee; and
- (d) Pursuant to a mortgage agreement executed by the Plaintiff and 中通科云置业（连云港）有限公司 (“**Keyun Company**”) on 23 June 2020 and a mortgage agreement executed by the Plaintiff and 天津市帝旺物业管理有限公司 (“**Diwang Company**”) on 24 June 2020, a mortgage was registered against each of (i) the land parcel with an area of approximately 36,000 sqm owned by Keyun Company located between Yingtai Road South and Songzhu Road West, Lianyungang Economic and Technological Development Zone (“**Keyun Company’s Land**”); and (ii) a property owned by Diwang Company located in the Hedong District, Tianjin, PRC (“**Diwang Company’s Property**”, collectively the “**Mortgaged Properties**”) respectively. The Mortgaged Properties are a form of security in favour of the Plaintiff to secure the repayment of all indebtedness of the Borrower under and pursuant to the Loans. Accordingly, pursuant to the Court Orders:
 - (i) the proceeds of any disposal of the land use rights over the Keyun Company’s Land shall be applied, in priority over any other usage or application of such proceeds, towards the satisfaction of the judgment sums set out above in paragraphs 2.1.(a) and 2.1(c) of this announcement; and
 - (ii) the proceeds of any disposal of the Diwang Company’s Property shall be applied, in priority over any other usage or application of such proceeds, towards the satisfaction of the judgment sums set out above in paragraphs 2.1.(a) and 2.1.(c) of this announcement.

2.2. Currently, one of Guiyang Zhongdian’s bank accounts which contains a balance of approximately RMB 50,000 has been frozen by the Plaintiff. The Board also understands however that the other bank accounts of Guiyang Zhongdian are not affected by the Lianyungang Company Proceedings and as such, the operations of Guiyang Zhongdian are not disrupted.

2.3. In addition, the Board has been informed that the Borrower and other co-defendants, including Guiyang Zhongdian and Mr. Zhang Dai, are in the midst of negotiating with the Plaintiff to negotiate for a repayment agreement to resolve the claim further to the Court Orders.

3. FINANCIAL IMPACT

3.1. The maximum estimated loss arising from the Court Orders will be approximately RMB 63,500,000, adversely impacting the financial position of the Group for the financial year ending 30 June 2024

unless the other Defendants, excluding Guiyang Zhongdian, are able to repay the Plaintiff.

- 3.2. Notwithstanding, in view of the security provided in the form of the Mortgaged Properties as disclosed above in paragraph 2.1.(d) of this announcement, the Board and the management of the Company (“**Management**”) assessed that no provision for liabilities was required in the Group’s financial statements as at 30 June 2023, as Guiyang Zhongdian is only one of the guarantors. In addition, the Board and the Management are of the view that the Court Orders would not affect the Company’s ability to continue as a going concern at present.

4. FURTHER ANNOUNCEMENTS

- 4.1. The Company will, as and when appropriate, make further announcements on any material developments to update shareholders of the Company on the Lianyun Company Proceedings.
- 4.2. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully and exercise caution when dealing or trading in the shares of the Company. When in doubt as to the action they should take, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Executive Chairman
16 October 2023

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

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

The contact person for the Sponsor is Mr Alex Tan, Chief Executive Officer, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.