

INTERESTED PERSON TRANSACTION PURSUANT TO RULE 905(2) OF THE CATALIST RULES

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of SinoCloud Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the following interested person transaction entered into between the Group and Mr Lam Cho Ying Terence Joe (“**Mr Lam**”), an interested person defined under Chapter 9 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“the “**Catalist Rules**”).

Rule 905(2) of the Catalist Rules provides that if the aggregate value of all transactions entered with the same interested person during the same financial year amounts to 3% or more of the Group’s latest audited net tangible assets (“**NTA**”), the Company must (i) make an immediate announcement of the latest transaction; and (ii) all future transactions entered into with that same interested person during that financial year.

2. DETAILS OF THE INTERESTED PERSON

Mr Lam became a controlling shareholder of the Company since 15 November 2019 (the “**Relevant Date**”), and has aggregate interests of approximately 23.82% in the capital of the Company as at the date of this announcement. Accordingly, all transactions entered into between Mr Lam and his associates, and the Group from the Relevant Date would constitute “interested person transactions” (“**IPTs**”) under Chapter 9 of the Catalist Rules.

Prior to and subsequent to Mr Lam becoming a controlling shareholder of the Company, he and his associate (being Alternus Capital Holding Limited (“**Alternus Capital**”)) collectively provided loans and advances to the Group for working capital purposes (“**Loans**”). With effect from the Relevant Date, the Loans will constitute IPTs and the amount at risk of such IPTs is the aggregate interest payable by the Group to Mr Lam and his associate, from the Relevant Date on the Loans, excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the Catalist Rules.

3. DETAILS OF THE INTERESTED PERSON TRANSACTION

On 7 October 2020, the Company entered into a convertible bond agreement (the “**Convertible Bond Agreement**”) with Mr Lam (as the subscriber) whereby Mr Lam agreed to subscribe for a bond in principal amount of up to HK\$31,060,000 to be issued by the Company (“**Bond**”) at a subscription price of 100% of the principal amount of the Bond, on the terms and conditions of the Convertible Bond Agreement (“**Issuance of Bond**”). The Bond is interest bearing at 6% per annum, with a maturity date of 2 years from the date of issue (“**Maturity Date**”). The Bond is, at the option of the holder of the Bond, convertible to new shares in the capital of the Company

(**“Conversion Shares”**) at a conversion price of S\$0.0011 for each Conversion Share (**“Conversion Price”**). The Conversion Price of S\$0.0011 represents a premium of 10% to the volume weighted average price (**“VWAP”**) of S\$0.001 per Share, based on trades done on the SGX-ST for the full market day on 2 October 2020, being the last market day on which the Shares were traded prior to the date of the Convertible Bond Agreement. The Conversion Price was agreed upon based on arm’s length negotiations between Mr Lam and the Company, taking into account, among others, the VWAP of the Shares quoted on the SGX-ST on 2 October 2020. The Issuance of Bond is subject to the approval of the Company’s shareholders to be obtained at a special general meeting to be convened in due course. Please refer to the Company’s announcement on 11 October 2020 for further details of the Issuance of Bond.

The Issuance of Bond constitutes an IPT, where the amount at risk is the aggregate interest payable on the Bond, amounting to HK\$3,727,200 up to the Maturity Date.

For the purpose of determining whether the relevant thresholds under Chapter 9 of the Catalist Rules have been triggered, transactions between the Group and interested persons who are members of the same group are deemed to be transactions between the Group and the same interested person.

Based on the latest audited financial statements of the Group for the financial year ended 30 June 2020, the audited net tangible assets of the Group (**“Group NTA”**) was approximately HK\$109,515,000.

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 amounted to HK\$4,627,200 (comprising (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). This represents approximately 4.2% of the Group NTA, which exceeded the relevant threshold of 3.0% under Rule 905(2) of the Catalist Rules.

4. RATIONALE FOR THE IPT

Based on the Group’s audited financial statements for financial year ended 30 June 2020, the Group reported negative working capital of HK\$31,626,000 as at 30 June 2020. As at the date of the Convertible Loan Agreement, the Group has outstanding amounts of approximately HK\$31 million that is due and payable to Mr Lam and his associate. In order to facilitate the discharge and settlement of these loans, the Company and Mr Lam agreed to the Issuance of Bond, where 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, and is convertible to new shares to be issued by the Company. Furthermore, the outstanding loans owing by the Group to Mr Lam and his associate carry interests ranging from 6% to 15% per annum, whereas the Bond carries an interest of 6.0% per annum. In view of the aforementioned factors, the Board is of the view that the Issuance of Bond is beneficial to and is in the best interests of the Company as it may reduce the Group’s indebtedness (by way of the conversion feature of the Bond) and allow the Group to conserve its cash resources.

5. STATEMENT BY THE AUDIT COMMITTEE

After taking into consideration the terms of the Convertible Bond Agreement, the rationale and the benefit for the Issuance of Bond, the Audit Committee is of the view that the Issuance of Bond is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for Mr Lam and his associate (being Alternus Capital who is a substantial shareholder of the Company) and other than through their respective shareholdings in the Company (if any), none of the Directors or substantial shareholders of the Company and their respective associates has any interest, direct or indirect, in the Issuance of Bond.

By Order of the Board

SinoCloud Group Limited

Chan Andrew Wai Men

Chairman and Chief Executive Officer

13 October 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.