

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

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**UPDATE ON REPAYMENT OF CONVERTIBLE LOAN AND SIGNING OF BINDING  
MEMORANDUM OF UNDERSTANDING**

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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, 19 June 2014, 14 August 2014, 15 March 2015 and 30 May 2016 relating to the Convertible Loan Agreement dated 25 March 2015 with Mr Lu Zhen Dong (“**Mr Lu**”) and a Zhuhai Entity (the “**Previous Announcements**”), and wishes to provide shareholders a status update on the repayment of the Convertible Loan. Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the Previous Announcements.

**1. PREVIOUS ANNOUNCEMENTS AND BACKGROUND TO THE CONVERTIBLE LOAN**

In the Previous Announcements, the Company informed shareholders of the following:

- On 25 March 2014, the Company had entered into a convertible loan agreement (“**Convertible Loan Agreement**”) with Mr Lu Zhen Dong and his special purpose vehicle company, the **Zhuhai Entity** for the purpose of restructuring the refundable deposits totalling HK\$50.05 million into a convertible loan (“**Convertible Loan**”). These Deposits , which were refundable, were originally paid towards a potential acquisition of a PRC telecommunication project, pending the fulfilment of certain milestones. Subsequent to the payment of the Deposits, the Company was not able to directly invest in the PRC Project Company due to the then prevailing policy restriction on foreign ownership in the telecommunication industry of the PRC government.
- For precautionary and transitional measures to ensure the Company’s reasonable accessibility to important and valuable project related information of the PRC Project Company, one of the Company’s then executive Directors, Mr Richard Gao (“**Mr Gao**”), who was appointed as executive Director of the Company from February 2009 to December 2014, had been appointed by Mr Lu to act as the legal representative and sole director of Zhuhai Entity as well as a nominee shareholder holding Mr Lu’s entire shareholding in the Zhuhai Entity on trust from Mr Lu.
- On 23 July 2014, the Company entered into a supplemental agreement to the Convertible Loan Agreement (“**Supplemental Convertible Loan Agreement**”) with Mr Lu to increase the amount of the Convertible Loan by HK\$33.95 million from HK\$50.05 million to HK\$84.0 million.
- On 13 March 2015, the Company and its wholly-owned subsidiary, Armarda Holdings Limited, entered into an agreement with Mr Zhang Dai and Mr Lu to assign part of the Convertible Loan due from Mr Lu to the Company amounting to HK\$12.0 million to Mr Zhang Dai, which will be applied to partially satisfy the purchase consideration due from the Company for the acquisition of 63% equity interests in SinoCloud 01 Limited. Mr Zhang Dai was one of the vendors of the acquisition of 63% equity interests in SinoCloud 01 Limited. Subsequent to the aforesaid arrangement (“**2015 Assignment**”), the amount of the Convertible Loan owing from Mr Lu to the Company was reduced from HK\$84.0 million to HK\$72 million.

Pursuant to the terms of the Convertible Loan Agreement, the Company has the right but not the obligation, to convert amounts outstanding under the Convertible Loan Agreement into a maximum of 94.5% direct equity interest in Zhuhai Entity, which in turn holds, 44.3% equity interest in the PRC Project Company, and representing the Company’s effective interest of

41.9% in the PRC Project Company. After the 2015 Assignment, the Company would still have the right (but not the obligation) to convert the amounts outstanding under the Convertible Loan Agreement into a maximum of 94.5% direct equity interest in Zhuhai Entity, which in turn holds 36.8%<sup>1</sup> equity interest in the PRC Project Company, representing the Company's effective interest of 34.8% in the PRC Project Company. The Convertible Loan was due and payable by Mr Lu on 25 March 2016, after the parties agreed to extend the initial maturity date of 25 March 2015 for a period of 12 months.

In the Company's announcement dated 19 June 2014 announcing that Mr Gao was appointed as the legal representative and sole director of the Zhuhai Entity as well as the sole nominee shareholder holding the entire equity interest in Zhuhai Entity on behalf of Mr Lu, the Company had also announced that its management had taken specific measures to transfer such trustee shares in Zhuhai Entity held by Mr Gao back to Mr Lu and that Mr Gao would also resign as the legal representative and sole director of Zhuhai Entity in the near foreseeable future. The Company would like to clarify that subsequent to the Company's announcement dated 19 June 2014, Mr Gao remained as the sole shareholder (as a nominee for Mr Lu), legal representative and sole director of Zhuhai Entity. This was because a major shareholder of the PRC Project Company undertaking the PRC Project had objected to a change in shareholder in the Zhuhai Entity while the PRC Project Company's application for the operating licence from the relevant PRC authority was ongoing. The Board also subsequently took the view that retaining Mr Gao as the sole shareholder (as a nominee for Mr Lu), legal representative and sole director of Zhuhai Entity to act on the Company's behalf was in the better interest of the Company as its interest in the PRC Project would remain protected as Mr Gao could act on the Company's behalf to (i) look after the disbursement of money to be invested into the PRC Project Company; (ii) review the financial statements of the PRC Project Company periodically; and (iii) ensure the execution of the business plans of the PRC Project Company.

## 2. PROPOSED REPAYMENT TERMS OF THE CONVERTIBLE LOAN

As at the date of this announcement, the aggregate outstanding amount due and owing by Mr Lu to the Company is HK\$78.1 million, comprising (i) the Convertible Loan amounting to HK\$72 million; and (ii) the interest incurred on the Convertible Loan amounting to approximately HK\$6.1 million.

The Company had, on 14 June 2016, entered into a binding Memorandum of Understanding with Mr Lu for the repayment of the Convertible Loan ("**MOU**"), pursuant to which, the Company has agreed to waive HK\$42.1 million of the outstanding Convertible Loan as the Company deems the Convertible Loan as an investment loss. This waiver of debt would represent approximately 12.9% of the net asset value of the Group as at 31 March 2016.

The remaining HK\$36 million would be repayable by Mr Lu to the Company in Hong Kong dollars (which is the functional currency of the Company) in the following manner:

- (i) the first installment of HK\$25 million shall be paid to the Company within six months from the date that the Company has obtained approval from its shareholders for the Proposed Settlement at a special general meeting to be convened in due course; and
- (ii) the second installment of HK\$11 million shall be paid to the Company on or before 31 March 2017,

(the "**Proposed Settlement**").

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<sup>1</sup> Pursuant to the 2015 Assignment, the balance of Zhuhai Entity's 7.5% equity interest in the PRC Project Company is owned by Zhuhai Entity as the underlying asset for the convertible loans owing by Mr Lu to Mr Zhang Dai and the vendors of SinoCloud 01 Limited (as described in section 1 of this announcement).

The MOU is conditional upon (i) the approval of the shareholders of the Proposed Settlement and (ii) the execution of a deed of settlement or settlement agreement within one(1) month from the date of the signing of the MOU or such later date as the parties may agree in writing (“**Definitive Document**”).

Mr Lu is not, and was not, related to the Company's Directors, chief executive officer or controlling shareholders or their respective associates (as defined in the SGX-ST Catalyst Rules) from the period the Company extended refundable deposits to Mr Lu in 2013, to date.

### 3. RATIONALE FOR THE PROPOSED SETTLEMENT

The net asset value of the PRC Project Company as at 31 December 2015 is RMB61.95 million (approximately HK\$74.3 million). Based on the Company's effective interest of 34.8% in the PRC Project Company as at 31 December 2015, the net asset value of the PRC Project Company to our Company is HK\$25.9 million. The Board has decided to elect for the redemption of the Convertible Loan as it is of the view that its investment into the PRC Project at this juncture would be a non-core and non-performing investment. Although the Board was initially of the view that the investment was viable and may generate significant investment returns, such investment returns have not materialised. Having carefully considered all options, the Board has determined that the Proposed Settlement offers the Company an opportunity to exit from the PRC Project and recover as much funds as it can, which the Company can then utilise to invest in other information technology business which the Board considers to offer better prospects, including but not limited to internet data center related business, in the interests of all shareholders.

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

The relative figures of the Proposed Settlement computed based on the Group's latest unaudited consolidated financial results for the financial year ended 31 March 2016, in accordance with Rule 1006 of the Catalyst 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 disposed, compared with the group's net profit	Not applicable
(c)	Aggregate value of the consideration received, compared with the issuer's market capitalisation	28.7% <sup>(1)</sup>
(d)	The number of equity securities issued by the Company as consideration for a disposal, 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

**Note:**

- (1) Based on the Consideration of HK\$36 million (equivalent to approximately S\$6.3 million based on the exchange rate of S\$1:HK\$5.747) and the closing price of S\$0.002 for the Shares traded on 10 June 2016 (being the last market day preceding the signing of the Settlement Agreement) multiplied by the total number of 10,917,813,474 issued shares of the Company.

## 5. FINANCIAL EFFECTS

The proforma 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 latest unaudited consolidated financial statements of the Group for the financial year ended 31 March 2016 (“FY2016”) with the following bases and assumptions:

- (i) No additional impairment to the Convertible Loan is provided for in conjunction with the Proposed Settlement, as an impairment of HK\$42.1 million had already been provided for in the Group’s unaudited financial statements for FY2016;
- (ii) 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 2016;
- (iii) The financial effect on the loss per Share (“LPS”) is computed based on the assumption that the Proposed Settlement was completed on 1 April 2015; and
- (iv) Expenses to be incurred in respect of the Proposed Settlement, being mainly professional fees, are estimated to be no more than HK\$0.5 million.

### 6.1. NTA per Share

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

	Before the Proposed Settlement	After the Proposed Settlement
NTA <sup>(1)</sup> of the Group as at 31 March 2016 (HK\$'000)	156,780	156,280
Number of Shares	10,917,813,474	10,917,813,474
NTA <sup>(1)</sup> per Share (HK\$ cents)	1.44	1.43

**Note:**

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

### 6.2. Loss per Share (“LPS”)

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

	Before the Proposed Settlement	After the Proposed Settlement
Net loss attributable to Shareholders of the Company for FY2016 (HK\$'000)	111,615	112,115
Weighted average number of Shares	9,105,157,736	9,105,157,736
LPS (HK\$ cents)	1.23	1.23

## **7. INTERESTS IN THE PROPOSED SETTLEMENT**

None of the Directors and their respective associates, 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).

## **9. 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.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Whilst the registered office of the Company is in Bermuda, the principal office of the Company is in Hong Kong and the office of the Company's Share Transfer Agent is in Singapore. Taking into account that Hong Kong and Singapore are more accessible locations than Bermuda, a copy of the MOU will be made available for inspection during normal business hours at the principal office of the Company at Unit 1301A, 13/F, Kowloon Centre, 33 Ashley 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.

## **11. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the 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.

The Company will update shareholders and make the appropriate announcements in the event that there are any further material developments regarding the above subject matter and when the Definitive Document(s) have been executed. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, solicitors or other professional advisors if they have any doubt about the actions they should take.

### **By Order of the Board**

**Chan Andrew Wai Men**  
**Chairman and Chief Executive Officer**

15 June 2016

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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 Singapore Exchange Securities Trading Limited ("**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.*

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