

CIRCULAR DATED 5 JANUARY 2023

This Circular is important and requires your immediate attention. Please read it carefully.

If you are in any doubt about its contents or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

This Circular together with the Notice of Special General Meeting ("SGM") and the Proxy Forms (as defined herein) may be accessed at the Company's website at the URL <https://www.sinocloudgroup.com> and are also available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>. **Printed copies of this Circular, the Notice of SGM and the Proxy Forms will NOT be sent to shareholders of the Company ("Shareholders").**

If you have sold or transferred all your ordinary shares in the capital of SinoCloud Group Limited (the "**Company**"), you should (a) immediately forward this Circular together with the Notice of SGM and the Proxy Forms to the purchaser or the transferee or to the bank, the stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee; and (b) immediately inform the purchaser or the transferee or the bank, the stockbroker or other agent through whom the sale or transfer was effected for onward notification to the purchaser or the transferee that this Circular together with the Notice of SGM and the Proxy Forms may be accessed at the Company's website at the URL <https://www.sinocloudgroup.com> and are also available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.

An application will be made by the Company's sponsor to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for the listing of and quotation for the securities which are the subject of the Proposed Transactions (as defined herein).

*This Circular 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 SGX-ST Listing Manual Section B: Rules of Catalist.*

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

SINOCLOUD GROUP LIMITED

(Incorporated in Bermuda on 13 August 2003)
(Company Registration Number 34050)

CIRCULAR TO SHAREHOLDERS

in relation to

1. **THE PROPOSED SHARE CONSOLIDATION OF EVERY ONE HUNDRED (100) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS AS AT THE SHARE CONSOLIDATION RECORD DATE (AS DEFINED HEREIN) INTO ONE (1) CONSOLIDATED SHARE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED;**
2. **THE PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 79,390,353 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.05 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) CONSOLIDATED SHARES HELD BY ENTITLED SHAREHOLDERS (AS DEFINED HEREIN) AS AT THE RIGHTS ISSUE RECORD DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED;**
3. **THE POTENTIAL TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO MR. LAM CHO YING TERENCE JOE ARISING FROM THE ISSUE OF THE RIGHTS SHARES PURSUANT TO THE IRREVOCABLE UNDERTAKING; AND**
4. **THE PROPOSED VARIATION TO THE TERMS OF THE CONVERTIBLE BOND AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT) BETWEEN MR. LAM CHO YING TERENCE JOE AND THE COMPANY.**

Manager for the Rights Issue



ZICO Capital Pte. Ltd.

(Incorporated in the Republic of Singapore)

(Company Registration No. 201613589E)

Important Dates and Times:

Last date and time for lodgement of Proxy Forms	:	18 January 2023 at 11.00 a.m. (Singapore Time)
Last date and time to pre-register to attend the SGM	:	18 January 2023 at 11.00 a.m. (Singapore Time)
Date and time of SGM	:	20 January 2023 at 11.00 a.m. (Singapore Time)
Place of SGM	:	The SGM will be convened and held by electronic means.

The SGM will be conducted only by electronic means and Shareholders will not be able to physically attend the SGM. Alternative arrangements have been put in place to allow Shareholders to participate at the SGM by:

- (a) observing the proceedings of the SGM via a "live" webcast ("**LIVE WEBCAST**") or listening to these proceedings through a "live" audio feed;
- (b) submitting questions relating to the resolutions to be tabled at the SGM in advance of the SGM;
- (c) submitting text-based questions during the LIVE WEBCAST of the SGM;
- (d) appointing a proxy or proxies to attend and vote on their behalf at the SGM; and
- (e) participating in the live voting during the LIVE WEBCAST of the SGM.

Please refer to the Notice of SGM dated 5 January 2023 and the accompanying Proxy Forms, which has also been uploaded on SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL <https://www.sinocloudgroup.com> on the same day for further information, including the steps to be taken by Shareholders to participate at the SGM.

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DEFINITIONS

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

- “ARE” : Application forms for Rights Shares and excess Rights Shares to be issued to Entitled Depositors in respect of their Rights under the Rights Issue
- “ARS” : Application forms for Rights Shares to be issued to Purchasers in respect of their purchase of Rights traded on the Catalist Board of the SGX-ST through the book-entry (scripless) settlement system
- “Agreed Exchange Rate” : Has the meaning ascribed to it in paragraph 3.3 of this Circular
- “Alternus Capital” : Alternus Capital Holdings Limited, an investment company wholly owned by the Undertaking Shareholder
- “associate” : (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “ATMs” : Automated teller machine of a Participating Bank
- “Bermuda Companies Act” : The Companies Act 1981 of Bermuda, as may be amended or modified from time to time
- “Board” : The board of directors of the Company as at the Latest Practicable Date or from time to time, as the case may be
- “Bye-Laws” : The bye-laws of the Company, as amended, modified or supplemented from time to time
- “Catalist Rules” : The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
- “CDP” : The Central Depository (Pte) Limited
- “Circular” : This circular to Shareholders dated 5 January 2023
- “Closing Date” : The time and date to be determined by the Directors, being the last time and date for acceptance of and/or excess application and payment for the Rights Shares under the Rights Issue
- “Companies Act” : The Companies Act 1967 of Singapore, as amended or modified from time to time

DEFINITIONS

“Company”	:	SinoCloud Group Limited
“Consolidated Shares”	:	The new Shares of par value HK\$0.10 each, to be issued by the Company pursuant to the Share Consolidation
“Controlling Interest Resolution”	:	The resolution to be proposed at the SGM to approve the Potential Transfer of Controlling Interest in the Company to the Undertaking Shareholder as set out in the Notice of SGM
“controlling interest”	:	The interest of the controlling shareholder(s)
“controlling shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in a company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company
“Conversion Price”	:	The conversion price for each Conversion Share in respect of the Convertible Bonds
“Conversion Share”	:	Each new Share to be allotted and issued by the Company pursuant to the conversion in full of the Convertible Bonds
“Convertible Bond(s)”	:	Convertible Bonds issued to the Undertaking Shareholder pursuant to the Convertible Bond Agreement
“Convertible Bond Agreement”	:	Convertible Bond Agreement between the Company and the Undertaking Shareholder dated 7 October 2020
“Convertible Bond Agreement Variation”	:	The proposed variation of the Convertible Bond Agreement by way of the Supplemental Agreement dated 18 November 2022 details of which are further described in paragraph 5.2 of this Circular
“Convertible Bond Agreement Variation Resolution”	:	The resolution to be proposed at the SGM to approve the variation of the terms of the Convertible Bond Agreement as set out in the Notice of SGM
“Depositor Proxy Form”	:	The depositor proxy form in respect of the SGM to be despatched separately to Depositors
“Directors”	:	The directors of the Company as at the Latest Practicable Date or from time to time, as the case may be
“Entitled Depositors”	:	Shareholders with Shares standing to the credit of their Securities Accounts as at the Rights Issue Record Date and (a) whose registered addresses with CDP are in Singapore as at the Rights Issue Record Date, or (b) whose registered addresses with CDP are outside Singapore but have, by 5.00 p.m. (Singapore Time) at least three (3) Market Days prior to the Rights Issue Record Date, provided CDP with addresses in Singapore for the service of notices and documents, but exclude, subject to certain exceptions specifically set out in the Offer Information Statement, Shareholders located, resident or with a registered address outside Singapore

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“Entitled Scripholders”	:	Shareholders whose share certificates have not been deposited with CDP as well as transferees who have tendered to the Share Transfer Agent registrable transfers of their Shares and the certificates relating thereto for registration up to the Rights Issue Record Date and (a) whose registered addresses with the Company are in Singapore as at the Rights Issue Record Date, or (b) whose registered addresses with the Company are outside Singapore but have, by 5.00 p.m. (Singapore Time) at least three (3) Market Days prior to the Rights Issue Record Date, provided the Share Transfer Agent with addresses in Singapore for the service of notices and documents, but exclude, subject to certain exceptions specifically set out in the Offer Information Statement, Shareholders located, resident or with a registered address outside Singapore
“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“EPS”	:	Earnings per Share
“Foreign Purchasers”	:	Purchasers of the Rights whose registered addresses with CDP are outside Singapore at the time of purchase through the book-entry (scripless) settlement system
“Foreign Shareholders”	:	Shareholders with registered addresses outside Singapore as at the Rights Issue Record Date and who have not, by 5.00 p.m. (Singapore Time) at least three (3) Market Days prior thereto, provided the Transfer Agent or CDP, as the case may be, with addresses in Singapore for the service of notices and documents
“FY”	:	Financial year of the Company ended or ending 30 June, as the case may be
“FY2022 Q1”	:	The first quarter of FY2022, ended on 30 September 2021
“FY2023 Q1”	:	The first quarter of FY2023, ended on 30 September 2022
“Group”	:	The Company and its subsidiaries from time to time
“immediate family”	:	In relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent
“Irrevocable Undertaking”	:	Has the meaning ascribed to it in paragraph 3.11.2 of this Circular
“Issue Price”	:	The issue price of the Rights Shares, being S\$0.05 for each Rights Share
“Latest Practicable Date”	:	29 December 2022, being the latest practicable date prior to the date of issue of this Circular
“LPS”	:	Loss per Share
“Manager”	:	ZICO Capital Pte. Ltd.
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“MAS”	:	The Monetary Authority of Singapore
“Maximum Subscription Scenario”	:	For illustrative purposes, the scenario under which the maximum number of Rights Shares will be issued as described in paragraph 3.8.2 of this Circular

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“Minimum Subscription Scenario”	:	For illustrative purposes, the scenario under which the minimum number of Rights Shares will be issued as described in paragraph 3.8.1 of this Circular
“New Share Certificates”	:	Has the meaning ascribed to it in paragraph 2.4.1 of this Circular
“Notice of SGM”	:	The notice of SGM which is set out on page N-1 of this Circular
“NTA”	:	Net tangible assets
“Offer Information Statement”	:	This offer information statement, together with the ARE, the ARS, the PAL and all other accompanying documents (where applicable, including any supplementary or replacement document thereof) to be issued by the Company and lodged with the SGX-ST acting as agent on behalf of the MAS in connection with the Rights Issue
“Old Share Certificates”	:	Has the meaning ascribed to it in paragraph 2.4.1 of this Circular
“PAL”	:	The provisional allotment letters to be issued to Entitled Scripholders, setting out the Rights in respect of Rights Shares of such Entitled Scripholders under the Rights Issue
“Participating Banks”	:	The banks that will be participating in the Rights Issue by making available their ATMs to Entitled Depositors and Purchasers whose registered addresses with CDP are in Singapore, for acceptances of the Rights Shares and applications for excess Rights Shares, as the case may be, to be made under the Rights Issue
“Potential Transfer of Controlling Interest to the Undertaking Shareholder”	:	The potential transfer of controlling interest in the Company to Mr Lam Cho Ying Terence Joe arising from the issue of the Rights Shares pursuant to the Rights Issue
“Proposed Resolutions”	:	Has the meaning ascribed to it in paragraph 1.1 of this Circular
“Proposed Transactions”	:	The Share Consolidation, the Rights Issue, the Potential Transfer of Controlling Interest to the Undertaking Shareholder and the Convertible Bond Agreement Variation
“Proxy Form(s)”	:	The Depositor Proxy Form and/or the Shareholder Proxy Form, as the context may require
“Purchasers”	:	Persons purchasing the Rights traded on the Catalist Board of the SGX-ST through the book-entry (scripless) settlement system
“Register of Members”	:	The register of members of the Company
“Rights”	:	The provisional allotments of Rights Shares, being rights to subscribe for one (1) Rights Share for every two (2) Consolidated Shares held by Entitled Shareholders (which, for the avoidance of doubt, excludes treasury shares) as at the Rights Issue Record Date, fractional entitlements to be disregarded
“Rights Issue”	:	The proposed renounceable non-underwritten rights issue of up to 79,390,353 Rights Shares at the Issue Price of S\$0.05 for each Rights Share, on the basis of one (1) Rights Share for every two (2)

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	Consolidated Shares held by Entitled Shareholders as at the Rights Issue Record Date, fractional entitlements to be disregarded
“Rights Issue Announcement”	: The announcement made by the Company on 30 September 2022 relating to the Rights Issue
“Rights Issue Record Date”	: The time and date (to be announced by the Company) at and on which, subject to the approval of Shareholders for the Rights Issue Resolution being obtained at the SGM and the receipt of a listing and quotation notice from the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares on the Catalist Board of the SGX-ST, the Register of Members and the share transfer books of the Company will be closed to determine the Rights of Entitled Shareholders under the Rights Issue
“Rights Issue Resolution”	: The resolution to be proposed at the SGM to approve the Rights Issue as set out in the Notice of SGM
“Rights Mailing Address”	: Has the meaning ascribed to it in Appendix A of this Circular
“Rights Shares”	: Up to 79,390,353 new Shares to be issued by the Company pursuant to the Rights Issue and subsequent to the completion of the Share Consolidation
“Securities Account”	: Securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
“SFA”	: The Securities and Futures Act 2001 of Singapore, as amended or modified from time to time
“SGM”	: The special general meeting of the Company to be convened and held by electronic means on 20 January 2023 at 11.00 a.m. (Singapore Time), notice of which is set out on page N-1 of this Circular
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“SGXNet”	: Singapore Exchange Network, a system network used by listed companies for sending information and announcements to the SGX-ST or any other system network prescribed by the SGX-ST
“Share Consolidation”	: The share consolidation of every one hundred (100) existing Shares held by Shareholders as at the Share Consolidation Record Date into one (1) Consolidated Share, fractional entitlements to be disregarded
“Share Consolidation Announcement”	: The announcement made by the Company on 30 September 2022 relating to the Share Consolidation
“Share Consolidation Effective Trading Date”	: The date to be determined by the Directors as being the date when the Share Consolidation will become effective and the date on which the Consolidated Shares will trade on the Catalist Board of the SGX-ST in board lots of 100 Consolidated Shares

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“Share Consolidation Record Date”	:	The time and date (to be announced by the Company) at and on which, subject to the approval of Shareholders for the Share Consolidation Resolution being obtained at the SGM and the receipt of a listing and quotation notice from the SGX-ST for permission to deal in and for the listing of and quotation for the Consolidated Shares on the Catalist Board of the SGX-ST, the Register of Members and the share transfer books of the Company will be closed to determine the entitlements of Shareholders to the Consolidated Shares under the Share Consolidation
“Share Consolidation Resolution”	:	The resolution to be proposed at the SGM to approve the Share Consolidation as set out in the Notice of SGM
“Share Transfer Agent”	:	M & C Services Private Limited
“Shareholders”	:	The registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
“Shareholder’s Loan”	:	An existing shareholder’s loan owed by the Company to the Undertaking Shareholder
“Shareholder Proxy Form”	:	The shareholder proxy form in respect of the SGM to be despatched separately to Shareholders
“Shares”	:	The ordinary shares in the capital of the Company
“Singapore”	:	The Republic of Singapore
“SinoCloud PSP”	:	SinoCloud Group Limited Performance Share Plan
“Sponsor”	:	ZICO Capital Pte. Ltd.
“SRS”	:	Supplementary Retirement Scheme
“SRS Accounts”	:	An account opened by a participant in the SRS from which monies may be withdrawn for, among others, payment for the Rights Shares and/or the excess Rights Shares
“SRS Approved Banks”	:	Approved banks in which SRS Investors hold their accounts under the SRS
“SRS Investors”	:	Investors who have previously purchased Shares under the SRS
“Substantial Shareholder”	:	A person (including a corporation) who (a) has an interest or interests in one or more voting shares in a company and (b) the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the company
“Supplemental Agreement”	:	The supplemental agreement entered into between the Undertaking Shareholder (as defined herein) and the Company dated 18 November 2022 in respect of the Convertible Bond Agreement Variation

DEFINITIONS

“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Undertaking Shareholder”	:	Mr. Lam Cho Ying Terence Joe
“VWAP”	:	Volume Weighted Average Price

Currencies, Units of Measurement and Others

“HK\$” and “HK cents”	:	Hong Kong dollars and cents respectively
“S\$” and “cents”	:	Singapore dollars and cents respectively
“%”	:	Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA. The terms “subsidiary”, “substantial shareholder” and “treasury shares” shall have the same meanings ascribed to them in Section 5, Section 81 and Section 76H of the Companies Act respectively.

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 and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the Bermuda Companies Act, the SFA, the Catalist Rules or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, Bermuda Companies Act, the SFA, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise stated.

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

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

Any discrepancies in this Circular between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

SINOCLOUD GROUP LIMITED

(Incorporated in Bermuda on 13 August 2003)
(Company Registration No.: 34050)

Board of Directors

Chan Andrew Wai Men	<i>Executive Chairman</i>
Lam Chun Hei Justin	<i>Executive Director and Chief Operating Officer</i>
Wan Ngar Yin David	<i>Independent Director</i>
Chau King Fai Philip	<i>Independent Director</i>
Alexander Shlaen	<i>Independent Director</i>

Registered Office

Victoria Place, 5th Floor,
31 Victoria Street, Hamilton HM 10
Bermuda

5 January 2023

To: The Shareholders of SinoCloud Group Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 SGM

The Board proposes to convene the SGM to be held on 20 January 2023, Friday at 11.00 a.m. (Singapore Time) to seek the approval of Shareholders for the following resolutions:

- (i) the Share Consolidation Resolution;
- (ii) the Rights Issue Resolution;
- (iii) the Controlling Interest Resolution; and
- (iv) the Convertible Bond Agreement Variation Resolution

(collectively, “**Proposed Resolutions**”).

1.2 Conditionality of the Proposed Resolutions

Shareholders should note that:

- (a) whilst the Share Consolidation Resolution is not conditional upon the passing of the Rights Issue Resolution, **the Rights Issue Resolution is conditional upon the passing of the Share Consolidation Resolution**. As mentioned in paragraph 2.2 of this Circular, the Share Consolidation is intended to facilitate the Rights Issue, taking into consideration the terms of the Rights Issue. However, if only the Share Consolidation Resolution is passed, the Company intends to proceed with the same notwithstanding that the Rights Issue Resolution is not passed, for the reasons set out in paragraph 2.2 of this Circular;
- (b) the Rights Issue Resolution and the Controlling Interest Resolution are inter-conditional upon the passing of one another. **This means that if either the Rights Issue Resolution or the Controlling Interest Resolution is not passed, both the Rights Issue Resolution and the Controlling Interest Resolution will not be passed**. The Rights Issue is not underwritten and as such the success of the Rights Issue is dependent on the participation of the Undertaking Shareholder in the Rights Issue pursuant to the Irrevocable Undertaking. Whilst there is no intention for the Rights Issue

LETTER TO SHAREHOLDERS

to facilitate a transfer of controlling interest, the fulfilment by the Undertaking Shareholder of his obligations under the Irrevocable Undertaking may result in an inadvertent transfer of a controlling interest to him, depending on the level of subscription for the Rights Issue. Please refer to paragraph 4 of this Circular for more information regarding the potential change in shareholding interests of the Undertaking Shareholder in connection with the Rights Issue. Accordingly, the Rights Issue Resolution is conditional upon the passing of the Controlling Interest Resolution. If the Rights Issue Resolution is not passed at the SGM, the Controlling Interest Resolution will not be necessary and will not be tabled for approval at the SGM; and

- (c) the Convertible Bond Agreement Variation Resolution is conditional upon the Share Consolidation Resolution. As mentioned in paragraph 5.2 of this Circular, the proposed amendment to the Conversion Price is conditional upon the completion of the Share Consolidation.

1.3 Circular

The purpose of this Circular is to provide Shareholders with information relating to, and to explain the rationale for, the Proposed Resolutions and to seek Shareholders' approval for the Proposed Resolutions at the SGM.

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

1.4 Legal Adviser

Chancery Law Corporation is appointed as the legal adviser to the Company to advise on Singapore law and regulations in relation to the Proposed Transactions.

2. THE SHARE CONSOLIDATION

2.1 Background

On 30 September 2022, the Company announced that it is proposing to seek Shareholders' approval to undertake the Share Consolidation, pursuant to which every one hundred (100) existing Shares held by Shareholders as at the Share Consolidation Record Date will be consolidated into one (1) Consolidated Share, fractional entitlements to be disregarded. The Share Consolidation will be undertaken immediately prior to the Rights Issue.

Subject to Shareholders' approval being obtained for the Share Consolidation at the SGM, the Register of Members and the transfer books of the Company will be closed on the Share Consolidation Record Date to determine the entitlements of Shareholders to the Consolidated Shares. With effect from 9.00 a.m. on the Share Consolidation Effective Trading Date, every one hundred (100) existing Shares registered in the name of each Shareholder will be consolidated to constitute one (1) Consolidated Share. Each Consolidated Share will rank *pari passu* in all respects with each other, and will be traded in board lots of one hundred (100) Consolidated Shares.

Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Share Consolidation, based on their holdings of the Shares as at the Share Consolidation Record Date, will be rounded down to the nearest whole Consolidated Share and any fractions of Consolidated Shares arising from the Share Consolidation will be disregarded. All fractional entitlements arising from the implementation of the Share Consolidation will be dealt with in such manner as the

LETTER TO SHAREHOLDERS

Directors may, in their absolute discretion, deem fit in the interests of the Company, including (i) aggregating and cancelling the same, or (ii) aggregating and selling the same and retaining the net proceeds for the benefit of the Company. Shareholders should also note that in the event the Directors, in their absolute discretion, decide to cancel the aggregated fractions of Consolidated Shares arising from the Share Consolidation, affected Shareholders will not be paid for any fractional shares cancelled and not issued.

Shareholders whose shareholdings, as at the Share Consolidation Record Date, is less than one hundred (100) existing Shares should note that the Share Consolidation will result in such Shareholders no longer be Shareholders upon completion of the Share Consolidation. As such, they should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. They may, subject to such advice on actions that they should take and their own investment policies and risk/ return requirements, consider the possibility of purchasing additional Shares so as to increase the number of existing Shares held to a multiple of one hundred (100) existing Shares prior to the Share Consolidation Record Date.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of HK\$15,878,070.62, comprising 15,878,070,617 existing Shares, and an authorised share capital of HK\$100,000,000, divided into 100,000,000,000 shares of par value of HK\$0.001 each. Assuming there will be no new Shares issued by the Company up to the Share Consolidation Record Date and no fractions of Consolidated Shares arising from the Share Consolidation, the Company will have an issued and paid-up share capital of HK\$15,878,070.62, comprising 158,780,706 Consolidated Shares, and an authorised share capital of HK\$100,000,000 divided into 1,000,000,000 shares of par value HK\$0.10 each, following the completion of the Share Consolidation. As at the Latest Practicable Date, the Company does not have any treasury shares.

The Share Consolidation will have no theoretical impact on the dollar value of the issued and paid-up share capital of the Company. The Share Consolidation will also not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the equity of the Group.

Shareholders will not be required to make any payment to the Company in respect of the Share Consolidation. The Share Consolidation will not cause any changes to the percentage shareholding of each Shareholder, other than (i) non-material changes due to rounding and the disregard of the fractional entitlement; and (ii) Shareholders whose shareholdings, as at the Share Consolidation Record Date, is less than one hundred (100) existing Shares who will no longer be Shareholders upon completion of the Share Consolidation as described above.

2.2 Rationale for the Share Consolidation

The Board believes that the Share Consolidation will generally be beneficial to the Company and its Shareholders for the following reasons:

(a) Satisfaction of the minimum bid size prescribed by the SGX-ST

The Company may from time to time undertake corporate actions and such corporate actions may involve the issue of new Shares. The VWAP of the Shares for the period of six (6) months prior to the date of the Share Consolidation Announcement was S\$0.001, being the minimum bid size prescribed by the SGX-ST. The commercial terms of any corporate action which the Company may undertake in the near future may require the

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issue of new Shares at a discount to the prevailing trading price of the Shares, including the Rights Issue. Accordingly, to facilitate any such corporate action, the Company proposes to carry out the Share Consolidation on a 100:1 basis.

(b) Reduction of volatility of the Share price

The absolute price of the Shares of the Company traded on the Catalist Board of the SGX-ST has been closing at a low level in the past six (6) months before the date of the Share Consolidation Announcement, with the last traded Share price being S\$0.001. As share trading may involve certain minimum fixed expenses (such as minimum brokerage fees), trading in lowly-priced shares may translate to higher transaction costs, relative to the trading price, for each trading of one board lot of Shares. In addition, lowly-priced shares are generally more prone to speculation and market manipulation, which may result in excessive share price volatility. The Board believes that the Share Consolidation may serve to (i) reduce the volatility of the Share price and reduce fluctuations in the Company's market capitalisation; and (ii) reduce the percentage transaction cost for trading in each board lot of Shares.

Shareholders should note however that there can be no assurance that the Share Consolidation will achieve the aforesaid desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.

2.3 Conditions for the Share Consolidation

The implementation of the Share Consolidation is subject to, amongst others:-

- (a) the receipt of a listing and quotation notice from the SGX-ST for the dealing in, listing of and quotation for the Consolidated Shares on the Catalist Board of the SGX-ST; and
- (b) the approval of Shareholders for the Share Consolidation Resolution at the SGM.

An application will be made by the Sponsor, for and on behalf of the Company, to obtain permission from the SGX-ST for the dealing in, listing of and quotation for the Consolidated Shares, arising from the Share Consolidation, on the Catalist Board of the SGX-ST. An announcement will be made by the Company upon the receipt of the outcome of the application in due course. Any listing and quotation notice which may be issued by the SGX-ST for the listing and quotation of the Consolidated Shares is not to be taken as an indication of the merits of the Share Consolidation, the Consolidated Shares, the Company and/or its subsidiaries.

2.4 Updating of Register of Members and Depository Register

If the approval of Shareholders to the Share Consolidation is obtained, the Register of Members of the Company and the Depository Register will be updated to reflect the number of Consolidated Shares held by Shareholders and Depositors based on their shareholdings in the Company as at the Share Consolidation Record Date, and will be traded in board lots of one hundred (100) Consolidated Shares.

2.4.1 Deposit of Share Certificates with CDP

Shareholders who hold physical share certificates in respect of the existing Shares in their own names (the "**Old Share Certificates**"), and who wish to deposit the same with CDP and have their Consolidated Shares credited to their Securities Accounts maintained with CDP, must deposit their Old Share Certificates with CDP, together with duly executed instruments of transfer in favour of CDP, at least twelve (12) Market Days prior to the Share Consolidation

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Record Date. After the Share Consolidation Record Date, CDP will not accept any Old Share Certificates for deposit.

After the Share Consolidation Record Date, CDP will only accept the deposit of physical share certificates in respect of the Consolidated Shares (the “**New Share Certificates**”). Shareholders who wish to deposit their New Share Certificates with CDP after the Share Consolidation Record Date must first deliver their Old Share Certificates to the Share Transfer Agent at 112 Robinson Road, #05-01, Singapore 068902 for cancellation and issuance of New Share Certificates in replacement thereof as described below.

2.4.2 Issue of New Share Certificates

Shareholders who have deposited their Old Share Certificates with CDP at least twelve (12) Market Days prior to the Share Consolidation Record Date need not take any action. The Company will make arrangements with CDP to effect the exchange for the New Share Certificates.

Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to deliver all their Old Share Certificates to the Share Transfer Agent at 112 Robinson Road, #05-01, Singapore 068902 as soon as possible and preferably, not later than five (5) Market Days after they have been notified of the Share Consolidation Record Date for cancellation and issuance of New Share Certificates in replacement thereof. No receipt will be issued by the Share Transfer Agent upon receipt of any Old Share Certificates. The New Share Certificates will be sent by ordinary mail to the registered addresses of the relevant Shareholders at their own risk within ten (10) Market Days from the Share Consolidation Record Date or the date of receipt of the Old Share Certificates, whichever is the later.

Shareholders should note that the New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have already been tendered to the Share Transfer Agent for cancellation. Shareholders should notify the Share Transfer Agent if they have lost any of their Old Share Certificates or if there is any change in their respective addresses from those reflected in the Register of Members.

Shareholders are reminded to deliver their Old Share Certificates to CDP or the Share Transfer Agent in accordance with the provisions set out above only after the Company’s announcement of the Share Consolidation Record Date.

2.4.3 Share Certificates not valid for settlement of trades on the Catalist Board of the SGX-ST

Shareholders are reminded that their physical share certificates are not valid for settlement of trading in Consolidated Shares on the Catalist Board of the SGX-ST as the Company is under a book-entry (scripless) settlement system but their Old Share Certificates will continue to be accepted by the Share Transfer Agent for cancellation and issuance of New Share Certificates in replacement thereof for an indefinite period. The New Share Certificates will not be valid for delivery for trades done on the Catalist Board of the SGX-ST although they will continue to be *prima facie* evidence of legal title to the Consolidated Shares.

2.5 **Trading Arrangement for the Consolidated Shares and Odd Lots**

2.5.1 Trading Arrangements for the Consolidated Shares

Subject to the approval of Shareholders for the Share Consolidation Resolution at the SGM, with effect from 9.00 a.m. on the Share Consolidation Effective Trading Date, trading in the

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Consolidated Shares on the Catalist Board of the SGX-ST will be in board lots of 100 Consolidated Shares. Accordingly, every one hundred (100) existing Shares as at 5.00 p.m. on the Market Day immediately preceding the Share Consolidation Effective Trading Date will represent one (1) Consolidated Share with effect from 9.00 a.m. on the Share Consolidation Effective Trading Date. Trading in the existing Shares on the Catalist Board of the SGX-ST will cease after 5.00 p.m. on the Market Day immediately preceding the Share Consolidation Effective Trading Date.

2.5.2 Trading Arrangements for Odd Lots

Fractions of a Consolidated Share arising from the Share Consolidation will be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (a) disregarding the fractional entitlements, or (b) aggregating and selling the same and retaining the net proceeds for the benefit of the Company.

The existing Shares are currently traded in board lots of hundred (100) existing Shares on the Catalist Board of the SGX-ST. After completion of the Share Consolidation, the Securities Accounts maintained with CDP of Shareholders (being Depositors) may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of hundred (100) Consolidated Shares).

Shareholders who receive odd lots of Consolidated Shares pursuant to the Share Consolidation and who wish to trade in such odd lots may trade with a minimum size of one (1) Consolidated Share on the SGX-ST Unit Share Market. The SGX-ST Unit Share Market will enable trading in odd lots in any quantity less than one (1) board lot of the underlying shares. As odd lots of Consolidated Shares may be traded on the SGX-ST Unit Share Market, no separate arrangement will be made for the trading of such odd lots.

Shareholders should note that the market for trading of such odd lots of Consolidated Shares may be illiquid and they may have to bear disproportionate transaction costs in trading their Consolidated Shares on the SGX-ST Unit Share Market. Shareholders who wish to trade their Consolidated Shares on the SGX-ST Unit Share Market should consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

2.6 **Financial Effects of the Share Consolidation**

The financial effects of the Share Consolidation on the Group are presented purely for illustrative purposes only and does not purport to be indicative or a projection of the actual results and financial position of the Company and/or the Group immediately after completion of the Share Consolidation.

The *pro forma* financial effects of the Share Consolidation have been computed based on the audited consolidated financial statements of the Group for FY2022, on the following bases and assumptions:

- (i) there will be no fractions of Consolidated Shares arising from the Share Consolidation;
- (ii) the issued and paid-up share capital of the Company as at the Latest Practicable Date comprises 15,878,070,617 Shares (excluding treasury shares);
- (iii) the financial effects on the consolidated NTA per Share of the Group and the gearing of the Group is computed on the assumption that the Share Consolidation was completed on 30 June 2022;

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- (iv) the financial effects on the LPS of the Group is computed on the assumption that the Share Consolidation was completed on 1 July 2021; and
- (v) the computation does not take into account any expenses that may be incurred in connection with the Share Consolidation.

2.6.1 Share Capital

	Before Completion of the Share Consolidation	After Completion of the Share Consolidation
Number of Shares	15,878,070,617	158,780,706
Share Capital (HK\$'000)	15,878	15,878

2.6.2 NTA per Share

	Before Completion of the Share Consolidation	After Completion of the Share Consolidation
NTA (HK\$'000) ⁽¹⁾	35,911	35,911
Number of Shares	15,878,070,617	158,780,706
NTA per Share (HK cents)	0.23	22.62
NTA per Share (S\$ cents) ⁽²⁾	0.04	3.91

Notes:

- (1) NTA is based on total assets less the sum of total liabilities, intangible assets and non-controlling interest.
- (2) Based on an exchange rate of S\$1 : HK\$5.78.

2.6.3 LPS

	Before Completion of the Share Consolidation	After Completion of the Share Consolidation
Loss attributable to Shareholders (HK\$'000)	(103,759)	(103,759)
Weighted average number of Shares	15,878,070,617	158,780,706
LPS (HK cents)	(0.65)	(65.35)
LPS (S\$ cents) ⁽¹⁾	(0.11)	(11.31)

Note:

- (1) Based on an exchange rate of S\$1 : HK\$5.78.

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2.6.4 Gearing

The Share Consolidation will not have any effect on the gearing of the Company and the Group.

2.6.5 VWAP and Theoretical Adjusted VWAP

The following table sets out the highest and lowest transacted price of the Shares, and the volume of Shares transacted, on the Catalist Board of the SGX-ST for the 6-month period up to and including the Latest Practicable Date.

	Highest	Lowest	Volume
June 2022	S\$0.001	S\$0.001	221,200
July 2022	S\$0.001	S\$0.001	47,000
August 2022	S\$0.001	S\$0.001	100
September 2022	No trades transacted		
October 2022	S\$0.001	S\$0.001	3,120,000
November 2022	S\$0.001	S\$0.001	374,600
1 December 2022 up to and including the Latest Practicable Date	S\$0.001	S\$0.001	193,100

Source: Bloomberg L.P.

The VWAP per Share for the 6-month period up to and including the Latest Practicable Date is S\$0.001. Assuming the Share Consolidation was completed prior to Latest Practicable Date, the theoretical adjusted VWAP per Share for the 6-month period up to and including the Latest Practicable Date is S\$0.10.

2.7 **Share Consolidation Record Date**

Subject to the approval of Shareholders for the Share Consolidation Resolution at the SGM, the Directors will fix the Share Consolidation Record Date and the Share Consolidation Effective Trading Date at such time and on such date as they may deem fit in the interests of the Company. An announcement will be made by the Company to notify Shareholders of the Share Consolidation Record Date and the Share Consolidation Effective Trading Date in due course.

3. **THE RIGHTS ISSUE**

3.1 **Background**

On 30 September 2022, the Company announced that it proposes to carry out the Rights Issue and that it will be seeking approval from the Shareholders for, among others, the allotment and issue of the Rights Shares at the SGM. The Rights Issue will only be undertaken after and is conditional upon the completion of the Share Consolidation.

3.2 **Basis of the Rights Issue**

The Rights Issue is proposed to be offered on a renounceable and non-underwritten basis by the Company. Pursuant thereto, the Company will issue up to 79,390,353 Rights Shares (on a post-Share Consolidation basis) in the capital of the Company at an issue price of S\$0.05 for each Rights Share, on the basis of one (1) Rights Share for every two (2) Consolidated Shares held by Entitled Shareholders as at the Rights Issue Record Date, fractional entitlements to be disregarded.

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The Rights Shares are payable in full upon acceptance and/or application by Entitled Shareholders. The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Consolidated Shares, save for any dividends, rights, allotments or other distributions, the Rights Issue Record Date for which falls before the date of allotment and issue of the Rights Shares.

Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or trade (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

Entitled Shareholders will be provisionally allotted the Rights Shares on the basis of their shareholdings as at the Rights Issue Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or (in the case of Entitled Depositors only), trade their provisional allotments of the Rights Shares on the Catalist Board of the SGX-ST during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for excess Rights Shares in excess of their provisional allotments under the Rights Issue.

In the allotment of excess Rights Shares, preference will be given to Shareholders for the rounding of odd lots. Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation on the Board (whether direct or through a nominee) will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

The Company will also not make any allotments or issuance of any excess Rights Shares that will result in a transfer of controlling interest in the Company unless otherwise approved by Shareholders in a general meeting.

3.3 Rationale of the Rights Issue

The Company has not undertaken any fund-raising exercise in the past 12 months.

As at the Latest Practicable Date, (a) there are outstanding Convertible Bonds with principal amount of HK\$24,060,000 (equivalent to S\$4,296,428.57, based on an agreed fixed exchange rate of S\$1.00 : HK\$5.60 (“**Agreed Exchange Rate**”)) under the Convertible Bond Agreement; and (b) accrued interest payable in respect of the Convertible Bonds of HK\$1,491,784.05 (equivalent to S\$266,390.01, based on the Agreed Exchange Rate), which may be convertible into an aggregate of 4,148,016,890 new existing Shares.

As at the Latest Practicable Date, the outstanding amount due from the Company to the Undertaking Shareholder pursuant to the Shareholder’s Loan is HK\$5,374,000.

The Company is proposing the Rights Issue to raise proceeds for (i) partial redemption of the Convertible Bonds; (ii) partial repayment of the outstanding Shareholder’s Loan; and (iii) general corporate and working capital purposes, including but not limited to operating costs and making strategic investments and/or acquisitions if such opportunities arise, and to further strengthen the financial position and cash position of the Group.

3.4 Principal Terms of the Rights Issue

The principal terms of the Rights Issue are summarised below.

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- Basis of Provisional Allotment** : The Rights Shares are proposed to be offered to Entitled Shareholders on a renounceable basis on the basis of one (1) Rights Share for every two (2) Consolidated Shares held by Entitled Shareholders (which, for the avoidance of doubt, excludes treasury shares) as at the Rights Issue Record Date, fractional entitlements to be disregarded.
- Number of Rights Shares** : Based on the issued and paid-up share capital of the Company of 158,780,706 Consolidated Shares after the Share Consolidation:
- (a) assuming the Minimum Subscription Scenario, the Company will issue 35,897,435 Rights Shares under the Rights Issue; and
 - (b) assuming the Maximum Subscription Scenario, the Company will issue 79,390,353 Rights Shares under the Rights Issue.
- Please see paragraph 3.8 of this Circular for more information on the number of Rights Shares to be issued.
- Issue Price** : S\$0.05 for each Rights Share. The Rights Shares are payable in full upon acceptance and/or application.
- Discount** : The Issue Price represents:
- (a) a discount of 50% to the closing price of S\$0.10 per Share (on a post-Share Consolidation basis) for trades done on the Catalist Board of the SGX-ST on 11 August 2022 (being the last trading day where there were Shares traded immediately prior to the date of the Rights Issue Announcement); and
 - (b) a discount of approximately 39.8% to the theoretical ex-rights price of S\$0.083 per Share, based on the closing price of S\$0.10 per Share (on a post-Share Consolidation basis) for trades done on the Catalist Board of the SGX-ST on 11 August 2022 (being the last trading day where there were Shares traded immediately prior to the date of the Rights Issue Announcement).
- The Issue Price and discount have been determined after taking into account the size of the Rights Issue, precedent transactions, and the Company's share price performance and volume in the past twelve (12) months.
- Status of the Rights Shares** : The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Consolidated Shares, except that they will not rank for any dividends, rights, allotments or other distributions, the Rights Issue Record Date for which falls before the date of allotment and issue of the Rights Shares.

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Gross Proceeds from the issue of the Rights Shares : Assuming the Company issues 35,897,435 Rights Shares under the Rights Issue pursuant to the Minimum Subscription Scenario, the gross proceeds from the issue of the Rights Shares is approximately S\$1.80 million.

Assuming the Company issues 79,390,353 Rights Shares under the Rights Issue pursuant to the Maximum Subscription Scenario, the gross proceeds from the issue of the Rights Shares is approximately S\$3.97 million.

Eligibility to Participate in the Rights Issue : As there may be prohibitions or restrictions against the offering of Rights Shares in certain jurisdictions, only Entitled Shareholders are eligible to participate in the Rights Issue. Please refer to **Appendix A** of this Circular for details on the eligibility of Shareholders to participate in the Rights Issue.

Listing and Trading of the Rights Shares : An application will be made by the Sponsor, for and on behalf of the Company, to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares on the Catalist Board of the SGX-ST. An announcement will be made by the Company upon receipt of the outcome of the application, and the listing and quotation notice from the SGX-ST, to notify Shareholders of the receipt of such notice and the conditions on which the grant of such notice by the SGX-ST is subject to.

Upon the listing of and quotation for the Rights Shares on the Catalist Board of the SGX-ST, the Rights Shares will be traded on the Catalist Board of the SGX-ST under the book-entry (scripless) settlement system. All dealings in and transactions (including transfers) in relation to the Rights Shares effected through the SGX-ST and/or CDP shall be made in accordance with the “*Terms and Conditions for Operation of Securities Account with The Central Depository (Pte) Limited*”, as the same may be amended from time to time, copies of which are available from CDP. For the purposes of trading on the Catalist Board of the SGX-ST, each board lot of Shares will comprise hundred (100) Shares.

Shareholders who hold odd lots of Shares (that is, lots other than board lots of hundred (100) Shares) are able to trade odd lots of Shares in board lots of one (1) Share on the SGX-ST Unit Share Market. Shareholders who hold odd lots of Shares may have difficulty and/or have to bear disproportionate transaction costs in realizing the fair market price of such Shares.

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**Acceptance, Excess
Application and Payment**

: Entitled Shareholders will be at liberty to accept, decline or renounce their Rights and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Entitled Depositors will also be able to trade their Rights on the Catalist Board of the SGX-ST during the Rights trading period prescribed by the SGX-ST.

Fractional entitlements to the Rights Shares will be aggregated and used with provisional allotments which are not taken up or allotted for any reason to satisfy excess applications for Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

In the allotment of excess Rights Shares, preference will be given to Shareholders for the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and the allotment of excess Rights Shares.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the Rights, and for the applications for excess Rights Shares, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

Scaling Down

: Depending on the level of subscription of the Rights Shares, the Company will, if necessary, and upon the approval of the SGX-ST, scale down the number of Rights accepted by an Entitled Shareholder (if such Entitled Shareholder chooses to subscribe for his/her Rights Shares entitlement and/or apply for excess Rights Shares) to:

- (a) ensure that the Entitled Shareholder does not acquire a controlling interest in the Company without prior approval of Shareholders in general meeting pursuant to Rule 803 of the Catalist Rules; and
- (b) avoid placing that Entitled Shareholder and persons acting in concert with him/her in the position of incurring an obligation to make a mandatory take-over offer under the Take-over Code as a result of an acquisition of Rights Shares pursuant to the Rights Issue.

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Use of SRS Funds : SRS Investors may only use monies standing to the credit of their respective SRS Accounts to pay for the acceptance of their Rights and (if applicable) application for excess Rights Shares, subject to applicable SRS rules and regulations.

Such SRS Investors who wish to accept their Rights and (if applicable) apply for excess Rights Shares using SRS monies will need to instruct their respective SRS Approved Banks with whom they hold their SRS Accounts, to accept their Rights and (if applicable) apply for excess Rights Shares on their behalf in accordance with the terms and conditions in the Offer Information Statement.

Such SRS Investors who have insufficient funds in their SRS Accounts may, subject to the SRS contribution cap, deposit cash into their SRS Accounts before instructing their respective SRS Approved Banks with whom they hold their SRS Accounts to accept their Rights and (if applicable) apply for excess Rights Shares on their behalf.

SRS monies may not, however, be used for the purchase of Rights directly from the market.

Non-underwritten : In light of the Irrevocable Undertaking and the savings in costs by the Company in respect of underwriting fees and commission, the Rights Issue will not be underwritten. Please refer to paragraph 3.11.2 of this Circular for further details.

Governing Law : Laws of Singapore.

The above terms and conditions of the Rights Issue are subject to such changes as the Directors may, in consultation with the Manager, deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be lodged with the SGX-ST acting as agent on behalf of the MAS and despatched or, as the case may be, disseminated by the Company to Entitled Shareholders in due course, subject to, among others, the approval of Shareholders for the Rights Issue Resolution being obtained at the SGM.

3.5 Conditions for the Rights Issue

The Rights Issue is subject to, among others, the following conditions:

- (a) the receipt of a listing and quotation notice from the SGX-ST for permission to, deal in, listing of and quotation for the Rights Shares on the Catalist Board of the SGX-ST;
- (b) the approval of Shareholders for the Proposed Resolutions at the SGM;
- (c) the completion of the Share Consolidation;
- (d) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable) with the SGX-ST, acting as agent on behalf of the MAS; and

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- (e) all other approvals of any government whether Singapore or foreign, any department, ministry or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body, as well as all other third party consents, which the Company reasonably determines are necessary to implement the Rights Issue having been obtained, either unconditionally or on conditions satisfactory to the Company acting reasonably, and any such approval or consent not having been withdrawn or revoked.

An application will be made by the Sponsor to the SGX-ST for permission to, deal in, listing of and quotation for the Rights Shares on the Catalist Board of the SGX-ST. An announcement will be made by the Company upon receipt of the outcome of the application, and the listing and quotation notice from the SGX-ST to notify Shareholders of the receipt of such notice and the conditions on which the grant of such notice by the SGX-ST is subject to.

3.6 Notification under Section 309B of the SFA

The Rights and the Rights Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

3.7 Amount of Cash raised for Issues of Securities in the Past Two (2) Years

The Company completed a share placement of 1,567,400,000 new Shares to Hung Hon Man and Lam Nan Pan at S\$0.0011 per Share on 11 January 2021, raising net proceeds of approximately HK\$9,880,000 (the “**Placement Exercise**”).

Intended use of proceeds	Allocation of net proceeds (as amended) ⁽¹⁾ (HK\$'000)	Amount utilized (HK\$'000)	Balance as at the Latest Practicable Date (HK\$'000)
Repayment of debt and outstanding interests in respect of the Convertible Bonds	7,600	7,600	-
General corporate and administrative purposes ⁽²⁾	2,280	2,280	-

Notes:

- As announced by the Company on 10 March 2021, 9 May 2021 and 28 August 2021, a total of HK\$1.6 million originally allocated for general corporate and administrative purposes was re-allocated to be utilized for repayment of debt and outstanding interest in respect of the Convertible Bonds.
- The amount of net proceeds from the Placement Exercise utilized for general corporate and administrative purposes comprise professional and listing fees, employee benefit expenses and office rental and overhead.

The net proceeds from the Placement Exercise have been fully utilized in accordance with the Company's intended use (and taking into consideration the re-allocation as set out above) as disclosed above.

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Shareholders are advised to read the full text of the announcements made by the Company on 21 December 2020, 12 January 2021, 10 March 2021, 9 May 2021, 11 May 2021 and 28 August 2021, in respect of the Placement Exercise and related use of proceeds, which are available on SGXNet, for further details.

Save as disclosed above, the Company has not undertaken any fund-raising exercise in the past two (2) years immediately preceding the Latest Practicable Date.

3.8 Size of the Rights Issue

3.8.1 Minimum Subscription Scenario

Assuming, for illustrative purposes only, that:

- (a) there will be no new Shares issued by the Company (other than the issue of Consolidated Shares pursuant to the Share Consolidation) from the Latest Practicable Date up to the Rights Issue Record Date;
- (b) the Undertaking Shareholder subscribes for the whole of his entitlement of 317,515 Rights Shares under the Rights Issue and procures that Alternus Capital subscribes for the whole of its entitlement of 3,918,500 Rights Shares under the Rights Issue pursuant to the Irrevocable Undertaking;
- (c) the Undertaking Shareholder subscribes for 31,661,420 excess Rights Shares under the Rights Issue pursuant to the Irrevocable Undertaking; and
- (d) none of the Entitled Shareholders (other than the Undertaking Shareholder) subscribes for their entitlements to Rights Shares under the Rights Issue,

the Company will issue 35,897,435 Rights Shares under the Rights Issue and the issued and paid-up share capital of the Company will increase from 158,780,706 Consolidated Shares to 194,678,141 Consolidated Shares.

3.8.2 Maximum Subscription Scenario

Assuming, for illustrative purposes only, that:

- (a) there will be no new Shares issued by the Company (other than the issue of Consolidated Shares pursuant to the Share Consolidation) from the Latest Practicable Date up to the Rights Issue Record Date ⁽¹⁾;
- (b) all Entitled Shareholders subscribe for their entitlements to Rights Shares under the Rights Issue; and
- (c) in the event the Company scales down the number of Rights Shares entitlements accepted by any Entitled Shareholder to avoid placing any Entitled Shareholder in the position of incurring a mandatory general offer obligation under the Take-over Code and the excess Rights Shares arising therefrom are all subscribed for,

the Company will issue 79,390,353 Rights Shares under the Rights Issue and the issued and paid-up share capital of the Company will increase from 158,780,706 Consolidated Shares to 238,171,059 Consolidated Shares following the completion of the Rights Issue.

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Note:

- (1) In respect of the outstanding Convertible Bonds issued to the Undertaking Shareholder under the Convertible Bond Agreement, pursuant to the Irrevocable Undertaking, the Undertaking Shareholder has undertaken not to exercise the right of conversion in respect of the Convertible Bonds prior to the completion of the Rights Issue.

3.9 Use of Proceeds

3.9.1 Minimum Subscription Scenario

Under the Minimum Subscription Scenario, the total estimated net proceeds from the issue of the Rights Shares (after deducting estimated expenses that may be incurred in connection with the Rights Issue of approximately S\$0.12 million) is expected to be approximately S\$1.68 million.

3.9.2 Maximum Subscription Scenario

Under the Maximum Subscription Scenario, the total estimated net proceeds from the issue of the Rights Shares (after deducting estimated expenses that may be incurred in connection with the Rights Issue of approximately S\$0.12 million) is expected to be approximately S\$3.85 million.

3.9.3 Net Proceeds from the Issue of the Rights Shares

The Company intends to utilize the net proceeds from the issue of the Rights Shares for the following purposes:

Intended Use of Net Proceeds	Minimum Subscription Scenario	Maximum Subscription Scenario
Partial redemption of the Convertible Bonds	85.29%	37.11%
Partial repayment of the Shareholder's Loan	14.71%	6.40%
General corporate and working capital purposes	-	56.49%
Total	100.0%	100.0%

3.9.4 Other Information

Pending the deployment of the net proceeds from the Rights Issue, the funds from the Rights Issue may be deposited with banks and/or financial institutions as the Directors may deem appropriate in the interests of the Company and the Group.

The Company will make periodic announcements on the utilization of the net proceeds from the Rights Issue as and when such proceeds are materially disbursed and whether such disbursements are in accordance with the use of net proceeds and the percentage allocated as stated in the Offer Information Statement, and provide a status report on the use of the net proceeds in the Company's interim and full year financial results announcement(s) and annual report(s) until such time the net proceeds have been fully utilized.

Where the net proceeds from the Rights Issue have been used for general corporate and working capital purposes, the Company will also provide a breakdown with specific details on the use of the net proceeds for general corporate and working capital in the announcements

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and status reports. Where there is a material deviation in the use of the net proceeds from the Rights Issue, the Company will announce the reasons for such deviation.

3.10 Statement by the Directors

For the purposes of Rule 814(1)(f) of the Catalist Rules, as at the Latest Practicable Date, the Directors are of the opinion that, after taking into account, and barring unforeseen circumstances:

- (a) the operating cash flows of the Group and the continued financial support from the Undertaking Shareholder, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the present sufficiency of working capital, the Directors are of the opinion that the Rights Issue shall be undertaken for the reasons stated above under paragraph 3.3 of this Circular; and
- (b) the operating cash flows of the Group, the continued financial support from the Undertaking Shareholder and the net proceeds arising from the Rights Issue, the working capital available to the Group is sufficient to meet its present requirements.

The Directors are further of the opinion that, after taking into consideration the rationale for the Rights Issue as set out above and the factors taken into consideration in arriving at the Issue Price as set out in paragraph 3.4 of this Circular, the Rights Issue is in the interest of the Company and the Group.

Based on the reasonable opinion of the Directors, a minimum amount of approximately S\$1.80 million must be raised from the Rights Issue taking into consideration the Irrevocable Undertaking and the use of the net proceeds from the Rights Issue under the Minimum Subscription Scenario.

3.11 Irrevocable Undertaking

3.11.1 Interests of Undertaking Shareholder

The interests of the Undertaking Shareholder in Shares as at the Latest Practicable Date, based on information made available by the Company, are set out in the table below.

	Direct Interest			Deemed Interest ⁽²⁾		
	Number of Shares (Before Share Consolidation)	Number of Shares (After Share Consolidation)	% ⁽¹⁾	Number of Shares (Before Share Consolidation)	Number of Shares (After Share Consolidation)	% ⁽¹⁾
Mr Lam Cho Ying Terence Joe	63,503,168	635,031	0.40	783,700,000	7,837,000	4.94
Alternus Capital Holdings Limited	783,700,000	7,837,000	4.94	-	-	-

Notes:

- (1) Based on the issued and paid-up share capital of the Company comprising 15,878,070,617 Shares (equivalent to 158,780,706 Consolidated Shares) as at the Latest Practicable Date.

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- (2) Alternus Capital Holdings Limited is an investment company wholly owned by Mr. Lam Cho Ying Terence Joe and the latter is deemed to have an interest in the 783,700,000 Shares (equivalent to 7,837,000 Consolidated Shares) held by Alternus Capital Holdings Limited.

3.11.2 Irrevocable Undertaking

As at the date of the Rights Issue Announcement, Alternus Capital holds an aggregate of 783,700,000 Shares (equivalent to 7,837,000 Consolidated Shares) ("**Alternus Shares**"), representing 4.94% of the existing issued and paid-up share capital of the Company. Accordingly, Alternus Capital will be entitled to subscribe for an aggregate of 3,918,500 Rights Shares ("**Alternus Entitled Rights Shares**"). Alternus Capital is an investment company wholly owned by the Undertaking Shareholder.

The Undertaking Shareholder, Mr. Lam Cho Ying Terence Joe, holds an aggregate of 63,503,168 Shares (equivalent to 635,031 Consolidated Shares) (the "**LCYTJ Shares**"), representing 0.40% of the existing issued and paid-up share capital of the Company. Accordingly, the Undertaking Shareholder will be entitled to subscribe for an aggregate of 317,515 Rights Shares (the "**LCYTJ Entitled Rights Shares**").

The Undertaking Shareholder, a Substantial Shareholder of the Company and the father of Mr. Lam Chun Hei Justin (the Company's Executive Director and Chief Operating Officer), has given an irrevocable undertaking to the Company and the Manager (the "**Irrevocable Undertaking**") to, among others:

- (a) to subscribe and pay for and/or procure the subscription for and payment of the LCYTJ Entitled Rights Shares and the Alternus Entitled Rights Shares;
- (b) within such time and date to be informed by the Company (to the extent permitted by the SGX-ST, CDP or any relevant authority), and in accordance with the terms of the Rights Issue, to make excess applications and payment for up to 31,661,420 excess Rights Shares (the "**LCYTJ Excess Rights Shares**") that remain unsubscribed for by the Entitled Shareholders at the Closing Date after satisfying all applications and excess applications (if any) for the Rights Shares, provided that his total shareholding in the Company and those of parties acting in concert with him remain less than 30% of the total enlarged issued and paid-up share capital of the Company, following the completion of the Share Consolidation and the Rights Issue;
- (c) none of the LCYTJ Shares and the Alternus Shares will be sold, transferred or otherwise disposed of during the period between the date of the Irrevocable Undertaking and the date of issue of the Rights Shares without the prior written consent of the Company;
- (d) the Undertaking Shareholder will not exercise any rights of conversion of the Convertible Bonds under the Convertible Bond Agreement during the period between the date of the Irrevocable Undertaking and the date of issue of the Rights Shares without the prior written consent of the Company;
- (e) the Undertaking Shareholder will not disclose to any person any information concerning or in connection with the Rights Issue or any matters relating thereto and shall make every effort to prevent the use or disclosure thereof, except where such disclosure is required pursuant to any applicable laws or any requirement of any competent governmental or statutory authority; and
- (f) the Undertaking Shareholder shall do and/or procure the doing of all such acts and things, provide all such information, confirmations, undertakings and/or certificates and

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execute and/or procure the execution of all such documents as may be reasonably required to give effect to the undertaking contained in the Irrevocable Undertaking (including but not limited to such information, confirmations, undertakings, certificates and/or documents as may be required by the SGX-ST, MAS, the Securities Industry Council and/or any other regulatory authorities in Singapore), and acknowledges that in not making any underwriting arrangements in respect of the Rights Shares, the Company will be relying on the representations, warranties and undertaking contained in the Irrevocable Undertaking and that time of performance on his part shall be of the essence in respect of the aforesaid and his other obligations under the Irrevocable Undertaking.

Pursuant to the Irrevocable Undertaking, the Company and the Undertaking Shareholder have agreed that the entire subscription monies payable by (i) Alternus Capital for the Alternus Entitled Rights Shares; and (ii) the Undertaking Shareholder for the LCYTJ Entitled Rights Shares and the LCYTJ Excess Rights Shares, will be set off against the amount owed by the Company to the Undertaking Shareholder under the Shareholder's Loan and the Convertible Bonds. Accordingly, both Alternus Capital and the Undertaking Shareholder will not be required to provide any confirmation of financial resources in connection with the Irrevocable Undertaking to the Company.

The Irrevocable Undertaking shall lapse and cease to have any effect whatsoever in the event that the Rights Issue is not completed within one (1) year from the date of the Irrevocable Undertaking (or such other date as the Undertaking Shareholder and the Company may mutually agree in writing).

No commission or fees will be paid to the Undertaking Shareholder in connection with the Irrevocable Undertaking.

In view of the Irrevocable Undertaking given by the Undertaking Shareholder and the savings enjoyed by the Company for not having to bear underwriting fees, the Rights Issue will not be underwritten by a financial institution. The Rights issue will not be withdrawn after commencement of ex-rights trading pursuant to Rule 820(1) of the Catalist Rules.

3.12 Rights Issue Record Date

Subject to the approval of Shareholders for the Rights Issue Resolution at the SGM, the Directors will fix the Rights Issue Record Date at such time and on such date as they deem fit in the interests of the Company. An announcement will be made by the Company to notify Shareholders of the Rights Issue Record Date in due course.

3.13 Past Performance and Working Capital

A summary of the past performance and working capital of the Group comprising the profit and loss statements, the balance sheets, the cash flow statements and the working capital position of the Group for the FY2020, FY2021 and FY2022, as well as FY2023 Q1 are set out in **Appendix B** of this Circular.

3.14 Financial Effects of the Rights Issue

The financial effects of the Rights Issue on the Group are presented purely for illustrative purposes only and does not purport to be indicative or a projection of the actual results and financial position of the Company and/or the Group immediately after completion of the Rights Issue.

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The *pro forma* financial effects of the Rights Issue have been computed based on the audited consolidated financial statements of the Group for FY2022, on the following bases and assumptions:

- (i) the Share Consolidation has been completed and the issued and paid-up share capital of the Company as at the Latest Practicable Date comprises 158,780,706 Consolidated Shares (excluding treasury shares);
- (ii) the financial effects on the consolidated NTA per Share of the Group and the gearing of the Group is computed on the assumption that the Rights Issue was completed on 30 June 2022;
- (iii) the financial effects on the LPS of the Group is computed on the assumption that the Rights Issue was completed on 1 July 2021;
- (iv) the estimated expenses that may be incurred in connection with the Rights Issue is approximately S\$120,000; and
- (v) an exchange rate of S\$1.00 : HK\$5.78 as at the Latest Practicable Date.

Share Capital and Share Premium

	Minimum Subscription Scenario		Maximum Subscription Scenario	
	Number of Consolidated Shares	HK\$'000	Number of Consolidated Shares	HK\$'000
As at the Latest Practicable Date	158,780,706	497,230	158,780,706	497,230
Add: Rights Shares to be issued	35,897,435	10,374	79,390,353	22,944
Less: Estimated expenses of the Rights Issue	-	(694)	-	(694)
Resultant enlarged issued and paid-up share capital and share premium	194,678,141	506,910	238,171,059	519,480

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NTA per Share

	Minimum Subscription Scenario	Maximum Subscription Scenario
NTA before the Rights Issue (HK\$'000)	35,911	35,911
Add: Adjustments for net proceeds from the Rights Issue (HK\$'000)	9,681	22,250
Adjusted NTA after the Rights Issue (HK\$'000)	45,592	58,161
Before the Rights Issue		
Number of Shares before the Rights Issue	158,780,706	158,780,706
NTA per Share before the Rights Issue (HK cents)	22.62	22.62
NTA per Share before the Rights Issue (S\$ cents)	3.91	3.91
After the Rights Issue		
Number of Shares after the Rights Issue	194,678,141	238,171,059
Adjusted NTA per Share after the Rights Issue (HK cents)	23.42	24.42
Adjusted NTA per Share after the Rights Issue (S\$ cents)	4.05	4.22

LPS

	Minimum Subscription Scenario	Maximum Subscription Scenario
Loss attributable to Shareholders (HK\$'000)	(103,759)	(103,759)
Before the Rights Issue		
Number of Shares before the Rights Issue	158,780,706	158,780,706
LPS before the Rights Issue (HK cents)	(65.35)	(65.35)
LPS before the Rights Issue (S\$ cents)	(11.31)	(11.31)
After the Rights Issue		
Number of Shares after the Rights Issue	194,678,141	238,171,059
Adjusted LPS after the Rights Issue (HK cents)	(53.30)	(43.57)
Adjusted LPS after the Rights Issue (S\$ cents)	(9.22)	(7.54)

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Gearing

	Minimum Subscription Scenario	Maximum Subscription Scenario
Before the Rights Issue		
Total borrowings before the Rights Issue (HK\$'000)	89,661	89,661
Shareholders' equity before the Rights Issue (HK\$'000)	(41,219)	(41,219)
Gearing before the Rights Issue (times)	Not meaningful	Not meaningful
After the Rights Issue		
Total borrowings after the Rights Issue (HK\$'000)	79,980	79,980
Shareholders' equity after the Rights Issue (HK\$'000)	(31,539)	(18,969)
Gearing after the Rights Issue (times)	Not meaningful	Not meaningful

4. THE POTENTIAL TRANSFER OF CONTROLLING INTEREST

4.1 The Undertaking Shareholder

As disclosed in paragraph 3.11.1 of this Circular, the Undertaking Shareholder has, as at the Latest Practicable Date, a direct and deemed interest in a total of 847,203,168 Shares (equivalent to 8,472,031 Consolidated Shares), representing approximately 5.34% of the issued and paid-up share capital of the Company, comprising 15,878,070,617 Shares (equivalent to 158,780,706 Consolidated Shares).

4.2 Potential Transfer of Controlling Interest

Pursuant to Rule 803 of the Catalist Rules, an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in a general meeting.

Under the Minimum Subscription Scenario and based on the terms of the Rights Issue and the Irrevocable Undertaking, the issued and paid-up share capital of the Company immediately after completion of the Share Consolidation and the Rights Issue will comprise 194,678,141 Consolidated Shares and the Undertaking Shareholder will hold an aggregate of 44,369,466 Consolidated Shares following the completion of the Rights Issue, representing approximately 22.79% of the total enlarged issued and paid-up share capital of the Company.

Accordingly, a controlling interest in the Company may potentially be transferred to the Undertaking Shareholder arising from the allotment and issue of such Rights Shares. In view thereof, the Board proposes to convene the SGM to seek the approval of Shareholders for the Potential Transfer of Controlling Interest to the Undertaking Shareholder.

Shareholders should note that the Undertaking Shareholder does not become a controlling shareholder of the Company upon the passing of the Controlling Interest Resolution. The Undertaking Shareholder will only become a controlling shareholder of the Company when his shareholding interest increases to more than 15% of the enlarged issued and paid-up share capital of the Company upon completion of the Rights Issue which depends on the level of subscription of the Rights Shares.

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As disclosed in paragraph 1.2(b) of this Circular, the Rights Issue Resolution and the Controlling Interest Resolution are inter-conditional. **This means that if either the Rights Issue Resolution or the Controlling Interest Resolution is not passed, both the Rights Issue Resolution and the Controlling Interest Resolution will not be passed and, the Company will not proceed with the Rights Issue.**

5. THE CONVERTIBLE BOND AGREEMENT VARIATION

5.1 Background

On 11 October 2020, the Company announced that it had, on 7 October 2020, entered into the Convertible Bond Agreement with the Undertaking Shareholder (being the subscriber to the Convertible Bonds). The Company issued a circular to Shareholders dated 14 October 2020 to seek specific Shareholders' approval for the issue of the Convertible Bonds under the Convertible Bond Agreement pursuant to, among others, Rule 812 of the Catalist Rules and as an "interested person transaction" pursuant to Rule 906(1) of the Catalist Rules. The resolution for the said approval was duly passed by Shareholders on 30 October 2020.

The Company announced on 18 November 2022 that, among others, the Supplemental Agreement was executed between the Company and the Undertaking Shareholder in respect of the Convertible Bond Agreement Variation and that the Company will be seeking approval from the Shareholders for the Convertible Bond Agreement Variation.

As at the Latest Practicable Date, there are outstanding Convertible Bonds with principal amount of HK\$24,060,000 (equivalent to S\$4,296,428.57, based on the Agreed Exchange Rate) under the Convertible Bond Agreement.

5.2 Terms of the Convertible Bond Agreement Variation and the Deed of Waiver

Pursuant to the Supplemental Agreement:

- (a) the maturity date of the Convertible Bonds (the "**Maturity Date**") will be extended (the "**Extension**") by a period of four months (the "**Extension Period**") from 22 November 2022 (being two years from the date of the issue of the Convertible Bonds) to 22 March 2023 (being 28 months from the date of the issue of the Convertible Bonds);
- (b) the Convertible Bonds, which are not previously redeemed or cancelled by the Company, shall be redeemed by the Company at 100% of their principal amount together with all accrued and unpaid interest on the date falling 28 months from the date of the issue of the Convertible Bonds, instead of 24 months from the date of the issue of the Convertible Bonds; and
- (c) the original Conversion Price of the Convertible Bonds of S\$0.0011 under the Convertible Bond Agreement for each Conversion Share shall be changed to S\$0.000825 for each Conversion Share,

(the aforesaid amendments to the Convertible Bond Agreement collectively referred to as the "**Amendments**" and each an "**Amendment**").

Save for the Amendments, all other terms and conditions of the Convertible Bond Agreement shall remain intact and shall continue to have full force and effect.

The Amendments are conditional upon the approval of the Shareholders of the Company. In addition, the Amendment to the Conversion Price shall be conditional upon the completion of

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the Share Consolidation.

In connection with the Convertible Bond Agreement Variation, the Company also announced on 18 November 2022 that the Undertaking Shareholder has, on 18 November 2022, executed a deed in favour of the Company (the “**Deed of Waiver**”) whereby he has agreed and undertaken to waive in its entirety, all interest payable under and in accordance with the Convertible Bond Agreement (as amended by the Supplemental Agreement) in respect of the outstanding Convertible Bonds during the Extension Period. For the avoidance of doubt, interest in respect of such Convertible Bonds shall only be payable up to 22 November 2022 (being the initial Maturity Date of the Convertible Bonds). The Deed of Waiver shall lapse and cease to have any effect in the event that the Extension does not occur for whatever reason.

5.3 Rationale for the Convertible Bond Agreement Variation

In view of the initial Maturity Date of the Convertible Bonds being earlier than the completion of Share Consolidation and Rights Issue, and the intention of the Company to utilize part of the net proceeds from the issue of the Rights Shares for partial redemption of the Convertible Bonds as disclosed in paragraph 3.9.3 of this Circular, and the original Conversion Price under the Convertible Bond Agreement not reflecting a fair value in the current circumstance, the Company therefore entered into the Supplemental Agreement with the Undertaking Shareholder to effect the Convertible Bond Agreement Variation to facilitate the said partial redemption of the Convertible Bonds.

5.4 Financial Effects of the Convertible Bond Agreement Variation

The financial effects of the Convertible Bond Agreement Variation on the Group are presented purely for illustrative purposes only and does not purport to be indicative or a projection of the actual results and financial position of the Company and/or the Group immediately after completion of the Convertible Bond Agreement Variation.

The *pro forma* financial effects of the Convertible Bond Agreement Variation have been computed based on the audited consolidated financial statements of the Group for FY2022, on the following bases and assumptions:

- (i) the Share Consolidation has been completed and the issued and paid-up share capital of the Company as at the Latest Practicable Date comprises 158,780,706 Consolidated Shares (excluding treasury shares);
- (ii) the financial effects on the consolidated NTA per Share of the Group and the gearing of the Group is computed on the assumption that the Convertible Bond Agreement Variation was completed on 30 June 2022 and the outstanding Convertible Bonds (as described in paragraph 5.4(vi) of this Circular) are fully converted on 30 June 2022;
- (iii) the financial effects on the LPS of the Group is computed on the assumption that the Convertible Bond Agreement Variation was completed on 1 July 2021 and the outstanding Convertible Bonds (as described in paragraph 5.4(vi) of this Circular) are fully converted on 1 July 2021;
- (iv) the Share Consolidation and the Rights Issue have been duly completed and the Convertible Bond Agreement Variation takes place immediately after the Rights Issue;
- (v) expenses that may be incurred in connection with the Convertible Bond Agreement Variation is immaterial and has been excluded; and

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- (vi) takes into consideration that after redeeming the Convertible Bonds of a principal amount of S\$1,428,571.43 (equivalent to HK\$8,000,000, based on the Agreed Exchange Rate), the remaining outstanding Convertible Bonds with principal amount of S\$2,867,857.14 (equivalent to HK\$16,060,000, based on the Agreed Exchange Rate) are fully converted at the new Conversion Price of S\$0.055 after adjusting for the Share Consolidation and the Rights Issue.

Share Capital and Share Premium

	Minimum Subscription Scenario		Maximum Subscription Scenario	
	Before the Convertible Bond Agreement Variation	After the Convertible Bond Agreement Variation	Before the Convertible Bond Agreement Variation	After the Convertible Bond Agreement Variation
Number of Shares	194,678,141	245,450,868	238,171,059	288,943,786
Share Capital and Share Premium (HK\$'000)	506,910	522,548	519,480	535,118

NTA per Share

	Minimum Subscription Scenario		Maximum Subscription Scenario	
	Before the Convertible Bond Agreement Variation	After the Convertible Bond Agreement Variation	Before the Convertible Bond Agreement Variation	After the Convertible Bond Agreement Variation
NTA (HK\$'000)	45,592	61,230	58,161	73,799
Number of Shares	194,678,141	245,450,868	238,171,059	288,943,786
NTA per Share (HK cents)	23.42	24.95	24.42	25.54
NTA per Share (S\$ cents)	4.05	4.32	4.22	4.42

LPS

	Minimum Subscription Scenario		Maximum Subscription Scenario	
	Before the Convertible Bond Agreement Variation	After the Convertible Bond Agreement Variation	Before the Convertible Bond Agreement Variation	After the Convertible Bond Agreement Variation
Loss attributable to Shareholders (HK\$'000)	(103,759)	(101,331)	(103,759)	(101,331)
Weighted average number of Shares	194,678,141	245,450,868	238,171,059	288,943,786
LPS (HK cents)	(53.30)	(41.28)	(43.56)	(35.07)
LPS (S\$ cents)	(9.22)	(7.14)	(7.54)	(6.07)

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Gearing

	Minimum Subscription Scenario	Maximum Subscription Scenario
Before the Convertible Bond Agreement Variation		
Total borrowings before the Convertible Bond Agreement Variation (HK\$'000)	79,980	79,980
Shareholders' equity before the Convertible Bond Agreement Variation (HK\$'000)	(31,539)	(18,969)
Gearing before the Convertible Bond Agreement Variation (times)	Not meaningful	Not meaningful
After the Convertible Bond Agreement Variation		
Total borrowings after the Convertible Bond Agreement Variation (HK\$'000)	64,342	64,342
Shareholders' equity after the Convertible Bond Agreement Variation (HK\$'000)	(15,901)	(3,331)
Gearing after the Convertible Bond Agreement Variation (times)	Not meaningful	Not meaningful

6. ADJUSTMENTS TO CONVERTIBLE SECURITIES

6.1 SinoCloud PSP

As at the Latest Practicable Date, there are no Shares granted by the Company pursuant to the SinoCloud PSP which have not been vested. As such, there are no adjustments to be made in respect of the SinoCloud PSP as a result of the Share Consolidation and the Rights Issue.

6.2 Outstanding Convertible Bonds

As at the Latest Practicable Date, there are outstanding Convertible Bonds with principal amount of HK\$24,060,000 (equivalent to S\$4,296,428.57, based on the Agreed Exchange Rate) under the Convertible Bond Agreement.

Pursuant to the terms and conditions in the Convertible Bond Agreement, the Convertible Bonds are convertible into 3,905,844,154 new existing Shares. As at the Latest Practicable Date, there are also accrued interest payable in respect of the Convertible Bonds of HK\$1,491,784.05 (equivalent to S\$266,390.01, based on the Agreed Exchange Rate), which may be convertible into 242,172,736 new existing Shares.

6.3 Adjustment pursuant to the Share Consolidation and the Rights Issue

Pursuant to the terms and conditions of the Convertible Bond Agreement, the completion of each of the Share Consolidation and the Rights Issue will constitute an event giving rise to an adjustment to the Conversion Price.

The adjustments to the Conversion Price will be effective on the date the Share Consolidation and the Rights Issue takes effect respectively, and shall be determined as follows pursuant to

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the Convertible Bond Agreement:

$$\text{New Conversion Price} = \frac{\text{the entire outstanding share capital of the Company immediately before an adjustment event}}{\text{entire enlarged share capital of the Company immediately after an adjustment event}} \times \text{Existing Conversion Price}$$

The adjustments to the Conversion Price will not result in any material impact on the share capital, NTA per Share and EPS/LPS of the Company.

Pursuant to the Convertible Bond Agreement, the revised Conversion Price is as follows:

(A) Prior to the Convertible Bond Agreement Variation

Adjustment arising from the Share Consolidation:

Conversion Price	
Before Adjustment	After Adjustment
S\$0.0011	S\$0.11

Adjustment arising from the Rights Issue (based on the Maximum Subscription Scenario):

Conversion Price	
Before Adjustment	After Adjustment
S\$0.11	S\$0.0733

(B) After the Convertible Bond Agreement Variation

Adjustment arising from the Share Consolidation:

Conversion Price	
Before Adjustment	After Adjustment
S\$0.000825	S\$0.0825

Adjustment arising from the Rights Issue (based on the Maximum Subscription Scenario):

Conversion Price	
Before Adjustment	After Adjustment
S\$0.0825	S\$0.055

The Directors have reviewed the aforesaid adjustments and confirmed that they are in accordance with the adjustment formula stated in the Convertible Bond Agreement. An announcement will be made to update Shareholders in respect of the aforesaid adjustments.

Save as disclosed above, the Company does not have any existing convertible securities as at the Latest Practicable Date. Assuming that all the Proposed Resolutions have been passed and the Proposed Transactions completed, the Conversion Shares to be issued at the revised Conversion Price of S\$0.055 will be based on share issue mandate obtained by Company at its annual general meeting held on 14 December 2022.

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7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1 Interests in Shares

The interests of the Directors and the Substantial Shareholders in Shares as at the Latest Practicable Date are set out in the table below (on a post-Share Consolidation basis).

	As at the Latest Practicable Date ⁽¹⁾				Minimum Subscription Scenario ⁽²⁾				Maximum Subscription Scenario ⁽³⁾			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors												
Mr. Chan Andrew Wai Men	4,576,710	2.88	-	-	4,576,710	2.35	-	-	6,865,065	2.88	-	-
Mr. Lam Chun Hei Justin ⁽⁴⁾	5,814,427	3.66	-	-	5,814,427	2.99	-	-	8,721,640	3.66	-	-
Mr. Wan Ngar Yin David	642,000	0.40	5,000 ⁽⁵⁾	0.003	642,000	0.33	5,000	0.003	963,000	0.40	7,500	0.003
Mr. Chau King Fai Philip	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Alexander Shlaen	432,098	0.27	-	-	432,098	0.22	-	-	648,147	0.27	-	-
Substantial Shareholders (Other than Directors)												
Mr. Zhang Dai	36,975,572	23.29	-	-	36,975,572	18.99	-	-	55,463,358	23.29	-	-
Mr. Lam Cho Ying Terence Joe	635,031	0.40	7,837,000 ⁽⁶⁾	4.94	32,613,966	16.75	11,755,500	6.04	952,546	0.40	11,755,500	4.94
Alternus Capital Holdings Limited	7,837,000	4.94	-	-	11,755,500	6.04	-	-	11,755,500	4.94	-	-
Ms. Xu Hong Na	9,462,490	5.96	-	-	9,462,490	4.86	-	-	14,193,735	5.96	-	-
Others												
Other Shareholders	92,405,378	58.20	-	-	92,405,378	47.47	-	-	138,608,068	58.20	-	-

Notes:

- (1) Assuming that the Share Consolidation has been completed and the issued and paid-up share capital of the Company as at the Latest Practicable Date comprises 158,780,706 Consolidated Shares (excluding treasury shares).
- (2) The shareholding interest is calculated based on the total enlarged issued and paid-up share capital of the Company comprising 194,678,141 Consolidated Shares in the Minimum

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Subscription Scenario.

- (3) The shareholding interest is calculated based on the total enlarged issued and paid-up share capital of the Company comprising 238,171,059 Consolidated Shares in the Maximum Subscription Scenario.
- (4) Mr. Lam Chun Hei Justin is the son of Mr. Lam Cho Ying Terence Joe, a Substantial Shareholder of the Company.
- (5) Mr. Wan Ngar Yin David is deemed to have an interest in 5,000 Shares held by his spouse, Madam Yip Kit Tim, Kitty.
- (6) Mr. Lam Cho Ying Terence Joe is deemed to have an interest in 7,837,000 Shares held by Alternus Capital Holdings Limited.

Assuming that after redeeming the Convertible Bonds of a principal amount of S\$1,428,571.43 (equivalent to HK\$8,000,000, based on the Agreed Exchange Rate) pursuant to the Rights Issue, the remaining outstanding Convertible Bonds with principal amount of S\$2,867,857.14 (equivalent to HK\$16,060,000, based on the Agreed Exchange Rate) and the accrued interest payable in respect of the Convertible Bonds of S\$266,390.01 (equivalent to HK\$1,491,784.05, based on the Agreed Exchange Rate) are fully converted at the new Conversion Price of S\$0.055 after adjusting for the Share Consolidation and the Rights Issue, the interests of the Directors and the Substantial Shareholders in Shares are set out in the table below (on a post-Share Consolidation basis).

	Minimum Subscription Scenario				Maximum Subscription Scenario			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Mr. Chan Andrew Wai Men	4,576,710	1.82	-	-	6,865,065	2.33	-	-
Mr. Lam Chun Hei Justin	5,814,427	2.31	-	-	8,721,640	2.95	-	-
Mr. Wan Ngar Yin David	642,000	0.26	5,000	0.002	963,000	0.33	7,500	0.003
Mr. Chau King Fai Philip	-	-	-	-	-	-	-	-
Mr. Alexander Shlaen	432,098	0.17	-	-	648,147	0.22	-	-
Substantial Shareholders (Other than Directors)								
Mr. Zhang Dai	36,975,572	14.69	-	-	55,463,358	18.79	-	-
Mr. Lam Cho Ying Terence Joe	89,600,278	35.60	11,755,500	4.67	57,938,858	19.63	11,755,500	3.98
Alternus Capital Holdings Limited	11,755,500	4.67	-	-	11,755,500	3.98	-	-
Ms. Xu Hong Na	9,462,490	3.76	-	-	14,193,735	4.81	-	-
Others								
Other Shareholders	92,405,378	36.72	-	-	138,608,068	46.96	-	-

LETTER TO SHAREHOLDERS

7.2 Interests in the Proposed Transactions

Save for the Irrevocable Undertaking and information disclosed in this Circular, none of the Directors or the Substantial Shareholders or their respective associates has any interest, direct or indirect, in the Proposed Transactions (other than through their capacity as Directors or Shareholders as disclosed in paragraph 7.1 of this Circular).

8. SGM

The SGM, notice of which is set out on page N-1 of this Circular, will be held by electronic means on 20 January 2023 at 11.00 a.m. (Singapore Time) for the purpose of considering and, if thought fit, passing with or without modifications, the Proposed Resolutions as set out in the Notice of SGM.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

The Company is incorporated in Bermuda and is subject to the Bermuda Companies Act and Bermuda law. Under the Bermuda Companies Act, only those persons who agree to become shareholders of a Bermuda company and whose names are entered on the register of members of such company may be recognised as Shareholders, with rights to attend and vote at general meetings. Accordingly, Depositors would not be recognised as Shareholders and would not have a right to attend and to vote at general meetings of the Company. In the event that Depositors wish to attend and vote at general meetings of the Company, they would have to do so through CDP appointing them as proxy, pursuant to the Bye-Laws of the Company and the Bermuda Companies Act. In this regard, to enable the Depositors to attend and vote at the SGM, the Company has arranged with the CDP pursuant to the Bye-Laws of the Company as follows:

- (a) arrangements will be made for CDP to appoint each of the Depositors as its proxy/proxies to attend and vote at the SGM in respect of such number of Shares of the Company set out opposite their respective names in the Depository Register as at a time not earlier than 48 hours before the SGM supplied by the CDP to the Company; and
- (b) if a Depositor who is an individual and whose name appears in the Depository Register as at a time not earlier than 48 hours before the time appointed for the SGM and is unable to attend the SGM and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the Depositor Proxy Form in accordance with the instructions printed thereon at the office of the Company's Singapore Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, as soon as possible and, in any event, at least 48 hours before the time appointed for holding the SGM. A Depositor who is not an individual can only be represented at the SGM if its nominee/nominees is/are appointed as CDP's proxy/proxies. To appoint its nominee/nominees as proxy/proxies of the CDP and to enable its nominee/ nomineees to attend and vote at the SGM, such Depositor should complete, execute and deposit the Depositor Proxy Form in accordance with the instructions printed thereon.

If a Shareholder, who is not a Depositor, is unable to attend the SGM and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the Shareholder Proxy Form in accordance with the instructions printed thereon at the office of the Company's Singapore Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, as soon as possible and, in any event, at least 48 hours before the time appointed for holding the SGM.

LETTER TO SHAREHOLDERS

The completion and return of a Shareholder Proxy Form by a Shareholder who is not a Depositor or a Depositor Proxy Form by a Depositor shall not preclude him from attending and voting in person at the SGM in place of his proxy.

10. OFFER INFORMATION STATEMENT

The Offer Information Statement will be despatched or, as the case may be, disseminated by the Company to Entitled Shareholders in due course, subject to, among others, the approval of Shareholders for the Rights Issue Resolution being obtained at the SGM. Acceptances and applications under the Rights Issue may be made through the following (all of which will form part of the Offer Information Statement):

- (a) the PAL, in the case of Entitled Scripholders;
- (b) the ARE, in the case of Entitled Depositors;
- (c) the ARS, in the case of Purchasers whose registered addresses with CDP are in Singapore, and
- (d) the ATMs of the Participating Banks, providing electronic applications through such ATMs, in the case of Entitled Depositors or their renounees or Purchasers.

The procedures for, and the terms and conditions applicable to, the acceptances, renunciations and/or sales of the provisional allotments of the Rights Shares and for the applications for excess Rights Shares pursuant to the Rights Issue, including the different modes of acceptance or application and payment, will be set out in the Offer Information Statement.

11. DIRECTORS' RECOMMENDATIONS

11.1 The Share Consolidation

The Directors, having considered, among others, the rationale for the Share Consolidation as set out in paragraph 2.2 of this Circular, are of the opinion that the Share Consolidation is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Share Consolidation Resolution as set out in the Notice of SGM to be proposed at the SGM.

11.2 The Rights Issue

The Directors, having considered, among others, the rationale for the Rights Issue as set out in paragraph 3.3 of this Circular, are of the opinion that the Rights Issue is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the Rights Issue Resolution as set out in the Notice of SGM to be proposed at the SGM.

11.3 The Potential Transfer of Controlling Interest to the Undertaking Shareholder

Save for Mr. Lam Chun Hei Justin (the Executive Director and Chief Operating Officer of the Company) who has voluntarily abstained from making any recommendation hereunder as he is the son of the Undertaking Shareholder who is the subject of the Controlling Interest Resolution, the Directors having considered, among others, the rationale for the Potential Transfer of Controlling Interest to the Undertaking Shareholder as set out in paragraph 4 of this Circular, are of the opinion that the Potential Transfer of Controlling Interest to the Undertaking Shareholder is in the best interests of the Company. Accordingly, the said Directors recommend that Shareholders vote in favour of the Controlling Interest Resolution as set out in

LETTER TO SHAREHOLDERS

the Notice of SGM to be proposed at the SGM.

11.4 The Convertible Bond Agreement Variation

Save for Mr. Lam Chun Hei Justin (the Executive Director and Chief Operating Officer of the Company) who has voluntarily abstained from making any recommendation hereunder as he is the son of the Undertaking Shareholder who is the subject of the Convertible Bond Agreement Variation Resolution, the Directors having considered, among others, the rationale for the Convertible Bond Agreement Variation as set out in paragraph 5.3 of this Circular, are of the opinion that the Convertible Bond Agreement Variation is in the best interests of the Company. Accordingly, the said Directors recommend that Shareholders vote in favour of the Convertible Bond Agreement Variation Resolution as set out in the Notice of SGM to be proposed at the SGM.

11.5 Note to Shareholders

Shareholders are advised to read this Circular carefully in its entirety, including the terms and conditions, rationale and financial effects of the Proposed Transactions.

In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his/her/its specific investment objectives or portfolio should consult his/her/its stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

12. ABSTENTION FROM VOTING FROM THE CONTROLLING INTEREST RESOLUTION AND THE CONVERTIBLE BOND AGREEMENT VARIATION RESOLUTION

The Undertaking Shareholder shall abstain and procure his associates to abstain from voting on the Controlling Interest Resolution and the Convertible Bond Agreement Variation Resolution (collectively the “**said Resolutions**”) and shall also refrain from accepting nomination as proxy or otherwise vote at the SGM in respect of the unless Shareholders appointing them as proxies give specific instructions in the Proxy Forms on the manner in which they cast their votes to be cast for the said Resolutions. The Company will disregard any vote cast by them in relation to the said Resolutions.

13. 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 Transactions, the Company and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

14. MANAGER'S CONSENT

The Manager has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, and all references thereto, in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

15. MANAGER'S RESPONSIBILITY STATEMENT

To the best of the Manager's knowledge and belief, this Circular constitutes full and true disclosure of all material facts on the Rights Issue, the Company and its subsidiaries, and the Manager is not aware of any facts the omission of which would make any statement in this Circular misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Company's Singapore Share Transfer Agent, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902, during normal business hours from the date of this Circular up to the date of the SGM:

- (a) the Bye-Laws of the Company;
- (b) the annual reports of the Company for FY2020, FY2021 and FY2022;
- (c) the Convertible Bond Agreement;
- (d) the Supplemental Agreement;
- (e) the Irrevocable Undertaking; and
- (f) the Manager's letter of consent referred to in paragraph 14 of this Circular.

Yours faithfully,

For and on behalf of the Board of Directors of
SinoCloud Group Limited

Chan Andrew Wai Men
Executive Chairman

APPENDIX A

ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

Entitled Shareholders

Entitled Shareholders are entitled to participate in the Rights Issue and to receive the Offer Information Statement (through electronic dissemination), together with the ARE or the PAL, as the case may be, at their respective Singapore addresses as maintained with the records of CDP or the Share Transfer Agent, as the case may be.

Entitled Depositors who do not receive the Offer Information Statement and the ARE may obtain them from CDP, the Share Transfer Agent or any stockbroking firm during the period from the date the Rights Issue commences up to the Closing Date. Entitled Scripholders who do not receive the Offer Information Statement and the PAL may obtain them from the Share Transfer Agent during the period from the date the Rights Issue commences up to the Closing Date.

Entitled Shareholders will be provisionally allotted Rights Shares under the Rights Issue on the basis of their shareholdings in the Company as at the Rights Issue Record Date. Entitled Shareholders will be at liberty to accept (in full or in part), decline, renounce or (in the case of Entitled Depositors only) trade on the Catalist Board the SGX-ST (during the Rights trading period prescribed by the SGX-ST) their Rights and are eligible to apply for excess Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with such Rights Shares that are not validly taken up by Entitled Shareholders or their respective renounee(s) or Purchaser(s), any unsold Rights of Foreign Shareholders and any Rights Shares that are not otherwise allotted for whatever reason in accordance with the terms and conditions contained in the Offer Information Statement, the ARE, the PAL and (if applicable) the Bye-Laws of the Company, be aggregated and used to satisfy applications for excess Rights Shares (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board, will rank last in priority for the rounding of odd lots and the allotment of excess Rights Shares.

All dealings in and transactions of the Nil-Paid Rights through the SGX-ST will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs, which will be issued to Entitled Scripholders, will not be valid for delivery pursuant to trades done on the Catalist Board of the SGX-ST.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the Rights and for the applications for excess Rights Shares, including the different modes of acceptance or application and payment, will be contained in the Offer Information Statement to be despatched or, as the case may be, disseminated by, and in the ARE, the ARS and the PAL to be despatched by, the Company in due course.

Entitled Scripholders are encouraged to open Securities Accounts if they have not already done so and to deposit their share certificates with CDP well in advance of the Rights Issue Record Date so that their Securities Accounts may be credited by CDP with their Shares prior to the Rights Issue Record Date and the Rights. Entitled Scripholders should note that their Securities Accounts will only be credited with their Shares on the 12th Market Day from the date of lodgement of their share certificates with CDP or such later date as CDP may determine.

Depositors should note that all notices and documents will be sent to their last registered addresses with CDP.

Depositors who wish to maintain a mailing address in Singapore ("**Rights Mailing Address**") with CDP for the purpose of receiving the Rights Issue documents should inform CDP in writing at 11 North Buona Vista Drive, #01-19/20 The Metropolis Tower 2, Singapore 138589. Depositors are encouraged to submit any request to register a Rights Mailing Address or to effect any change in address well in advance of the Rights Issue Record Date to be eligible to participate in the Rights Issue. Any such request to register a Rights Mailing Address or to effect any change in address must reach CDP no later than 5.00 p.m. (Singapore Time) three (3) Market Days before the Rights Issue Record Date.

APPENDIX A

ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

Shareholders (not being Depositors) who do not presently have an address in Singapore for the service of notices and documents and who wish to be eligible to participate in the Rights Issue should provide such an address in Singapore by notifying in writing the Share Transfer Agent no later than 5.00 p.m. (Singapore Time) three (3) Market Days before the Rights Issue Record Date.

Foreign Shareholders

The Offer Information Statement and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents, and the purchase, exercise of or subscription for Rights and/or the Rights Shares by any persons who have registered addresses outside Singapore, or who are resident in, or citizens of countries other than Singapore, may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Offer Information Statement and its accompanying documents will not be despatched or disseminated to Foreign Shareholders.

Foreign Shareholders will not be entitled to participate in the Rights Issue. Accordingly, no provisional allotments of Rights Shares will be made to Foreign Shareholders and no purported acceptance or application for the Rights Shares by Foreign Shareholders will be valid.

The Offer Information Statement and its accompanying documents will also not be despatched or disseminated to Foreign Purchasers. Foreign Purchasers who wish to accept the Rights credited to their Securities Accounts should make the necessary arrangements with their respective Depository Agents or stockbrokers in Singapore.

The Company reserves the right, but shall not be obliged, to treat as invalid any ARE, ARS or PAL which (a) appears to the Company or its agents to have been executed in any jurisdiction outside Singapore or which the Company believes may violate any applicable legislation of such jurisdiction, (b) provides an address outside Singapore for the receipt of the share certificate(s) for the Rights Shares or which requires the Company to despatch the share certificate(s) to an address in any jurisdiction outside Singapore, or (c) purports to exclude any deemed representation, warranty or confirmation. The Company further reserves the right to reject any acceptances of the Rights Shares and/or applications for excess Rights Shares where it believes, or has reason to believe, that such acceptances and/or applications may violate any applicable legislation of any jurisdiction.

If it is practicable to do so, the Company may, at its absolute discretion, arrange for the Rights, which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the Catalist Board of the SGX-ST as soon as practicable after commencement of trading in the Rights. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the expenses expected to be incurred in relation thereto.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Rights Issue Record Date and sent to them at their own risk by ordinary post, provided that where the amount of net proceeds to be distributed to any Foreign Shareholder or persons acting to the account or benefit of any such persons is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Manager, CDP or the Share Registrar and their respective officers in connection therewith.

Where such Rights are sold on the Catalist Board of the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Manager, CDP or the Share Registrar and their respective officers in respect of such

APPENDIX A
ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

sales or the proceeds thereof, the Rights or the Rights Shares represented by such Rights.

If such Rights cannot be or are not sold on the Catalist Board of the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the Rights, the Rights Shares represented by such Rights will be issued to satisfy excess applications or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder or persons acting to the account or benefit of any such persons shall have any claim whatsoever against the Company, the Manager, CDP or the Share Registrar and their respective officers in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.

Further details will be set out in the Offer Information Statement, which will be despatched or, as the case may be, disseminated to all Entitled Shareholders (excluding Foreign Shareholders) in due course.

APPENDIX B
REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

The audited consolidated statement of profit and loss and other comprehensive income of the Group for FY2020 (i.e. for the financial year ended 30 June 2020), FY2021 (i.e. for the financial year ended 30 June 2021), and FY2022 (i.e. for the financial year ended 30 June 2022) and the unaudited consolidated statement of profit and loss and other comprehensive income of the Group for FY2023 Q1 (i.e. for the three months ended 30 September 2022) and for FY2022 Q1 (i.e. for the three months ended 30 September 2021) are set out below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Audited FY2020 HK\$'000	Audited FY2021 HK\$'000	Audited FY2022 HK\$'000	Unaudited FY2022 Q1 HK\$'000	Unaudited FY2023 Q1 HK\$'000
Revenue	33,253	9,680	13,445	3,280	1,969
Amortisation of intangible assets	(3,101)	-	-	-	-
Depreciation of property, plant and equipment	(7,633)	(5,732)	(5,556)	(1,353)	(615)
Depreciation of right-of-use asset	(2,572)	(2,451)	(2,289)	(570)	(354)
(Impairment loss)/Reversal of financial assets and contract assets	(58,158)	630	353	9,001	-
Impairment loss of intangible assets	(124,779)	-	-	-	-
Impairment loss of property, plant and equipment	-	-	(140,936)	-	-
Impairment loss of prepayment	-	(235)	(20,665)	-	-
Fair value loss on derivative asset	-	-	(3,200)	-	-
Bandwidth fees	(6,842)	(3,674)	(1,788)	(1,590)	(47)
Employee benefits expenses	(4,491)	(2,220)	(3,927)	(592)	(890)
Other income	731	2,258	14,726	-	244
Other expenses	(11,597)	(11,355)	(8,457)	(3,481)	(2,433)
Foreign exchange (loss)/gain	(572)	1,071	(377)	5	83
Finance cost – interest expenses	(8,536)	(7,988)	(7,702)	(1,844)	(1,735)
(Loss)/Profit before tax	(194,297)	(20,016)	(166,373)	2,856	(3,778)
Income tax credit	3,080	2,918	-	-	-
(Loss)/Profit for the financial year/period	(191,217)	(17,098)	(166,373)	2,856	(3,778)
Other comprehensive (loss)/income <i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences arising from consolidation	(6,592)	12,305	2,730	181	5,892
Other comprehensive (loss)/income for the financial year/period, net of tax	(6,592)	12,305	2,730	181	5,892
Total comprehensive (loss)/income for the financial year/period	(197,809)	(4,793)	(163,643)	3,037	2,114
(Loss)/profit attributable to:					
Equity holders of the Company	(105,385)	(13,278)	(103,759)	507	(3,505)
Non-controlling interests	(85,832)	(3,820)	(62,614)	2,349	(273)
	(191,217)	(17,098)	(166,373)	2,856	(3,778)
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company	(109,826)	(4,253)	(102,514)	607	577
Non-controlling interests	(87,983)	(540)	(61,129)	2,430	1,537
	(197,809)	(4,793)	(163,643)	3,037	2,114
(Loss)/Earnings per share (HK cents)					
Basic	(0.74)	(0.09)	(0.65)	0.003	(0.022)

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REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

A review of the operations, business and financial performance of the Group for the relevant periods is set out below.

FY2021 vs FY2020

The Group's revenue decreased by 70.9%, from HK\$33.3 million for FY2020 to HK\$9.7 million for FY2021. The decrease in revenue was mainly due to a decrease in customer demand and service fee reduction, as well as derecognition of revenue due to the unforeseen repayable for the consideration for certain customers, largely attributable to the lockdown in China caused by the COVID-19 pandemic.

The Group's other income of HK\$2.3 million in FY2021 mainly comprised (i) waiver of liabilities of HK\$1.1 million attributable to waiver of remuneration accrued and unpaid to the directors of the Company and management fee to other vendor, arising from cost saving measures implemented within the Group; (ii) reversal of provision for warranty of HK\$0.9 million due to expiry of service warranty period; and (iii) fair value gain on derivative financial instruments of HK\$0.2 million. Other income of HK\$0.7 million in FY2020 mainly related to waiver of remuneration accrued and unpaid to directors of the Company, arising from cost saving measures implemented within the Group.

There was no amortisation charges of intangible assets reported in FY2021 (FY2020: HK\$3.1 million). The respective intangible assets arising from the Company's acquisition of SinoCloud 01 Limited since October 2015 had been fully amortised or impaired during FY2020. Impairment loss of intangible assets of HK\$124.8 million in FY2020 related to impairment loss on goodwill. There was no such impairment loss in FY2021.

Impairment loss of financial assets of HK\$58.2 million in FY2020 represented the trade receivables and contract assets exposed to credit risk identified during the year based on Expected Credit Losses (ECL) model. The Group uses qualitative and quantitative information like historical credit loss experience, profile of customers and historical repayment trends and adjusted with forward-looking factors, to assess ECL for individual customers/counterparties.

A reversal of financial assets and contract assets of HK\$0.6 million in FY2021 related to recovery of debt during FY2021.

Impairment loss of prepayment of HK\$0.2 million for FY2021 (FY2020: Nil) related to the prepayment to a contractor that ceased business during the year.

Depreciation of property, plant and equipment ("**PPE**") decreased by HK\$1.9 million, from HK\$7.6 million in FY2020 to HK\$5.7 million in FY2021, as a result of the full depreciation of respective PPE.

Depreciation of right-of-use assets amounted to HK\$2.5 million in FY2021 (FY2020: HK\$2.6 million). The Company adopted IFRS 16 Leases in FY2020. The decrease during FY2021 was due to reassessment of lease liabilities and right-of-use assets during FY2021.

Bandwidth fees decreased by HK\$3.1 million, from HK\$6.8 million in FY2020 to HK\$3.7 million in FY2021, as a result of decrease in demand for the IDC services during FY2021.

Employee benefits expenses decreased by HK\$2.3 million to HK\$2.2 million in FY2021, from HK\$4.5 million in FY2020, mainly due to certain cost savings measures implemented within the Group.

Other expenses, comprising primarily office overhead, legal and professional fee and utility service fee, decreased by HK\$0.2 million, from HK\$11.6 million in FY2020 to HK\$11.4 million in FY2021, mainly due to the decrease in utility service fee as well as office overhead.

Foreign exchange gain was HK\$1.1 million in FY2021 (FY2020: foreign exchange loss of HK\$0.6 million), mainly due to the appreciation of Renminbi ("**RMB**") against Hong Kong Dollar ("**HKD**") in FY2021.

Finance costs decreased by HK\$0.5 million, from HK\$8.5 million in FY2020 to HK\$8.0 million in FY2021. The decrease was mainly due to restructuring of certain loans from shareholders of the Company to redeemable convertible bond, and rollover of a loan from bank with lower interest rates.

There was no income tax reported in FY2021 as there was no assessable profit generated during the year.

APPENDIX B

REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

Tax income credit amounted to HK\$2.9 million in FY2021 (FY2020: HK\$3.1 million), mainly due to recognition of deferral tax assets during the financial year.

As a result of the aforesaid, the Group's loss for the financial year decreased from HK\$191.2 million in FY2020 to HK\$17.1 million in FY2021.

FY2022 vs FY2021

Revenue increased by HK\$3.8 million, from HK\$9.7 million in FY2021 to HK\$13.5 million in FY2022, due to increase in customer demand mainly from the government sector during FY2022.

Other income of HK\$14.7 million in FY2022 relates to (i) utilisation of prepayment made to a vendor previously amounting to HK\$8.9 million, fully impaired to offset against trade payables owing to the same party (an agreement was signed by the Group with the vendor on the aforementioned offset of prepayment against the outstanding trade payable owed to the vendor), and (ii) waiver of liabilities of HK\$5.8 million from various suppliers of the Group arising from cost saving measures implemented within the Group.

Depreciation of PPE decreased by HK\$0.1 million, from HK\$5.7 million in FY2021 to HK\$5.6 million in FY2022, as a result of the full depreciation of respective PPE.

Depreciation of right-of-use assets amounted to HK\$2.3 million in FY2022 (FY2021: HK\$2.5 million). The decrease during FY2022 was due to reassessment of lease liabilities and right-of use assets during the year.

Reversal of financial assets of HK\$0.3 million in FY2022 (FY2021: HK\$0.6 million) relates to reversal of impairment loss of financial assets due to debt recovery from customers.

Impairment loss of PPE of HK\$140.9 million and impairment loss of financial assets of HK\$20.7 million for FY2022, represented the corresponding assets impaired as a result of termination of development of the Expansion Project¹.

Fair value loss on derivative asset of HK\$3.2 million for FY2022 (FY2021: Nil) relates to movement of the Company's redemption option for the redeemable convertible bond during FY2022.

Bandwidth fees decreased by HK\$1.9 million, from HK\$3.7 million in FY2021 to HK\$1.8 million in FY2022, as a result of termination of excess broadband services during FY2022.

Employee benefits expenses increased by HK\$1.7 million to HK\$3.9 million in FY2022, from HK\$2.2 million in FY2021, mainly due to the increase in hiring of staff to fulfill a government bureau hosting project during FY2022.

Other expenses, comprising primarily office overhead, operating lease expenses, legal and professional fee and utility service fee, decreased by HK\$2.9 million, from HK\$11.4 million in FY2021 to HK\$8.5 million in FY2022, mainly due to the decrease in utility service fee as well as office overhead.

Foreign exchange loss was HK\$0.4 million in FY2022 (FY2021: foreign exchange gain of HK\$1.1 million), mainly due to the appreciation of RMB against HKD in FY2022 while depreciation of RMB against HKD in FY2021.

Finance costs decreased by HK\$0.3 million, from HK\$8.0 million in FY2021 to HK\$7.7 million in FY2022, mainly due to restructuring of certain loans from a shareholder of the Company to redeemable convertible bonds, and a loan from bank with lower interest rates in the second half of FY2021.

There was no income tax reported in FY2022 as there was no assessable profit generated during the year. Income tax credit amounted to HK\$2.9 million in FY2021, due to reversal of deferred tax during FY2021.

¹ Relates to the expansion of hosting capacity of the internet data center in Guiyang, Guizhou province in the PRC, including the construction of additional 1,500 racks, and the construction of a call center to improve response time to customers and related software development.

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REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

As a result of the aforesaid, the Group recorded a loss after tax of HK\$166.3 million in FY2022 (FY2021: loss after tax of HK\$17.1 million).

FY2023 Q1 vs FY2022 Q1

Revenue decreased by HK\$1.3 million, from HK\$3.3 million in FY2022 Q1 to HK\$2.0 million in FY2023 Q1. The decrease in revenue was mainly due to decrease in customer demand and service fee reduction, largely attributable to the continuing COVID-19 pandemic in China.

Other income of HK\$0.2 million in FY2023 Q1 (FY2022 Q1: Nil) mainly relates to government grant received by Guiyang Tech during the current financial period.

Depreciation of PPE decreased by HK\$0.7 million, from HK\$1.4 million in FY2022 Q1 to HK\$0.6 million in FY2023 Q1, as a result of the full depreciation of respective PPE.

Depreciation of right-of-use assets amounted to HK\$0.4 million in FY2023 Q1 (FY2022 Q1: HK\$0.6 million). The decrease was due to reassessment of lease liabilities and right-of use assets during the current financial period.

No reversal of financial assets was recognised in FY2023 Q1. Reversal of financial assets was HK\$9.0 million in FY2022 Q1, of which HK\$8.9 million was attributable to the utilisation of prepayment made to a vendor previously, fully impaired to offset against trade payables owing to the same party during FY2022 Q1. An agreement was signed by the Group with the vendor on the aforementioned offset of prepayment against the outstanding trade payable owed to the vendor. The remaining HK\$0.1 million related to reversal of impairment loss of financial assets due to debt recovery from a customer.

Bandwidth fees decreased by HK\$1.5 million, from HK\$1.6 million in FY2022 Q1 to HK\$0.05 million in FY2023 Q1, as a result of termination of excess broadband services during FY2022 Q1.

Employee benefits expenses increased by HK\$0.3 million to HK\$0.9 million in FY2023 Q1, from HK\$0.6 million in FY2022 Q1, mainly due to the increase in hiring of staff to fulfill a government bureau hosting project during FY2023 Q1.

Other expenses, comprising primarily office overhead, operating lease expenses, legal and professional fee and utility service fee, decreased by HK\$1.1 million, from HK\$3.5 million in FY2022 Q1 to HK\$2.4 million in FY2023 Q1, mainly due to the decrease in utility service fee as well as office overhead.

Foreign exchange gain was HK\$0.08 million in FY2023 Q1 (FY2022 Q1: foreign exchange gain of HK\$5,000), mainly due to the depreciation of RMB against HKD during FY2023 Q1.

Finance costs decreased by HK\$0.1 million, from HK\$1.8 million in FY2022 Q1 to HK\$1.7 million in FY2023 Q1. The decrease was mainly due to reduction in interest expense on lease liabilities as a result of lease reassessment, partial offset by increase in interest expenses on redeemable convertible bond and loans during FY2023 Q1.

There was no income tax reported in FY2023 Q1 and FY2022 Q1 as there were no assessable profit generated during both financial periods.

As a result of the aforesaid, the Group recorded a loss after tax of HK\$3.8 million in FY2023 Q1 (FY2022 Q1: profit after tax of HK\$2.9 million).

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Consolidated Statement of Financial Position

The audited consolidated statement of financial position of the Group as at 30 June 2020, 30 June 2021, and 30 June 2022, and the unaudited consolidated statement of financial position of the Group as at 30 September 2022 are set out below:

	Audited As at 30 June 2020 HK\$'000	Audited As at 30 June 2021 HK\$'000	Audited As at 30 June 2022 HK\$'000	Unaudited As at 30 September 2022 HK\$'000
Current assets				
Trade and other receivables	20,827	24,324	9,152	6,381
Derivative asset	-	4,933	1,733	1,733
Cash and bank balances	303	461	150	398
Total current assets	21,130	29,718	11,035	8,512
Non-current assets				
Property, plant and equipment	181,366	193,218	47,080	21,330
Right-of-use asset	31,961	29,592	17,664	15,976
Deferred tax assets	8,185	11,966	11,966	11,966
Total non-current assets	221,512	234,776	76,710	49,272
Total assets	242,642	264,494	87,745	57,784
Current liabilities				
Trade and other payables	36,095	39,479	30,306	23,225
Contract liabilities	152	2,885	584	879
Provision for warranty	807	-	-	-
Borrowings	8,008	2,402	4,671	6,139
Redeemable convertible bond	-	-	23,638	23,902
Income tax payable	7,694	8,443	8,413	8,327
Total current liabilities	52,756	53,209	67,612	62,472
Non-current liabilities				
Trade and other payables	2,405	-	-	-
Borrowings	20,960	2,390	4,584	3,550
Redeemable convertible bond	-	22,653	-	-
Lease liabilities	57,006	63,818	56,768	53,379
Total non-current liabilities	80,371	88,861	61,352	56,929
Total liabilities	133,127	142,070	128,964	119,401
Capital and reserves attributable to equity holders of the Company				
Share capital	14,311	15,878	15,878	15,878
Share premium	473,003	481,352	481,352	481,352
Contributed surplus	16,456	16,456	16,456	16,456
Translation (deficit)/reserve	(4,782)	4,243	5,488	11,441
Statutory reserve	7,066	7,066	7,066	7,066
Revaluation reserve	98	98	98	98
Other reserves	15,120	22,384	22,384	22,384
Accumulated losses	(396,296)	(409,052)	(512,811)	(533,472)
	124,976	138,425	35,911	21,203
Non-controlling interests	(15,461)	(16,001)	(77,130)	(82,820)
Total equity	109,515	122,424	(41,219)	(61,617)
Total Liabilities and Equity	242,642	264,494	87,745	57,784

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REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

A review of the financial positions of the Group for the relevant periods is set out below:

30 June 2021 vs 30 June 2020

The Group's equity base stood at HK\$122.4 million as at 30 June 2021, an increase from HK\$109.5 million as at 30 June 2020.

Current assets amounted to HK\$29.7 million as at 30 June 2021, higher than the HK\$21.1 million as at 30 June 2020. The increase was mainly due to the increase in trade and other receivables, derivative asset and cash and bank balances.

Non-current assets increased to HK\$234.8 million as at 30 June 2021 from HK\$221.5 million as at 30 June 2020. The increase was mainly due to increase in property, plant and equipment and deferred tax assets, partially offset by the reduction in right-of-use asset.

Current liabilities increased to HK\$53.2 million as at 30 June 2021 from HK\$52.8 million as at 30 June 2020 mainly due to increase in trade and other payables, contract liabilities and income tax payable, partially offset by reduction in provision for warranty and repayment of borrowings during the year.

Non-current liabilities increased to HK\$88.9 million as at 30 June 2021 from HK\$80.4 million as at 30 June 2020 due to increase in redeemable convertible bond and lease liabilities, partially offset by reduction of trade and other payables and borrowings during the year.

The debt-equity ratio² decreased to 1.16 as at 30 June 2021 as compared to 1.22 as at 30 June 2020 was mainly due to increase in equity base as a result of share placement and recognition of equity component of redeemable convertible bond during the year, partially offset by increase in lease liabilities under total liabilities.

30 June 2022 vs 30 June 2021

The Group's deficiency in equity stood at HK\$41.2 million as at 30 June 2022, a decrease from equity of HK\$122.4 million as at 30 June 2021.

Current assets amounted to HK\$11.0 million as at 30 June 2022, lower than the HK\$29.7 million as at 30 June 2021. The decrease was mainly due to the decrease in trade and other receivables, derivative asset and cash and bank balances.

Non-current assets decreased to HK\$76.7 million as at 30 June 2022 from HK\$234.8 million as at 30 June 2021. The decrease was due to decrease in PPE and right-of-use asset.

Current liabilities increased to HK\$67.6 million as at 30 June 2022 from HK\$53.2 million as at 30 June 2021 mainly due to increase in borrowings and redeemable convertible bond, partially offset by reduction in trade and other payables, contract liabilities and income tax payable.

Non-current liabilities decreased to HK\$61.4 million as at 30 June 2022 from HK\$88.9 million as at 30 June 2021 due to reduction in redeemable convertible bond and lease liabilities, partially offset by increase in borrowings during the year.

The debt-equity ratio not available as at 30 June 2021 as compared to 1.16 as at 30 June 2021 was mainly due to deficiency in equity as at 30 June 2022 as a result of impairment loss of property, plant and equipment and financial assets for the Expansion Project.

30 September 2022 vs 30 June 2022

The Group's deficiency in equity stood at HK\$61.6 million as at 30 September 2022, an increase from deficiency in equity of HK\$41.2 million as at 30 June 2022.

² Debt-equity ratio is calculated by dividing the Group's total liabilities by its total equity.

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REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

Current assets amounted to HK\$8.5 million as at 30 September 2022, lower than the HK\$11.0 million as at 30 June 2022. The decrease was mainly due to the decrease in trade and other receivables.

Non-current assets decreased to HK\$49.3 million as at 30 September 2022 from HK\$76.7 million as at 30 June 2022. The decrease was due to decrease in PPE and right-of-use asset.

Current liabilities decreased to HK\$62.5 million as at 30 September 2022 from HK\$67.6 million as at 30 June 2022 mainly due to reduction in trade and other payables and income tax payable, partially offset by increase in contract liabilities, borrowings and redeemable convertible bond.

Non-current liabilities decreased to HK\$56.9 million as at 30 September 2022 from HK\$61.4 million as at 30 June 2022 due to reduction in borrowings and lease liabilities.

The debt-equity ratio was not available as at 30 September 2022 and 30 June 2022, due to deficiency in equity as at 30 September 2022 and 30 June 2022.

APPENDIX B
REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

Consolidated Statements of Cash Flow

The audited consolidated statement of cash flow of the Group for FY2020 (i.e. for the financial year ended 30 June 2020), FY2021 (i.e. for the financial year ended 30 June 2021), and FY2022 (i.e. for the financial year ended 30 June 2022) and the unaudited consolidated statement of cash flow of the Group for FY2023 Q1 (i.e. for the three months ended 30 September 2022) are set out below:

	Audited FY2020 HK\$'000	Audited FY2021 HK\$'000	Audited FY2022 HK\$'000	Unaudited FY2023 Q1 HK\$'000
Cash flows from operating activities				
Loss before tax	(194,297)	(20,016)	(166,373)	(3,778)
Adjustments:				
Depreciation of property, plant and equipment	7,633	5,732	5,556	615
Depreciation of right-of-use assets	2,572	2,451	2,289	354
Amortisation of intangible assets	3,101	-	-	-
Bad debt written off	-	-	359	-
Waiver of liabilities	(716)	(1,115)	(5,813)	-
Impairment loss/(Reversal) of impairment of financial assets and contract assets	58,158	(630)	(353)	-
Reversal of impairment of prepayment	-	-	(8,898)	-
Impairment loss of intangible asset, goodwill	124,779	-	-	-
Impairment of property, plant and equipment	-	-	140,936	-
Impairment of prepayment	-	235	20,665	-
Fair value (gain)/loss on derivative asset	-	(191)	3,200	-
Reversal of provision for warranty	-	(866)	-	-
Interest expenses	8,536	7,988	7,702	1,735
Operating profit/(loss) before working capital changes	9,766	(6,412)	(730)	(1,074)
Trade and other receivables	3,068	(1,055)	3,135	965
Trade and other payables	(770)	5,714	(4,478)	(3,147)
Contract assets	(427)	-	-	-
Contract liabilities	(454)	2,623	(2,129)	295
Cash generated from/(used in) operations	11,183	870	(4,202)	(2,961)
Income tax paid	(4,339)	-	-	-
Interest paid	(5,267)	(1,809)	(1,977)	(168)
Net cash from/(used in) operating activities	1,577	(939)	(6,179)	(3,129)
Cash flows from investing activities				
Payments to purchase property, plant and equipment	(16,092)	(54)	(748)	-
Refund of advances and earnest deposits from vendors of China Satellite Group	11,486	-	-	-
Placement of prepayment of software development	(1,642)	-	-	-
Net cash used in investing activities	(6,248)	(54)	(748)	-
Cash flows from financing activities				
Issue of ordinary shares	-	9,916	-	-
Issuance of redeemable convertible bond	-	5,000	-	-
Repayment of redeemable convertible bond	-	(7,000)	-	-
Proceeds from borrowings	966	5,093	4,584	790
Repayment of borrowings	-	(8,473)	-	-
Advances from/(Repayment to) directors, net	372	(271)	249	-
Advances from/(Repayment to) related parties, net	3,068	(3,133)	1,787	(1,270)
Net cash from/(used in) financing activities	4,406	1,132	6,620	(480)

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REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

	Audited FY2020 HK\$'000	Audited FY2021 HK\$'000	Audited FY2022 HK\$'000	Unaudited FY2023 Q1 HK\$'000
Net (decrease)/increase in cash and bank balances	(265)	139	(307)	(3,609)
Cash and bank balances at beginning of the financial year/period	572	303	461	150
Effects of exchange rate changes in cash and bank balances	(4)	19	(4)	3,857
Cash and bank balances at end of the financial year/period	303	461	150	398

A review of the net cash inflows/outflows of the Group for the relevant periods are set out below:

FY2020

The net cash inflow from operating activities in FY2020 was mainly due to (i) operating profit before changes in working capital, (ii) decrease in trade and other payables, (iii) increase in contract assets, (iv) decrease in contract liabilities; partially offset by (v) decrease in trade and other receivables; (vi) income tax paid of HK\$4.3 million, and (vii) interest paid.

The net cash outflow from investing activities in FY2020 was mainly due to (i) additions to PPE, and (ii) prepayment for software, partially offset by repayment received from advances and earnest deposits to vendors.

The net cash inflow from financing activities in FY2020 was due to (i) proceeds from borrowings, (ii) advances from directors of the Company, and (iii) advances from related parties.

As a result of the aforementioned, cash and bank balances stood at HK\$0.3 million as at 30 June 2020.

FY2021

The net cash outflow from operating activities in FY2021 was mainly due to (i) operating loss before changes in working capital, (ii) increase in trade and other receivables, (iii) interest paid, and partially offset by (i) increase in trade and other payables, and (ii) increase in contract liabilities.

The net cash outflow from investing activities in FY2021 was due to payments to purchase PPE during the year.

The net cash inflow from financing activities in FY2021 was due to (i) net proceeds from placement, (ii) proceeds from, (ii) proceeds from redeemable convertible bond, (iii) proceeds from borrowings, partially offset by (i) partial redemption of convertible bond, (ii) repayment of borrowings, and (iv) repayment to a related party.

As a result of the aforementioned, cash and bank balances stood at HK\$0.5 million as at 30 June 2021.

FY2022

The net cash outflow from operating activities in FY2022 was mainly due to (i) operating loss before working capital changes, (ii) decrease in trade and other payables, (iii) decrease in contract liabilities, and (iv) interest paid, partially offset by (v) decrease in trade and other receivables.

The net cash outflow from investing activities in FY2022 was due to payments to purchase PPE during FY2022.

The net cash inflow from financing activities in FY2022 was due to (i) net advance from a shareholder, (ii) net advances from related parties, and (iii) net advances from directors.

As a result of the aforementioned, cash and bank balances stood at HK\$0.2 million as at 30 June 2022.

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REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

FY2023 Q1

The net cash outflow from operating activities in FY2023 Q1 was mainly due to (i) operating loss before working capital changes, (ii) decrease in trade and other payables, (iii) interest paid, partially offset by (iv) decrease in trade and other receivables, and (v) increase in contract liabilities .

There was no net cash outflow from investing activities in FY2023 Q1.

The net cash outflow from financing activities in FY2023 Q1 was due to payment to related parties, partially offset by advance from a shareholder.

As a result of the aforementioned, cash and bank balances stood at HK\$0.4 million as at 30 September 2022.

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REVIEW OF PAST PERFORMANCE AND WORKING CAPITAL

Working Capital

The working capital of the Group as at 30 June 2020, 30 June 2021, 30 June 2022 and 30 September 2022 were as follows:

	Audited As at 30 June 2020 HK\$'000	Audited As at 30 June 2021 HK\$'000	Audited As at 30 June 2022 HK\$'000	Unaudited As at 30 September 2022 HK\$'000
Total current assets	21,130	29,718	11,035	8,512
Total current liabilities	52,756	53,209	67,612	62,472
Net working capital	(31,626)	(23,491)	(56,577)	(53,960)

A review of the working capital of the Group for the relevant periods are set out below:

30 June 2021 vs 30 June 2020

The Group's net working capital as at 30 June 2021 improved by HK\$8.1 million mainly due to increase in trade and other receivables and derivative asset during the year.

30 June 2022 vs 30 June 2021

The Group's net working capital as at 30 June 2022 decreased by HK\$33.1 million mainly due to decrease in trade and other receivables as a result of impairment loss made for financial assets relating to the Expansion Project, the reduction of derivative asset, and reclassification of borrowings and redeemable convertible bond from non-current liabilities to current-liabilities.

30 September 2022 vs 30 June 2022

The Group's net working capital as at 30 September 2022 increased by HK\$2.6 million mainly due to decrease in trade and other payables, partially offset by decrease in trade and other receivables and increase in borrowings as a result of reclassification from non-current liabilities to current-liabilities.

NOTICE OF SPECIAL GENERAL MEETING

SINOCLOUD GROUP LIMITED

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

Unless otherwise defined, all capitalised terms herein shall have the same meanings ascribed to them in the circular issued by the Company to shareholders of the Company dated 5 January 2023.

NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that an Special General Meeting (the “SGM”) of **SinoCloud Group Limited** (the “Company”) will be convened and held by way of electronic means on 20 January 2023 at 11.00 a.m. (Singapore Time) for the purpose of considering and, if thought fit, passing with or without any modifications, the following resolutions:

Resolution 1

Ordinary Resolution: The Share Consolidation Resolution

RESOLVED THAT:

- (a) approval be and is hereby given for the proposed Share Consolidation of every one hundred (100) existing Shares of par value HK\$0.001 each held by Shareholders as at the Share Consolidation Record Date into one (1) Consolidated Share of par value HK\$0.10 each, fractional entitlements to be disregarded, and the number of Consolidated Shares which Shareholders will be entitled to pursuant to the proposed Share Consolidation, based on their holdings of the existing Shares as at the Share Consolidation Record Date, will be rounded down to the nearest whole Consolidated Share;
- (b) approval be and is hereby given for fractions of a Consolidated Share arising from the proposed Share Consolidation to be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, including (i) disregarding the fractional entitlements, or (ii) aggregating and selling the same and retaining the net proceeds for the benefit of the Company;
- (c) the Directors and each of them be and are hereby authorised to fix the Share Consolidation Record Date and the Share Consolidation Effective Trading Date at such time and on such date as they may deem fit in the interests of the Company; and
- (d) the Directors and each of them be and are hereby authorised to take such steps, do all such acts and things (including but not limited to finalising, approving and executing all such documents as may be required and making amendments or modifications to documents or otherwise) and to exercise such discretion as they and/or he/she may in their absolute discretion deem fit, advisable or to give full effect to this Resolution 1.

NOTICE OF SPECIAL GENERAL MEETING

Resolution 2

Ordinary Resolution: The Rights Issue Resolution

RESOLVED THAT, subject to and contingent upon the passing of Resolution 1 and Resolution 3:

- (a) a renounceable non-underwritten rights issue (the “**Rights Issue**”) of up to 79,390,353 new ordinary shares (post-share consolidation) in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.05 for each Rights Share (the “**Issue Price**”), on the basis of one (1) Rights Share for every two (2) Consolidated Shares held by Entitled Shareholders as at the Rights Issue Record Date, fractional entitlements to be disregarded;

be and is hereby approved;

- (b) authority be and is hereby given to the Directors to:
- (i) undertake the proposed Rights Issue;
 - (ii) provisionally allot and issue the Rights Shares at the Issue Price on the basis of one (1) Rights Share for every two (2) Consolidated Shares held by the Entitled Shareholders as at the Rights Issue Record Date, fractional entitlements to be disregarded;
 - (iii) allot and issue the Rights Shares at the Issue Price;
 - (iv) (notwithstanding the authority conferred by this Resolution 2 may have ceased to be in force) allot and issue the provisional allotment of the Rights Shares shall be made on a renounceable basis to Entitled Shareholders;
 - (v) no provisional allotment of the Rights Shares shall be made to Foreign Shareholders unless otherwise determined by the Directors that the Rights Shares may be offered based on applicable securities legislation;
 - (vi) fractional entitlements to the Rights Shares shall be aggregated and used with the provisional allotment of the Rights Shares which are not taken up or allotted for any reason to satisfy excess applications for the Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors may in their absolute discretion deem fit for the benefit of the Company; and
 - (vii) the Rights Shares when allotted and issued will rank *pari passu* in all respects with the then existing issued Shares, except that they will not rank for any dividends, rights, allotments or other distributions the record date for which falls before the date of allotment and issue of the Rights Shares;
- (c) the Directors be and are hereby authorised to fix the Rights Issue Record Date in their absolute discretion; and
- (d) the Directors and each of them be and are hereby authorised to take such steps, do all such acts and things (including but not limited to finalising, approving and executing all such documents as may be required and making amendments or modifications to documents or otherwise) and to exercise such discretion as they and/or he/she may in their absolute discretion deem fit, advisable or to give full effect to this Resolution 2.

Note:

The passing of the Rights Issue Resolution is conditional upon the passing of the Share Consolidation Resolution and the Controlling Interest Resolution. This means that if either the Share Consolidation Resolution or the Controlling Interest Resolution is not passed at the SGM, the Rights Issue Resolution will not be passed.

NOTICE OF SPECIAL GENERAL MEETING

Resolution 3

Ordinary Resolution: The Controlling Interest Resolution

RESOLVED THAT, subject to and contingent upon the passing of Resolution 2:

- (a) approval be and is hereby given for the issue of up to 79,390,353 Rights Shares to the Undertaking Shareholder on and subject to the terms of the proposed Rights Issue, where the issue of such Rights Shares may result in a potential transfer of controlling interest in the Company to the Undertaking Shareholder pursuant to Rule 803 of the Catalist Rules; and
- (b) the Directors and each of them be and are hereby authorised to take such steps, do all such acts and things (including but not limited to finalising, approving and executing all such documents as may be required and making amendments or modifications to documents or otherwise) and to exercise such discretion as they and/or he/she may in their absolute discretion deem fit, advisable or to give full effect to this Resolution 3.

Notes:

- (1) The passing of the Controlling Interest Resolution is conditional upon the passing of the Rights Issue Resolution. This means that if the Rights Issue Resolution is not passed at the SGM, the Controlling Interest Resolution will not be tabled for approval at the SGM.
- (2) Mr Lam Cho Ying Terence Joe and his associates, being the subject of the Controlling Interest Resolution, shall abstain from voting on the Controlling Interest Resolution and shall not accept appointments as proxies unless specific instructions as to voting are given.

Resolution 4

Ordinary Resolution: The Convertible Bond Agreement Variation Resolution

RESOLVED THAT, subject to and contingent upon the passing of Resolution 1:

- (a) approval be and is hereby given for the variation and amendment of the Convertible Bond Agreement such that:
 - (i) the maturity date is extended by a period of four months from 22 November 2022 (being two years from the date of the issue of the Convertible Bonds) to 22 March 2023 (being 28 months from the date of the issue of the Convertible Bonds);
 - (ii) the Convertible Bonds which are not previously redeemed or cancelled by the Company shall be redeemed by the Company at 100% of their principal amount together with all accrued and unpaid interest that was scheduled to be paid to the redemption date, on the date falling 28 months from the date of the issue of the Convertible Bonds, instead of 24 months from the date of the issue of the Convertible Bonds;
 - (iii) the conversion price of S\$0.0011 for each Share to be converted shall be changed to S\$0.000825 for each Share to be converted; and
- (b) the Directors and each of them be and are hereby authorised to take such steps, do all such acts and things (including but not limited to finalising, approving and executing all such documents as may be required and making amendments or modifications to documents or otherwise) and to exercise such discretion as they and/or he/she may in their absolute discretion deem fit, advisable or to give full effect to this Resolution 4.

NOTICE OF SPECIAL GENERAL MEETING

Note:

The passing of the Convertible Bond Agreement Variation Resolution is conditional upon the passing of the Share Consolidation Resolution. This means that if the Share Consolidation Resolution is not passed at the SGM, the Convertible Bond Agreement Variation Resolution will not be tabled for approval at the SGM.

By Order of the Board of Directors of

SinoCloud Group Limited

Chan Andrew Wai Men
Executive Chairman

5 January 2023
Singapore

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. The SGM is being convened, and will be held, by way of electronic means pursuant to 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 SGM 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**") via mobile phones, tablets or computers, submission of questions in advance of, or "live" at the SGM, addressing of substantial and relevant questions, voting at the SGM "live" by the shareholders themselves or their duly appointed proxy(ies) (other than the Chairman of the Meeting) via electronic means or by appointing the Chairman of the Meeting as proxy to vote on their behalf at the SGM are set out in the Company's Letter to Shareholders dated 5 January 2023 (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. Shareholders may vote "live" via electronic means at the SGM, appoint a proxy(ies) (other than the Chairman of the Company) to vote "live" via electronic means at the SGM on their behalf or appoint the Chairman of the Meeting as their proxy to vote on their behalf at the SGM. In appointing a proxy(ies), shareholders 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 proxy(ies) for that resolution will be treated as invalid.
 4. A proxy need not be a shareholder of the Company.
 5. The instrument appointing a proxy(ies) 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, be submitted:
 - (i) via email to the Company's Singapore Share Transfer Agent, M & C Services Private Limited, at gp@mcscingapore.com; or
 - (ii) via the online process through the pre-registration website at the URL <https://conveneagm.sg/sinocloudsgm>,in each case, by 11.00 a.m. on 18 January 2023 (being not less than forty-eight (48) hours before the time appointed for the holding of the SGM).
- The Company strongly encourages shareholders to submit completed proxy forms electronically.
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 5.00 p.m. on 10 January 2023). SRS Investors are requested to contact their SRS operators for any queries they may have with regard to the submission of their votes for the SGM.

Personal Data Privacy:

By (a) submitting an instrument appointing a proxy(ies) 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 or at 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 proxy(ies) 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 participate in the proceedings of the SGM and providing them with any technical assistance, where necessary;
- (c) addressing relevant and substantial questions from shareholders received before or at 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

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

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