

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

PROPOSED ACQUISITION OF ADDITIONAL 19.0% EQUITY INTEREST IN SINOCLOUD 01 LIMITED

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of SinoCloud Group Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to inform that on 7 June 2017, the Company had, through its wholly-owned subsidiary, SinoCloud Investment Holdings Limited ("**SinoCloud Investment**" or the "**Purchaser**"), entered into a sale and purchase agreement (the "**Agreement**") with each of Xu Yong, Bi Wei Na and Xu Yu Chi (each a "**Vendor**" and collectively, the "**Vendors**"), pursuant to which SinoCloud Investment will acquire 19,000 ordinary shares in the capital of SinoCloud 01 Limited (the "**Target**") (the "**Sale Shares**"), representing 19.0% of the issued and paid-up share capital of the Target, from the Vendors (the "**Proposed Acquisition**"). The aggregate consideration for the Proposed Acquisition amounted to HK\$38 million (equivalent to approximately SG\$6.8 million at an exchange rate of S\$1.00 : HK\$5.60) ("**Purchase Consideration**").

2. THE PROPOSED ACQUISITION

2.1 Background

2.1.1 Information on the Target and its subsidiaries

The Target is a company incorporated in the British Virgin Islands on 2 December 2014 and has 100,000 issued ordinary shares of par value US\$1.00 each.

As of the date of this announcement, (i) the Company, through SinoCloud Investment, holds 81,000 ordinary shares in the capital of the Target, representing 81.0% of the issued and paid-up share capital of the Target; (ii) the Target owns the entire issued and paid-up capital of SinoCloud 01 (HK) Limited ("**SinoCloud HK**"), a company incorporated in Hong Kong on 5 March 2015; and (ii) SinoCloud HK owns 100% of the equity interest in SinoCloud Data (Guiyang) Limited ("**SinoCloud Data**"), a wholly foreign-owned enterprise established in the People's Republic of China ("**PRC**") on 27 May 2015.

Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**Guiyang Zhongdian**") is a company established in the PRC on 28 April 2014 as a limited liability company. Guiyang Zhongdian is principally engaged in the business of operating internet data centre ("**IDC**") services, cloud computing and big data services in the Guiyang region, Guizhou province, the PRC.

Prior to the Guiyang Fund Investment (as defined below), Shenzhen Zhongdian Lechu Data Technology Co., Ltd. ("**Shenzhen Co**") holds 100% equity interest in Guiyang Zhongdian. Shenzhen Co is a company established in the PRC on 17 November 2014 as a limited liability company, and is owned by Zhang Dai, Xu Yong, Bi Wei Na and Xu

Yu Chi, who hold 32.5%, 32.5%, 17.5% and 17.5% of the equity interests of Shenzhen Co respectively.

Pursuant to a series of contractual arrangements entered into by SinoCloud Data, Shenzhen Co and Guiyang Zhongdian, all of the operating and economic rights, interests, benefits, risks and liabilities and the effective control and management over Guiyang Zhongdian held by Shenzhen Co, are transferred to, owned or managed or controlled by, or ceded to or vested in, SinoCloud Data, on a sole and exclusive basis to the maximum extent legally possible ("**VIE Arrangements**"), given the restrictions on foreign ownership of companies that are engaged in value-added telecommunications business in the PRC.

Accordingly, the "**Target Group**" comprises the Target, SinoCloud HK, SinoCloud Data and Guiyang Zhongdian (equity interests held via the VIE Arrangement).

On 1 October 2015, the Company completed the acquisition of a 63.0% interest in the Target ("**Initial Acquisition**"). Please refer to the Company's circular to its shareholders dated 24 August 2015 and the announcements dated 15 March 2015, 20 March 2015, 14 July 2015, 30 July 2015, 24 August 2015, 2 September 2015, 10 September 2015 and 1 October 2015 for more details on the Initial Acquisition. Upon completion of the Initial Acquisition, the Company had a 63.0% effective interest in Guiyang Zhongdian through the VIE Arrangements and Shenzhen Co's 100.0% interest in Guiyang Zhongdian.

On 7 March 2017, the Company completed the acquisition of an additional 18.0% interest in the Target ("**Subsequent Acquisition**"), resulting in a post-acquisition effective interest of 81.0% in Guiyang Zhongdian through the VIE Arrangements and Shenzhen Co's 100.0% interest in Guiyang Zhongdian. Please refer to the announcement dated 7 March 2017 for more details of the Subsequent Acquisition.

There has been no substantial change in the structure of the Target Group since the completion of the Initial Acquisition and the Subsequent Acquisition.

On 16 May 2017, the Company announced that Guiyang Zhongdian and Shenzhen Co had entered into an investment agreement with Guiyang Gaoxin Big Data Fund Company ("**Guiyang Fund**"), pursuant to which Guiyang Fund invested an aggregate of RMB54,000,000 in cash in Guiyang Zhongdian ("**Guiyang Fund Investment**") for 18.0% equity interests in Guiyang Zhongdian. Shenzhen Co's equity interest in Guiyang Zhongdian was accordingly reduced from 100.0% to 82.0% and correspondingly, as a result, the Company's effective interest in Guiyang Zhongdian, through the VIE Arrangements and Shenzhen Co's 82.0% interest in Guiyang Zhongdian, was reduced from 81.0% to 66.42%.

Upon completion of the Proposed Acquisition, the Company's effective interest in Guiyang Zhongdian will increase from 66.42% to 82.0% arising from its increased 100.0% interest in the Target, the VIE Arrangements, and the Shenzhen Co's 82.0% interest in Guiyang Zhongdian.

2.1.2 Financial Information on the Target Group

Based on the management accounts of the Target Group for the financial year ended 31 March 2017 ("**FY2017**") which are prepared in accordance with the Group's accounting policies:

- (a) the net profit before tax of the Target Group for FY2017 amounted to approximately HK\$20.1 million; and
- (b) the net book value and the net tangible assets value of the Target Group as at 31 March 2017 each amounted to approximately HK\$11.7 million.

No independent valuation was conducted on the Target Group for the purposes of the Proposed Acquisition. Please refer to the respective announcements made by the Company in respect of the Initial Acquisition and the Subsequent Acquisition, including the potential of the business of operating IDC services in the PRC and the independent valuation that was conducted on the fair market value of 100% of the equity interest in Guiyang Zhongdian for the purposes of the Initial Acquisition.

2.1.3 Shareholding structure of the Target

The following are the shareholding structures of the Target, immediately before and after the Proposed Acquisition:-

Name of shareholder of the Target	Before the Proposed Acquisition		After the Proposed Acquisition	
	Number of shares held in the Target	%	Number of shares held in the Target	%
SinoCloud Investment	81,000	81.00	100,000	100.00
Xu Yong	6,050	6.05	-	-
Bi Wei Na	6,475	6.48	-	-
Xu Yu Chi	6,475	6.48	-	-
Total	100,000	100.00⁽¹⁾	100,000	100.00

Note:-

(1) The percentage does not add up due to rounding.

2.2 **Information on the Vendors**

2.2.1 Xu Yong

Xu Yong is the co-founder of Guiyang Zhongdian. Xu Yong is currently the general manager of Guiyang Zhongdian, and oversees the operating activities and business development in Guiyang Zhongdian. He has over 20 years of management experience.

2.2.2 Bi Wei Na

Bi Wei Na is currently the financial controller of all the PRC subsidiaries of the Group, overseeing financial and accounting activities. She is a Certified Public Accountant in the PRC and has more than ten (10) years of experience in investment, financial management, mergers and acquisitions and internal controls.

2.2.3 Xu Yu Chi

Xu Yu Chi is a passive investor in the Target. He is not involved in the operation of the business of the Target Group. He is a retired businessman in the field of engineering. He is currently a private investor in the stock market and IDC-related businesses.

2.2.4 Relationship between the Vendors

As at the date of this announcement, Xu Yong is a substantial shareholder of the Company with interests of approximately 5.95% in the share capital of the Company. Save for his shareholdings in the Company, each of the Vendors has confirmed in the Agreement, among others, that:

- (i) each of them is independent of, and not otherwise related to, any of the others and each of them is acting on his/her own accord and not acting jointly with any other persons;
- (ii) none of them is acting in concert with any other Vendors for the purposes of the Singapore Code on Takeovers and Mergers;
- (iii) none of them holds any shares in the Company ("**Shares**") (or any interest therein) as nominee or in trust for or otherwise on behalf of any of the others;
- (iv) none of them is influenced or obliged or accustomed to act in accordance with the instructions or directions of any other persons or Vendors, or the dDirectors or substantial shareholder of the Company in relation to the management or control of the Company or the voting of any Shares (including but not limited to the Consideration Shares (as defined below) issued or to be issued under the Agreement);
- (v) none of them is or will be represented on the Board of Directors of the Company whether directly or indirectly;
- (vi) no Director or alternate Director or substantial shareholder of the Company is/are influenced or is/are obliged or accustomed to act in accordance with their instructions or directions;
- (vii) there are no arrangements, agreements or understanding, whether formal or informal, between the Vendors, and/or any other persons to cooperate and to acquire or consolidate effective control in the Company through the Proposed Acquisition; and
- (viii) none of them shall, whether singly or jointly, exercise any voting rights held in respect of the Consideration Shares for the purpose of appointing any person or persons as a Director or alternate Director of the Company, whether by way of proposing or seconding or passing any shareholders' resolutions and/or requisitioning for any shareholders' meeting to be held for such purpose or otherwise.

2.3 **Salient terms of the Proposed Acquisition**

2.3.1 Sale Shares

Subject to the terms and conditions of the Agreement, the Vendors shall, as legal and beneficial owners of the Sale Shares and relying on the representations, warranties and undertakings of the Purchaser contained in the Agreement, sell, transfer and

assign and the Purchaser shall, relying on the representations, warranties and undertakings of the Vendors contained in the Agreement, purchase the Sale Shares free from all encumbrances and together with all rights, benefits and advantages attaching thereto including dividends and distributions as of and including the date of completion of the Proposed Acquisition (the "**Completion Date**") and thereafter.

2.3.2 Purchase Consideration

The Vendors and the Purchaser acknowledge and agree that the Purchase Consideration was arrived at on a willing buyer and willing seller basis, having taken into account (a) the investment cost of Guiyang Fund pursuant to the Guiyang Fund Investment; and (b) the purchase consideration of the Initial Acquisition as there had been no material change to the VIE Arrangement and the business of Guiyang Zhongdian since the completion of the Initial Acquisition and the Subsequent Acquisition.

The Purchase Consideration shall be fully satisfied by the proposed allotment and issuance of an aggregate of 3,392,857,143 new shares in the capital of the Company ("**Consideration Shares**") at an issue price of S\$0.002 per Consideration Share ("**Issue Price**") to the respective Vendors (the "**Proposed Issuance**"), proportionate to the number of Sale Shares held by each Vendor, as set out in the table below:-

Name of Vendors	Xu Yong 徐勇	Bi Wei Na 毕伟娜	Xu Yu Chi 徐玉池
Percentage shareholding in the Company, before the Proposed Issuance	5.95%	3.21%	2.24%
Number of Consideration Shares	1,080,357,143	1,156,250,000	1,156,250,000
Purchase Consideration	HK\$12,100,000	HK\$12,950,000	HK\$12,950,000
Percentage shareholding in the Company, after the Proposed Issuance	12.09%	10.53%	9.79%

2.3.3 Issue Price

The Issue Price of S\$0.002 represents no discount/premium to the volume weighted average price of S\$0.002 of the Shares for trades done on the Catalist for the full market day on 7 June 2017 (being the market date on which the Agreement was signed).

Consideration Shares

As at the date of this announcement, the Company has an issued and paid-up share capital of 10,917,813,474 Shares and has no treasury Shares and subsidiary holdings.

The 3,392,857,143 Consideration Shares represent approximately 31.1% and 23.7% of the existing and enlarged issued and paid-up share capital of the Company, respectively.

The issue of the Consideration Shares shall be made pursuant to the general mandate obtained from the Company's shareholders at its annual general meeting held on 28 July 2016 ("**2016 AGM**"), pursuant to which authority was granted to the Directors of the Company to, *inter alia*, issue Shares whether by way of rights, bonus or otherwise, provided that the aggregate number of Shares to be issued does not exceed 100% of the total number of issued Shares whether on a pro rata or non pro rata basis ("**2016 Share Issue Mandate**"). At the 2016 AGM, the Company had 10,917,813,474 Shares in issue. Pursuant to the 2016 Share Issue Mandate, the Company can issue up to 10,917,813,474 new Shares from the 2016 AGM until the conclusion of the next annual general meeting of the Company. Since the 2016 AGM, the Company had not issued any new Shares up to the date of this announcement.

An application will be made through the Sponsor for the listing of and quotation for the Consideration Shares on the Catalist. An announcement will be made via the SGXNET by the Company upon receipt of the listing and quotation notice from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing of and quotation for the Consideration Shares on the Catalist.

The Consideration Shares, when issued and fully-paid, shall be free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with the Shares as at the date of issue of the Consideration Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record of which falls on or before the date of completion of the allotment and issuance of the Consideration Shares.

2.3.4 Conditions precedent

Pursuant to the Agreement, the Proposed Acquisition is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following conditions ("**Conditions Precedent**"):

- (i) the Purchaser having obtained approval of its board of directors in relation to the transactions contemplated in the Agreement;
- (ii) the Company having obtained approval of the Board of Directors in relation to the transactions contemplated in the Agreement;
- (iii) the approval in-principle of the SGX-ST for the listing and quotation of the Consideration Shares on the Catalist having been obtained, and such approval not having been revoked or amended, and if the approval is granted subject to conditions, such conditions being satisfied or waived by the SGX-ST, and save for any moratorium over the Consideration Shares that may be required by the SGX-ST, the SGX-ST not having made any ruling the effect of which is to restrict or impede the listing and quotation of the Consideration Shares;

- (iv) the Purchaser and the Vendors having complied with the terms and conditions of the Agreement and there having been no breach of the Agreement by any party;
- (v) the Company having obtained the relevant consent/confirmations/approvals from ZICO Capital Pte. Ltd. ("**Sponsor**") for all matters arising from or relating to the Proposed Acquisition, and the same not having been withdrawn or revoked and if such consents or approvals are obtained subject to any conditions which are required to be fulfilled on or before the Completion Date, such conditions are so fulfilled;
- (vi) none of the Company, the Purchaser, the Vendors, and the Target Group having received, on or prior to the Completion, notice of any directive, injunction or other order, which restrains or prohibits the consummation of the Proposed Acquisition and there being no action, on or prior to the Completion, seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such directive, injunction or other order or action which is threatened;
- (vii) all of the warranties and representations contained herein being true, correct, complete, accurate and not misleading in all respects at Completion, as if repeated at Completion and all undertakings contained herein, to the extent being capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects;
- (viii) no material adverse change having occurred in relation to the Target Group between the date of the Agreement and Completion; and
- (ix) the parties to the Agreement having complied with the Catalist Rules in all respects in connection with the Proposed Acquisition.

The long stop date for the satisfaction or waiver of the Conditions Precedent shall be the date falling six (6) months from the date of the Agreement (or such later date as the parties may agree).

2.4 Rationale for the Proposed Acquisition

The Target Group (which is in the IDC business) is a major revenue and profit contributor to the Group. The Board is of the view that the Proposed Acquisition will allow the Group to increase its stake in the promising IDC business, which will, barring unforeseen circumstances, enable the Group to share more positive returns from the Target Group. The Group would also like to increase its effective interests in Guiyang Zhongdian following the dilution arising from the Guiyang Fund Investment.

2.5 Relative figures under Rule 1006 of the Catalist Rules

Pursuant to Rule 1005 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), the SGX-ST may aggregate separate transactions completed within the last twelve (12) months and treat them as if they were one (1) transaction. Accordingly, the relative figures for (i) the Proposed Acquisition; and (ii) the aggregation of the Subsequent Acquisition (which was completed on 7 March 2017) and the Proposed Acquisition, computed based on the Group's latest announced unaudited consolidated financial statements for FY2017, in accordance with Rule 1006 of the Catalist Rules, are set out below:-

Rule 1006	Bases	Relative figures for the Proposed Acquisition (%)	Relative figures for the aggregation of the Subsequent Acquisition and Proposed Acquisition (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable ⁽¹⁾	Not applicable ⁽¹⁾
(b)	Net profits attributable to the assets acquired, compared with the Group's net profit	Not meaningful ⁽²⁾	Not meaningful ⁽²⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	54.8% ⁽³⁾	74.4% ⁽⁴⁾
(d)	Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	31.1% ⁽⁵⁾	31.1% ⁽⁶⁾
(e)	Aggregate volume or amount of proved and probable reserves to be acquired of, compared with the aggregate of the Group's probable and proved reserves	Not applicable	Not applicable

Notes:

(1) Not applicable as there is no disposal of assets.

(2) Net profits is defined to be profit or loss before income tax, non-controlling interests and extraordinary items. As the Group made a loss before income tax, non-controlling interests and extraordinary items of approximately HK\$45.6 million for FY2017, the relative figures computed under Rule 1006(b) of the Catalist Rules would be negative, and hence is not meaningful.

(3) The aggregate value of consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher, in accordance with Rule 1003(3) of the Catalist Rules. As such, the aggregate "value of consideration given" shall be based on 3,392,857,143 Consideration Shares and S\$0.0035 per Consideration Share (which represented the net asset value of Shares, based on the unaudited financial statements of the Group as at 31 March 2017) instead of S\$0.002 per Consideration Share (which represented the market value of Shares).

The Company's market capitalisation of approximately HK\$122.3 million is based on its total number of Shares of 10,917,813,474 and the weighted average price of S\$0.002 per Share on 6 June 2017, being the last traded market day prior to the date of the Agreement, and at an exchange rate of HK\$5.60 : S\$1.00.

(4) This consists of an aggregation of 19.6% (for the Subsequent Acquisition) and 54.8% (for the Proposed Acquisition).

(5) Based on 3,392,857,143 Consideration Shares and the Company's total number of Shares of

10,917,813,474 as at the date of this announcement.

- (6) Aggregation of nil (for the Subsequent Acquisition) and 31.1% (for the Proposed Acquisition).

As the relative figures set out in Rule 1006(c) of the Catalist Rules exceeds 5% but does not exceed 75%, the Proposed Acquisition constitutes a “discloseable transaction” under Chapter 10 of the Catalist Rules.

Pursuant to Practice Note 10(A) paragraph 11 of the Catalist Rules, tests based on assets and profits may not give a meaningful indication of the significance of a transaction to the issuer, for example, where the issuer is loss making. In such instance, the sponsor should consult the SGX-ST. As the Group is loss making in FY2017, the relative figure computed based on Rule 1006(b) may not be meaningful and accordingly, the Sponsor had, on behalf of the Company, consulted the SGX-ST and obtained confirmation from the SGX-ST that shareholders’ approval shall not be required for the Proposed Acquisition.

2.6 Service Contracts

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

3. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed Acquisition are presented for illustrative purposes only and are not intended to be indicative or reflective of the actual future financial situation of the Company and the Group after the completion of the Proposed Acquisition.

The pro forma financial effects of the Proposed Acquisition has been computed based on the latest unaudited consolidated financial statements of the Group for FY2017, adjusted for the Guiyang Fund Investment assumed to have been completed in FY2017, with the following bases and assumptions:

- (a) the financial effect on the Group’s consolidated net tangible asset (“**NTA**”) per Share is computed based on the assumption that the Proposed Acquisition was completed on 31 March 2017;
- (b) the financial effect on the Group’s loss per Share (“**LPS**”) is computed based on the assumption that the Proposed Acquisition was completed on 1 April 2016;
- (c) expenses to be incurred in respect of the Proposed Acquisition, being mainly professional fees, are estimated to be approximately HK\$0.3 million; and
- (d) an exchange rate of RMB1.00:HK\$1.10.

NTA per Share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾ as at 31 March 2017 (HK\$'000)	138,187	144,675
Number of Shares	10,917,813,474	14,310,670,617
NTA ⁽¹⁾ per Share (HK\$)	0.0127	0.0101

Note:

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

LPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Net loss attributable to shareholders of the Company for FY2017 (HK\$'000)	48,707	45,950
Weighted average number of Shares	10,917,813,474	14,310,670,617
LPS (HK\$)	0.0045	0.0032

4. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED ACQUISITION

None of the Directors and their respective associates, and to the best of the Directors' knowledge, none of the controlling shareholders of the Company, as well as their respective associates, has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholdings in the Company, if any).

5. DOCUMENTS AVAILABLE FOR INSPECTION

Whilst the registered office of the Company is in Bermuda, the principal office of the Company is in Hong Kong and the office of the Company's Share Transfer Agent is in Singapore. Taking into account that Hong Kong and Singapore are more accessible locations than Bermuda, a copy of the Agreement will be made available for inspection during normal business hours at the principal office of the Company at Unit 1301A, 13/F, Kowloon Centre, 33 Ashley Road, Tsim Sha Tsui, Kowloon, Hong Kong and the office of the Company's Singapore Share Transfer Agent, M&C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 for a period of three (3) months from the date of this announcement.

6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer

7 June 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.*

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

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