

## CIRCULAR DATED 24 AUGUST 2015

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**If you are in any doubt as to the course of action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.**

*Unless otherwise stated, capitalised terms on this cover are defined in this Circular under the section entitled "DEFINITIONS".*

If you have sold or transferred all your ordinary shares in the capital of SinoCloud Group Limited (formerly known as Armarda Group Limited) (the "**Company**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular, Notice of Special General Meeting and the enclosed Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular, Notice of Special General Meeting and the enclosed Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular, Notice of Special General Meeting and the enclosed Proxy Form to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Your attention is drawn to pages 29 and 30 of this Circular in respect of actions to be taken if you wish to attend and vote at the Special General Meeting.

An application will be made to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the dealing in, listing of and quotation for the Consideration Shares (as defined herein) on the Catalist board of the SGX-ST ("**Catalist**"). An appropriate announcement on the application and the outcome of the application will be made in due course.

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.

*This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Canaccord Genuity Singapore Pte. Ltd., for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Circular. The contact person for the Sponsor is Ms. Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road, #21-02, Singapore 068898, telephone (65) 6854-6160.*

# SINO CLOUD

## SINOCLOUD GROUP LIMITED

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

### CIRCULAR TO SHAREHOLDERS

#### IN RELATION TO

- (1) **THE PROPOSED ACQUISITION OF 63% EQUITY INTERESTS IN SINOCLOUD 01 LIMITED FROM THE VENDORS; AND**
- (2) **THE PROPOSED ISSUE AND ALLOTMENT OF 2,000,000,000 CONSIDERATION SHARES AT AN ISSUE PRICE OF S\$0.005 EACH TO THE VENDORS, AS PART SATISFACTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION.**

#### IMPORTANT DATES AND TIMES

Last date and time for lodgement of proxy forms	:	8 September 2015 at 4.30 p.m.
Date and time of Special General Meeting	:	10 September 2015 at 4.30 p.m.
Place of Special General Meeting	:	Room 302, Level 3, 32 Maxwell Road #03-01, Singapore 069115

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## DEFINITIONS

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For the purposes of this Circular, the following definitions apply throughout, unless the context otherwise requires:

<b>“Associates”</b>	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(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</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more</li></ul>
		(b) in relation to a substantial shareholder or 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 companies taken together (directly or indirectly) have an interest of 30.0% or more
<b>“Bermuda Company Act”</b>	:	The Company Act 1981 of Bermuda, as amended, supplemented or modified from time to time
<b>“Board” or “Directors”</b>	:	The directors of the Company as at the date of this Circular, and <b>“Director”</b> means any one of them
<b>“Business”</b>	:	Has the meaning ascribed to it in Paragraph 2.1(b) of this Circular
<b>“Business Agreements”</b>	:	Has the meaning ascribed to it in Paragraph 2.1(b) of this Circular
<b>“Business Day”</b>	:	A day (other than a Saturday, a Sunday or public holiday in Singapore, Hong Kong or the PRC) on which commercial banks are open for business in Singapore, Hong Kong and the PRC
<b>“Business Valuation”</b>	:	The valuation conducted by the Independent Valuer on the Business
<b>“Business Valuation Letter”</b>	:	The valuation letter issued by the Independent Valuer in respect of the Business Valuation dated 20 August 2015
<b>“Call Option Agreement”</b>	:	The call option agreement entered into between the WFOE, Shenzhen Co, Guiyang Zhongdian and the Vendors on 6 August 2015
<b>“Catalist”</b>	:	The Catalist Board of the SGX-ST
<b>“Catalist Rules”</b>	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“CEO”</b>	:	Chief Executive Officer

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## DEFINITIONS

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“Circular”	:	This circular to Shareholders dated 24 August 2015 in relation to the Proposed Acquisition
“Companies Act”	:	Companies Act (Chapter 50) of Singapore as amended, modified and supplemented from time to time
“Company”	:	SinoCloud Group Limited (formerly known as Armarda Group Limited)
“Completion”	:	The completion of the Proposed Acquisition in accordance with the terms and conditions of the SPA
“Completion Date”	:	The day falling seven (7) Business Days from the date on which the Conditions Precedent are fulfilled or waived, or such other date as the Parties may mutually agree in writing
“Conditions Precedent”	:	The conditions precedent contained in the SPA as set out in Paragraph 2.4(f) of this Circular
“Consideration Shares”	:	2,000,000,000 new Shares to be issued and allotted by the Company to the Vendors pursuant to the Proposed Acquisition, at the Issue Price, and each a “ <b>Consideration Share</b> ”
“Control Documents”	:	Collectively, the Exclusive Technical Service Agreement, the Equity Pledge Agreement, the Call Option Agreement and the Irrevocable Power of Attorney
“Deposit”	:	Has the meaning ascribed to it in Paragraph 2.4(b) of this Circular
“Deposit Arrangement Agreement”	:	The deposit arrangement agreement entered into between the Purchaser and the Vendors on 14 July 2015
“Equity Pledge Agreement”	:	The equity pledge agreement entered into between the WFOE, Shenzhen Co and Guiyang Zhongdian on 6 August 2015
“Exclusive Technical Service Agreement”	:	The exclusive technical service agreement entered into between the WFOE and Guiyang Zhongdian on 6 August 2015
“FY”	:	Financial year ended or ending 31 March, as the case may be
“Group”	:	The Company and its subsidiaries, collectively
“Guiyang Zhongdian”	:	Guiyang Zhongdian Gaoxin Digital Technologies Limited (贵阳中电高新数据科技有限公司)
“Independent Valuer”	:	Deloitte & Touche Financial Advisory Services Limited
“Irrevocable Power of Attorney”	:	The irrevocable power of attorney given by Shenzhen Co, and acknowledged and accepted by the shareholders of Shenzhen Co, the WFOE and Guiyang Zhongdian on 6 August 2015
“Issue Price”	:	S\$0.005 for each Consideration Share
“Latest Practicable Date”	:	14 August 2015, being the latest practicable date prior to the printing of this Circular

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## DEFINITIONS

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<b>“LPS”</b>	:	Loss per Share
<b>“Market Day “</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“NTA”</b>	:	Net tangible assets
<b>“Operating Vendors”</b>	:	Zhang Dai and Xu Yong
<b>“PRC”</b>	:	People’s Republic of China
<b>“Proposed Acquisition”</b>	:	The proposed acquisition by the Purchaser of the Sale Shares from the Vendors for the Purchase Consideration
<b>“Proposed Issuance”</b>	:	The issue and allotment of the Consideration Shares to the Vendors at the Issue Price, credited as fully paid, in payment and satisfaction of part of the Purchase Consideration
<b>“Purchase Consideration”</b>	:	Has the meaning ascribed to it in Paragraph 2.4(b) of this Circular
<b>“Purchaser”</b>	:	Armarda Holdings Limited, a wholly-owned subsidiary of the Company
<b>“Record Date”</b>	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which the Shareholders must be registered with the Company or CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
<b>“Register”</b>	:	The register of members of the Company
<b>“RMB”</b>	:	Renminbi, being the lawful currency of the People’s Republic of China
<b>“Sale Shares”</b>	:	63,000 ordinary shares of par value US\$1.00 each of the Target owned by the Vendors
<b>“Second Supplemental SPA”</b>	:	The second supplemental agreement in relation to the SPA dated 29 July 2015 entered into between the Purchaser and the Vendors
<b>“Secured Agreements”</b>	:	Collectively, the Exclusive Technical Service Agreement, the Irrevocable Power of Attorney and the Call Option Agreement
<b>“Securities Account”</b>	:	Securities account maintained by a Depositor with CDP but does not include a securities sub-account
<b>“Securities and Futures Act”</b>	:	Securities and Futures Act (Chapter 289) of Singapore as amended, modified and supplemented from time to time
<b>“SGM”</b>	:	The special general meeting of Shareholders, notice of which is set out on page 44 of this Circular
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited

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## DEFINITIONS

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“Shares”	:	Issued and paid-up ordinary shares of par value US\$1.00 each in the capital of the Company
“Shareholders”	:	Registered holders of Shares in the register of members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors in the Depository Register maintained by the CDP and whose Securities Accounts are credited with those Shares. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
“Shareholders’ Agreement”	:	Has the meaning ascribed to it in Paragraph 2.4(f)(iv) of this Circular
“Shenzhen Co”	:	Shenzhen Zhongdian Lechu Data Technology Co., Ltd. (深圳中电乐触数据科技有限公司)
“Shenzhen Lechu”	:	Shenzhen Zhongdian Lechu Investment Management Partnership (深圳中电乐触投资管理合伙企业)
“SinoCloud HK”	:	SinoCloud 01 (HK) Limited
“SPA”	:	The conditional share sale and purchase agreement dated 13 March 2015 entered into between the Purchaser and the Vendors in relation to the Proposed Acquisition, as may be amended, varied and supplemented from time to time (including, but not limited to, the amendments and modifications made pursuant to the Supplemental SPA and the Second Supplemental SPA)
“Sponsor”	:	Canaccord Genuity Singapore Pte. Ltd.
“subsidiary”	:	A corporation which is for the time being a subsidiary of the Company within the meaning of Section 5 of the Companies Act
“Substantial Shareholder”	:	A person who has an interest (directly or indirectly) of 5% or more of the total issued Share capital of the Company
“Supplemental SPA”	:	The supplemental agreement in relation to the SPA dated 14 July 2015 entered into between the Purchaser and the Vendors
“Target”	:	SinoCloud 01 Limited
“Target Companies”	:	All or any of the Target, SinoCloud HK, WFOE, Shenzhen Co and Guiyang Zhongdian
“Vendors”	:	Zhang Dai (张岱), Xu Yong (徐勇), Bi Wei Na (毕伟娜) and Xu Yu Chi (徐玉池), and each a “Vendor”
“VIE Arrangement”	:	The series of contractual arrangements entered into by the WFOE, Shenzhen Co and Guiyang Zhongdian pursuant to the SPA
“WFOE”	:	SinoCloud Data (Guiyang) Co., Ltd. (中云数据(贵阳)有限公司)

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## DEFINITIONS

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### Currencies, Units and Others

“HK\$”	:	Hong Kong dollars, being the lawful currency of Hong Kong
“RMB”	:	Renminbi, the lawful currency of the PRC
“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“%” or “per cent.”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

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

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

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

All discrepancies in the figures included in this Circular between the amounts listed and their actual values are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

References to “**you**”, “**your**”, and “**yours**” in this Circular are, as the context so determines, to Shareholders (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST).

Any reference in this Circular to a paragraph is a reference to a paragraph of this Circular, unless otherwise stated.

### **Cautionary Note on Forward-Looking Statements**

***All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.***

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## LETTER TO SHAREHOLDERS

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### SINOCLOUD GROUP LIMITED

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

#### Board of Directors

Chan Andrew Wai Men (Executive Director and Chairman)  
Luk Chung Po, Terence (Executive Director, Vice-Chairman and Chief Executive Officer)  
Chu Yin Ling, Karen (Executive Director and Chief Financial Officer)  
Lee Joo Hai (Independent Director)  
Phuah Lian Heng (Independent Director)  
Alexander Shlaen (Independent Director)

#### Registered Office

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

#### Principal Office

Suite 605, 6/F, Ocean Centre,  
Harbour City, 5 Canton Road,  
Tsim Sha Tsui, Kowloon,  
Hong Kong

24 August 2015

To: The Shareholders of SinoCloud Group Limited

Dear Sir/Madam,

- 1. THE PROPOSED ACQUISITION OF 63.0% EQUITY INTERESTS IN SINOCLOUD 01 LIMITED FROM THE VENDORS; AND**
- 2. THE PROPOSED ISSUE AND ALLOTMENT OF 2,000,000,000 CONSIDERATION SHARES AT AN ISSUE PRICE OF S\$0.005 EACH TO THE VENDORS, AS PART SATISFACTION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION.**

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#### 1. INTRODUCTION

##### 1.1. Overview

On 15 March 2015, the Company announced that it had, through its wholly owned subsidiary Armarda Holdings Limited, entered into the SPA with the Vendors for the acquisition by the Company of 90.0% of the equity interest in the Target. On 14 July 2015, the Company announced that the Purchaser had entered into the Supplemental SPA with the Vendors for the amendment of certain terms of the SPA, including, *inter alia*, that the Company would now be acquiring 63.0% of the equity interest in the Target, instead of 90.0%. On 29 July 2015, the Company announced that the Purchaser had entered into the Second Supplemental SPA with the Vendors for the further amendment of certain terms of the SPA, including, *inter alia*, amendments to the Conditions Precedent. Details of the Conditions Precedent, as amended, are set out in Paragraph 2.4(f) of this Circular.

##### 1.2. Special General Meeting

The Directors are convening a Special General Meeting (“SGM”) to be held on 10 September 2015 at 4.30 p.m. at Room 302, Level 3, 32 Maxwell Road #03-01, Singapore 069115, to seek the approval of Shareholders for (a) the Proposed Acquisition; and (b) the Proposed Issuance.

##### 1.3. Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information relating to, explain the rationale for, and to seek the Shareholders’ approval for the Proposed Acquisition and the Proposed Issuance at the forthcoming SGM. The notice of the SGM is set out on page 44 of this Circular.



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## LETTER TO SHAREHOLDERS

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### 1.4. Inter-conditionality

Shareholders should note the following:-

- (a) Ordinary Resolution 1 in respect of the Proposed Acquisition is subject to and conditional upon the passing of Ordinary Resolution 2; and
- (b) Ordinary Resolution 2 in respect of the Proposed Issuance is subject to and conditional upon the passing of Ordinary Resolution 1.

## 2. THE PROPOSED ACQUISITION

### 2.1. Information on the Target Companies

#### (a) Target and Target Companies

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 at the Latest Practicable Date, (i) the Target owns the entire issued and paid-up capital of SinoCloud HK, a company incorporated in Hong Kong on 5 March 2015; and (ii) SinoCloud HK is the owner of 100% of the equity interest in the WFOE. The WFOE is a company established in the PRC on 27 May 2015 as a limited liability company.

Guiyang Zhongdian is a company established in the PRC on 28 April 2014 as a limited liability company. As at the Latest Practicable Date, Shenzhen Co holds 100% equity interests in Guiyang Zhongdian. Shenzhen Co is a company established in the PRC on 17 November 2014 as a limited liability company, and is wholly owned by the Vendors.

The legal representative of the WFOE is Zhang Dai (张岱) whereas the legal representatives of Guiyang Zhongdian and Shenzhen Co are Xu Yong (徐勇) respectively.

Pursuant to the VIE Arrangement, all of the operating and economic rights, interests, benefits, risks and liabilities and the effective control and management over Guiyang Zhongdian, will be transferred to, owned or managed or controlled by, or ceded to or vested in, the WFOE, on a sole and exclusive basis to the maximum extent legally possible, given the restrictions on foreign ownership of companies that are engaged in value-added telecommunications business in the PRC. As a result, through the VIE Arrangement, the WFOE will have 100% rights, interests and control in Guiyang Zhongdian. Please refer to the section entitled "PRC Laws and Regulations Relating to the Value-added Telecommunications Business in the PRC" and the section entitled "Risk Factors Relating to the VIE Arrangement" in Appendix A of this Circular for more details.

#### (b) Business of Guiyang Zhongdian

Guiyang Zhongdian is in the business of operating internet data center services and businesses in the PRC (the "Business"). It is principally engaged in provision of a high performance internet data centre ("IDC"), cloud computing and big data services with a first-of-its-kind, robust tier four standard<sup>(1)</sup> data storage facility in the Guiyang region, Guizhou province, the PRC. Installation of the facilities, which was completed in 2014 and is currently under the customer testing stage, comprises 660 cabinets and hosts up to approximately 6,600 data servers. Having signed a strategic cooperation framework agreement with China

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<sup>1</sup> Note: Tier 1 to 4 data center is a standardized methodology used to define uptime of data center. This is useful for measuring data centre performance, investment and return on investment. Tier 4 data center considered as most robust and less prone to failures. Tier 4 is designed to host mission critical servers and computer systems, with fully redundant subsystems (cooling, power, network links, storage etc) and compartmentalized security zones controlled by biometric access controls methods. Naturally, the simplest is a Tier 1 data center used by small business or shops. Specification of the different tiers:

- Tier 1 = Non-redundant capacity components (single uplink and servers).

- Tier 2 = Tier 1 + Redundant capacity components.

- Tier 3 = Tier 1 + Tier 2 + Dual-powered equipment and multiple uplinks.

- Tier 4 = Tier 1 + Tier 2 + Tier 3 + all components are fully fault-tolerant including uplinks, storage, chillers, HVAC systems, servers etc. Everything is dual-powered.

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## LETTER TO SHAREHOLDERS

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Telecom Company Limited, Guiyang Branch, Guiyang Zhongdian's target client list includes one of the largest food manufacturers and retailers in China, as well as Guiyang-based enterprises and various Guiyang municipal government bodies.

In addition to the aforesaid cooperation agreement with China Telecom, Guiyang Zhongdian has also entered into a rental agreement and a finance lease agreement (collectively, the "Business Agreements") in relation to the data storage facility and the equipment therein. In addition, Guiyang Zhongdian has obtained a value-added services licence dated 18 December 2014 which allows it to operate the Business, and the aforementioned licence is effective until 18 December 2019.

(c) **Financial information of the Target Companies**

The Target and SinoCloud HK were only incorporated recently on 2 December 2014 and 5 March 2015 respectively and were incorporated solely for the purpose of the Proposed Acquisition. As at the Latest Practicable Date, the financial statements for both the Target and SinoCloud HK are not available.

The salient financial information of Guiyang Zhongdian as reflected in its unaudited financial statements as at 31 March 2015 is as follows:

	(RMB'000)	(HK\$'000)
Sales revenue	-	-
Other income	4,250	5,374
Depreciation	(6,257)	(7,912)
Operating expenses	(4,916)	(6,216)
Finance costs	(4,411)	(5,578)
<b>Loss before tax</b>	<b>(11,334)</b>	<b>(14,332)</b>
Income tax	(76)	(96)
<b>Loss after tax</b>	<b>(11,410)</b>	<b>(14,428)</b>

With respect to the above income statement of Guiyang Zhongdian for the period from the date of establishment (being 28 April 2014) to 31 March 2015, the Company notes the following of Guiyang Zhongdian from the Vendors:-

- (i) no sales revenue had been generated as the value-added telecommunication business licence was only obtained at the end of 2014, and the relevant sites are still in their testing phase pending customer acceptance as at 31 March 2015;
- (ii) other income of approximately HK\$5.4 million relates to government subsidy received;
- (iii) operating expenses of approximately HK\$6.2 million relate primarily to staff costs, utility expenses and professional fees; and
- (iv) finance costs of approximately HK\$5.6 million relate to interest expenses associated with the finance lease arrangement for its equipment.

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## LETTER TO SHAREHOLDERS

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### BALANCE SHEET As at 31 March 2015

	(RMB'000)	(HK\$'000)
<b>Non-current assets</b>		
Property, Plant and equipment	57,176	72,301
Intangible assets	6	8
	57,182	72,309
<b>Current assets</b>		
Other receivables	10,897	13,780
Prepayments and deposits	6,673	8,438
Cash and cash equivalents	33	42
	17,603	22,260
<b>Total assets</b>	74,785	94,569
<b>Current liabilities</b>		
Obligations under finance lease	10,645	13,461
Trade and other payables	12,910	16,325
Income tax payable	(22)	(28)
	23,533	29,758
<b>Non-current liability</b>		
Obligations under finance lease	41,662	52,683
	41,662	52,683
<b>Total liabilities</b>	65,195	82,441
<b>Net Assets</b>	<b>9,590</b>	<b>12,128</b>
<b>Shareholders' Equity</b>		
Share capital	21,000	26,555
Reserves	(11,410)	(14,427)
<b>Total Equity</b>	<b>9,590</b>	<b>12,128</b>

**Note:**

The property, plant and equipment relate to servers, air-conditioning, networking equipment and leasehold improvement.

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## LETTER TO SHAREHOLDERS

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(d) **VIE Arrangement**

Please refer to Appendix A of this Circular for details of the VIE Arrangement.

To the best of the Directors' knowledge and belief, all the risk factors that are material to Shareholders in making an informed decision on the VIE Arrangement are set out in the section entitled "Risk Factors Relating to the VIE Arrangement" in Appendix A of this Circular. Shareholders should carefully consider and evaluate the risk factors in Appendix A and all other information contained in this Circular.

The risks described in Appendix A of this Circular are not intended to be exhaustive and are not presented in any particular order of importance. There may be additional risks not presently known to the Group or that the Group may currently deem immaterial, which would affect its operations. If any of the factors and/or uncertainties described in Appendix A of this Circular develops into actual events, the business, results of operations, financial conditions and prospects of the Group could be materially and adversely affected.

### 2.2. Information on the Vendors

The Vendors are PRC nationals who hold, in aggregate, 100% equity interest in the Target. Brief information on the Vendors is as follows:

(a) Zhang Dai

Mr Zhang Dai is a shareholder and sole director of the Target. He is the primary founder of Guiyang Zhongdian. He has over 20 years of experience in the telecommunication industry with various executive positions held in telecommunication companies in PRC, including general manager of Beiyou Dongxing Telecommunications Technology Company (北邮东兴通信科技公司), and the following companies held by China Communication Services Corporation Limited (a listed company on the main board of Hong Kong Stock Exchange): Zhejiang Feilan New Media Company (浙江沸蓝新媒体公司), Beijing Feilan Telecommunications Technology Company (北京沸蓝通信科技公司) and China Comservice Jinyu (Beijing) Telecommunications Technology Company (中通金玉(北京)通信科技公司). He has extensive experience and relationship resources in telecommunication service, system planning, system application, operation, sales and marketing, and in particular, the construction of large-scale data centres.

(b) Xu Yong

Mr Xu Yong is a shareholder of the Target. He is the founder and general manager of Guiyang Zhongdian. He has over 20 years of management experience.

(c) Bi Wei Na

Ms Bi Wei Na is a shareholder of the Target and a passive investor. She is not involved in the operation of the business. She is a Certified Public Accountant in the PRC and has more than ten years of experience in investment, financial management, mergers and acquisitions and internal controls.

(d) Xu Yu Chi

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

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## LETTER TO SHAREHOLDERS

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Please refer to the table below for information on the number of shares in the Target held by each Vendor before the Proposed Acquisition, and the number of Sale Shares by each Vendor, pursuant to the SPA:-

Name of Vendor	Number of shares held in the Target before the Proposed Acquisition	Number of Sale Shares held
Zhang Dai	32,500	20,475
Xu Yong	32,500	20,475
Bi Wei Na	17,500	11,025
Xu Yu Chi	17,500	11,025
<b>Total</b>	<b>100,000</b>	<b>63,000</b>

Pursuant to the SPA, the Vendors have warranted that they are not:-

- (a) acting in concert with each other, the Purchaser or the Company;
- (b) influenced or acting in accordance with or accustomed to act in accordance with the directions or instructions from any director (including an alternate director), the chief executive officer or any controlling shareholder or substantial shareholder of the Purchaser or the Company;
- (c) an Associate of, or otherwise related to any director (including an alternate director), the chief executive officer or any controlling shareholder or substantial shareholder of the Purchaser or the Company;
- (d) any of the persons set out in Rule 812(1) of the Catalist Rules;
- (e) involved and will not involve or participate or influence or procure any director to act in accordance to their instructions with respect to management or such other matters of the Purchaser or the Company; or
- (f) seeking representation on the board of directors of the Purchaser, the Company or any of its subsidiaries, whether directly or indirectly.

In addition, the Vendors have warranted that 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 the instructions or directions of any of the Vendors.

### 2.3. Business Valuation

For the purposes of the Proposed Acquisition, the Company had commissioned Deloitte & Touche Financial Advisory Services as the Independent Valuer to conduct an independent valuation on the fair market value of the 100% equity interest in Guiyang Zhongdian (“**Business Valuation**”). The value was determined to be ranging from RMB170 million to RMB199 million as at the date of valuation of 28 February 2015 (the “**Value**”).

As stated in the Business Valuation Letter dated 20 August 2015, the Independent Valuer had performed the Business Valuation based on the income approach, using the discounted cash flow method. In the application of the discounted cash flow method, it considered, *inter alia*, the following:

- (a) the Projections (as defined in the Business Valuation Letter) and supporting information as provided by the Company and Guiyang Zhongdian;

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- (b) relevant information provided by the Company and/or Guiyang Zhongdian which includes, *inter alia*, the Projections, licences, operating permits and approvals, commercial agreements, customer contract and market information;
- (c) discussions and correspondence with the management of the Company and/or Guiyang Zhongdian as well as their respective advisors;
- (d) as at the valuation date of 28 February 2015, Guiyang Zhongdian has only commenced the initial phase of operations;
- (e) fair market value basis; and
- (f) the rates of return required for an investment in a company at a similar stage of development as Guiyang Zhongdian.

Details of the Business Valuation are set out in the Business Valuation Letter, a copy of which is reproduced in Appendix B of this Circular. Shareholders are advised to read the Business Valuation Letter carefully in its entirety. A copy of the Business Valuation Letter is made available to Shareholders for inspection as set out in Paragraph 10 of this Circular.

### *Background of the Independent Valuer*

Deloitte & Touche Financial Advisory Services Limited is a member firm of Deloitte Touche Tohmatsu Limited (“**Deloitte**”), a UK private company, which provides audit, consulting, financial advisory, risk and tax advice through its member firms, to public and private clients, spanning multiple industries. Deloitte & Touche Financial Advisory Services Limited provides advisory services around M&A transactions, valuations, restructurings, raising capital, forensic investigations, business modelling and infrastructure advisory.

Deloitte’s valuation practitioners can perform valuations of business interests, intellectual property, intangible assets, common and preferred stock and other securities, partnership interests, employee stock option plans, private debt instruments, options, warrants and other derivative products. These services are provided to assist clients with mergers, acquisitions, and dispositions; taxation planning and compliance; financial reporting; bankruptcy and reorganisation; litigation and dispute resolution; and strategic planning.

The Independent Valuer has been involved in the following transactions: (i) providing valuation services in the form of buy-side advisory services in connection with a client’s potential acquisition in the technology sector; (ii) performing independent business valuations for target companies in connection with acquisitions in various industries including financial institutions, technology and media, consumer business, manufacturing and life science; and (iii) performing purchase price allocation, valuation of intangible assets and valuation of financial instruments for clients in various industries including wholesale, logistics, energy and resources, manufacturing, financial services and life science.

## 2.4. Salient terms of the Proposed Acquisition

### (a) Sale Shares

The Proposed Acquisition involves the acquisition of 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 Completion Date and thereafter.

### (b) Purchase Consideration

The aggregate consideration payable for the Sale Shares (“**Purchase Consideration**”) is approximately HK\$137,941,000 (“**Original Purchase Consideration**”), which was arrived at on a willing buyer and willing seller basis and taking into account, *inter alia*, the potential of the Business as well as the Business Valuation, in the form of:

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- (i) the payment of an aggregate of HK\$82,000,000 or the equivalent US Dollars (the "**Non-share Consideration**") to be satisfied by way of cash or assignment of receivables in favour of the Vendors as follows:

Vendors	Amount of Non-share Consideration (HK\$'000)
Zhang Dai	26,650
Xu Yong	26,650
Bi Wei Na	14,350
Xu Yu Chi	14,350
<b>TOTAL</b>	<b>82,000</b>

- (ii) the issue and allotment by the Company of the Consideration Shares at the Issue Price for each Consideration Share, credited as fully paid, with a net value of HK\$55,941,000 to the Vendors as follows:

Vendors	Number of Consideration Shares
Zhang Dai	650,000,000
Xu Yong	650,000,000
Bi Wei Na	350,000,000
Xu Yu Chi	350,000,000
<b>TOTAL</b>	<b>2,000,000,000</b>

The Issue Price represents a premium of approximately 10.1% to the weighted average price of S\$0.004543 as transacted on 12 March 2015, being the last market day preceding the date of the SPA.

The Consideration Shares shall be issued free and clear of encumbrances and will rank *pari passu* with all existing Shares of the Company.

The Original Purchase Consideration shall be paid as follows:

- (i) the Purchaser shall pay a deposit of the entire Non-share Consideration of HK\$82,000,000 (the "**Deposit**") to the Vendors, of which HK\$45,000,000 of the Deposit shall be satisfied by cash ("**Cash Deposit**") and the remaining HK\$37,000,000 by assignment of receivables in favour of the Vendor; and
- (ii) subject to the satisfaction or waiver of all the Conditions Precedent, the Purchaser shall upon completion procure the Company to issue the Consideration Shares to the Vendors.

Payment of the Cash Deposit was made on 13 March 2015, being the date of the signing of the SPA. The Cash Deposit was fully funded from the proceeds raised from the placement of 2,121,290,000 new Shares announced by the Company on 27 January 2015.

Please refer to Paragraph 2.4(e) of this Circular for more information on the assignment of receivables in favour of the Vendors.

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(c) **Adjustment to the Original Purchase Consideration**

Pursuant to the SPA, it was agreed that the Purchaser shall engage the Independent Valuer to obtain the Independent Valuer's evaluation of the value of 100% of the equity interest of Guiyang Zhongdian. Please refer to Paragraph 2.3 of this Circular for more information on the Business Valuation.

The Original Purchase Consideration shall be adjusted with reference to the Value ("**Adjusted Purchase Consideration**") as follows:

$$\text{Adjusted Purchase Consideration} = \text{the Value} \times 63\%$$

In the event that the Value is provided as a range, the Adjusted Purchase Consideration will be calculated in relation to both the upper and the lower end of the range of the Value. If the Adjusted Purchase Consideration calculated with reference to the higher end of the range of the Value is less than the Original Purchase Consideration, the payment obligation of the Purchaser shall be reduced by the shortfall up to a maximum of 20% of the Original Purchase Consideration. The Purchaser shall have the absolute discretion as to which portion of the Original Purchase Consideration shall such reduction, if any, applies. For the avoidance of doubt, no adjustment to the Original Purchase Consideration shall be made if the Original Purchase Consideration is within the range or lower than the lower range of the Adjusted Purchase Consideration.

Taking the range of the Value of RMB170 million to RMB199 million, the Adjusted Purchase Consideration will be approximately HK\$133.9 million to HK\$156.7 million (based on an exchange rate of RMB1:HK\$1.25). As the Original Purchase Consideration falls within this range, there will be no adjustments to the Original Purchase Consideration.

(d) **Deposit Arrangement Agreement**

Pursuant to the Deposit Arrangement Agreement, the Vendors shall grant to the Purchaser a right ("**Right**") to purchase 100% of the Vendors' entire legal interest in Shenzhen Co ("**Equity Interest**"), conditional upon the occurrence of any one or more of the following events:

- (i) the Vendors failing to perform their obligations under the Deposit arrangement in the SPA, in particular failing to refund the Deposit within three (3) Business Days after termination of the SPA in accordance with the terms of the SPA;
- (ii) any representation or warranty made by the Vendors in the Deposit Arrangement Agreement containing untrue, accurate, incorrect and/or misleading statements or errors and/or the Vendors breaching any warranty in Article 4 of the Deposit Arrangement Agreement;
- (iii) the Vendors breaching any of the covenants under Article 5 of the Deposit Arrangement Agreement, namely:
  - (1) not to transfer or assign the Equity Interest, create or permit the existence of any pledges or other security or third party interest without the prior written consent of the Purchaser;
  - (2) to timely notify the Purchaser of any events or any notices received which may affect the Purchaser's right under the Right, and any events or any received notices which may change the Vendors' representations, warranties and obligations under the Deposit Arrangement Agreement or affect the Vendors' performance of their obligations under the Deposit Arrangement Agreement;



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- (3) in order to protect or perfect the Right, to execute in good faith and cause other required parties to execute, all title certificates and contracts, and/or perform any other actions (and cause other required parties to take actions) as required by the Purchaser and facilitate the exercise of the rights and authority granted to the Purchaser under the Deposit Arrangement Agreement;
  - (4) to prepare, provide and enter into, and cause all required parties to prepare, provide and enter into, all required documentation in order to implement the exercise of the Right, and to complete any governmental approval and/or registration procedures required for the implementation of the Right exercise;
  - (5) to comply with and perform all obligations, covenants, warranties, representations, undertakings and conditions under the Deposit Arrangement Agreement for the benefit of the Purchaser, and to compensate the Purchaser for all direct and indirect losses suffered by the Purchaser because of the Vendors' failure to perform, in whole or in part, its obligations, covenants, warranties, representations, undertakings and/or conditions under the Deposit Arrangement Agreement;
  - (6) upon the exercise of the Right by the Purchaser, each Vendor to sign, execute such consent to waive, renounce or otherwise relinquish their respective rights of first refusal (if any) to purchase the Interest under applicable PRC laws; and
  - (7) execute and grant an irrevocable power of attorney in favour of the Purchaser in substantially the form set out in the Deposit Arrangement Agreement and to deliver the same to the Purchaser upon execution of the Deposit Arrangement Agreement;
- (iv) the Vendors breaching any other material provision of the Deposit Arrangement Agreement;
  - (v) the Vendors waiving the Equity Interest or any part thereof, or transferring or assigning the Equity Interest or any part thereof without prior written consent from the Purchaser; or
  - (vi) the Vendors not being capable of continuing to perform their obligations under the Deposit Arrangement Agreement due to any reason.

If so exercised by the Purchaser, the Right shall oblige the Vendors to transfer all their Equity Interest in Shenzhen Co to the Purchaser and/or one or more of its nominees, in accordance with the applicable laws and regulations in the PRC.

As the Company had to pay a deposit for the Proposed Acquisition, the Deposit Arrangement Agreement serves to protect the Company's interests and acts as a collateral/credit enhancement, by providing a mechanism for the transfer of the Vendors' Equity Interest in the Shenzhen Co in the event of any of the above events. The Company believes that the Deposit Arrangement Agreement is beneficial for its purposes.

(e) **Assignment of Receivables**

On 15 March 2015, the Company announced that in connection with the payment of the Deposit:

- (i) the Company, the Purchaser, Mr Zhang Dai (as duly authorised representative of the Vendors) and Mr Lu Zhendong ("Mr Lu") had on 13 March 2015 entered into an agreement, pursuant to which a receivable amount of approximately HK\$12.0 million due from Mr Lu to the Company shall be assigned to Mr Zhang Dai and applied to partially satisfy the Non-share Consideration; and

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- (ii) the Purchaser, Armarda Technology (Zhuhai) Limited (a wholly-owned subsidiary of the Company) (“**Armarda Zhuhai**”), Mr Zhang Dai (as duly authorised representative of the Vendors) and 深圳市中朋辉科技发展有限公司 (“**Shenzhen Penghui**”) entered into an agreement, pursuant to which a receivable amount of RMB20.0 million (or approximately HK\$25.0 million based on a mutually agreed and pre-determined exchange rate of approximately RMB1:HK\$1.25) due from Shenzhen Penghui to Armarda Zhuhai shall be assigned to Mr Zhang Dai and applied to partially satisfy the Non-share Consideration,

(collectively, the “**Assignment of Receivables**”).

The receivables due from Mr Lu to the Company arise out of the convertible loan agreements entered into between the Company and Mr Lu, pursuant to which the Company had extended to Mr Lu convertible loans of approximately HK\$84.0 million in aggregate for the purpose of injection of capital into a PRC project company. The PRC project company is principally engaged in carrying on telecommunication business under restricted operating license in China which is highly complementary to the current Mobile Satellite services operated by the Company’s associated company, China Mobile Satellite Communication Group Limited (“**CMSCG**”) in China.

The receivables due from Shenzhen Penghui to Armarda Zhuhai relate to short term advances provided by Armarda Zhuhai to Shenzhen Penghui for development of telecommunication system and business development in connection with the mobile satellite telecommunications service by CMSCG. The short term advances are interest free and repayable on demand.

The Assignment of Receivables and the consideration for the assignment were negotiated on an arm’s length basis and represent partially the amounts owed by Mr Lu and Shenzhen Penghui to the Group, as recorded in the consolidated financial statements of the Company of HK\$84.0 million and RMB25.02 million, respectively, as at 15 March 2015, being the date of the Company’s announcement on the Assignment of Receivables.

The amount to be assigned from the amounts due from Mr Lu and Shenzhen Penghui to the Group represent approximately 14.3% and 79.9% of the total amounts owed by them, respectively.

Please refer to the Company’s announcement dated 15 March 2015 for more details of the Assignment of Receivables.

(f) **Conditions Precedent**

The Proposed Acquisition is conditional upon the fulfilment or waiver (as the case may be) of, *inter alia*, the Conditions Precedent:

- (i) the Company having obtained the approval of its Shareholders in respect of, *inter alia*, (i) the Proposed Acquisition; (ii) the VIE Arrangement and (iii) the issue of the Consideration Shares to the Vendors pursuant to the terms of the SPA, in the manner required by the Catalist Rules;
- (ii) the Purchaser having obtained approval of its board of directors in relation to the transactions contemplated in the SPA;
- (iii) the Company having obtained approval of its board of directors in relation to the issue and allotment of the Consideration Shares;
- (iv) the Purchaser having obtained, in form and substance satisfactory to the Purchaser:-
  - (1) from its PRC legal adviser, a legal opinion addressing, *inter alia*, that each of the agreements under the VIE Arrangement and the Deposit Arrangement Agreement (i) constitutes legal, valid and binding obligations of the parties

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thereto, (ii) the submission by the parties thereto to arbitration at the China International Economic and Trade Arbitration Commission (“**CIETAC**”) is valid and binding upon the parties, and (iii) the arbitration award rendered by CIETAC will be recognised and enforced by PRC courts; and

- (2) from its Singapore legal adviser, a legal opinion in relation to, *inter alia*, the legality, validity and enforceability of (i) the SPA and (ii) the shareholders’ agreement to be entered into between the Purchaser, the Vendors and the Target in relation to the management and affairs of the Target, which shall become effective upon Completion (the “**Shareholders’ Agreement**”);
- (v) the allotment and issuance of the Consideration Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the SPA by any legislative, executive or regulatory body or authority of Bermuda or Singapore;
- (vi) the Company having obtained the relevant confirmations/approvals from the Sponsor for all matters arising from or relating to the Proposed Acquisition (including but not limited to valuation and/or legal opinions raised or furnished as may be required) and other transactions contemplated in the SPA and the listing and quotation notice for the Consideration Shares from the Sponsor and the SGX-ST, 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;
- (vii) (i) SinoCloud HK having established WFOE, (ii) the entire equity interest of Guiyang Zhongdian having been transferred to and held by Shenzhen Co, and (iii) the VIE Arrangement having been established, in such form and substance satisfactory to the Purchaser and its PRC legal counsel;
- (viii) the Vendors having procured (i) the appointment of the Purchaser’s nominee(s) as directors and where applicable company secretary, legal representative and supervisor of each of the Target Companies and (ii) the resignation or removal of all the existing directors (other than the Operating Vendors) and where applicable, company secretary, legal representative and supervisor of each of the Target Companies as requested by the Purchaser, all to take effect on the Completion Date, with each outgoing director, company secretary, legal representative and supervisor (as the case may be) acknowledging that: (i) he has no claim for fees, entitlements, emoluments, remunerations, salary or compensation for loss of office or otherwise against any of the Target Companies and (ii) there is no agreement, arrangement or understanding under which any of the Target Companies has, or could have, any obligation to them;
- (ix) the Purchaser and the Vendors having complied with the terms and conditions of the SPA and there having been no breach of the SPA by any party;
- (x) none of the Company, the Purchaser, the Vendors and the Target Companies 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;
- (xi) each of the Vendors having executed an undertaking in such form and substance satisfactory to the Company and the Sponsor, confirming or undertaking (as the case may be) that (i) each of them is independent of, and not otherwise related to any of the others and each of them is acting on its own accord and not acting jointly with any other persons; (ii) none of them holds any Shares (including but not limited to the Consideration Shares issued or to be issued under the SPA) (or any interest therein) as nominee or in trust for or otherwise on behalf of any of the others; (iii) none of them

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are influenced or obliged or accustomed to act in accordance with the instructions or directions of any other persons or Vendors, or the directors 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 issued or to be issued under the SPA); (iv) none of them is or will be represented on the board of directors of the Company whether directly or indirectly; (v) 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; (vi) 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; (vii) 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; (viii) the Vendors have no intention to seek control of or take-over the Company; (ix) the Proposed Acquisition will not result in and is not contemplated to transfer controlling interest; (x) the Proposed Acquisition is not intended to be a very substantial acquisition or reverse takeover as defined by the Catalist Rules; and (xi) to comply with the Catalist Rules;

- (xii) all of the warranties and representations contained in the SPA being true, correct, complete, accurate and not misleading in all respects at Completion, as if repeated at Completion, and all undertakings contained in the SPA, to the extent being capable of being fulfilled prior to Completion, having been fulfilled in all respects;
- (xiii) no material adverse change having occurred in relation to the Target Companies between the date of the SPA and Completion;
- (xiv) the transactions contemplated in the SPA (in whole or in part) not having constituted a very substantial acquisition and/or a reverse takeover under the Catalist Rules;
- (xv) if applicable, in the event the aggregate shareholding interests of the Vendors pursuant to the issuance of the Consideration Shares is equal to or exceeds 30% of the total issued and paid-up share capital of the Company immediately after such issuances of Shares, the Vendors and their concert parties (if applicable) having obtained the necessary confirmation or whitewash waiver from the Securities Industry Council and (in the case of the latter) the whitewash resolutions from independent Shareholders in relation to the issue and allotment of the Consideration Shares;
- (xvi) the Purchaser, or the Company and the Vendors having complied with the Catalist Rules in all respects in connection with the Proposed Acquisition;
- (xvii) each of the Operating Vendors having become a director of each of the Target Companies and having executed an undertaking in such form and substance satisfactory to the Purchaser undertaking that he will continue to serve as a director of each of the Target Companies for a period of 2 years after Completion;
- (xviii) the Purchaser, the Company, the Vendors and the Target having entered into the Shareholders' Agreement, in form and substance satisfactory to the Purchaser;
- (xix) the Purchaser having satisfied that each of the Target Companies is duly incorporated, validly existing, of good standing and has due capacity and authority to enter into each of the transaction documents to which it is a party, and that the shareholding structure of each of the Target Companies as described in the SPA is true, correct, accurate, complete, legal and valid; and

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- (xx) the Purchaser having satisfied with the results of its due diligence investigation of the Business, including but not limited to the Business Agreements and the licences and permits Guiyang Zhongdian holds for the lawful operation of the Business.

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 SPA (or such later date as the parties may agree), being 12 September 2015.

(g) **Other undertakings**

(i) **Moratorium**

Pursuant to the SPA, the Vendors have undertaken that they will not sell, transfer or otherwise dispose of or mortgage, pledge, charge or otherwise create any lien, security interest or any other encumbrance on (i) any of the Consideration Shares (or any interest therein) issued and allotted to them for a period of six (6) months from the date of listing and quotation of the Consideration Shares (the “**First Six Month Period**”) and (ii) 50% of the Consideration Shares (or any interest therein) issued and allotted to them for a period of six (6) months commencing from the date on which the First Six Month Period expires.

(ii) **Directorship**

Pursuant to the SPA, the Vendors have agreed and undertaken to take all such actions and sign all such documents as the Purchaser may reasonably require on or before Completion to ensure that the Purchaser shall have the power to, directly or indirectly and to the extent permissible under applicable laws, appoint or remove any and all directors in the board of directors of each of the Target Companies as agreed under the Shareholders Agreement.

Pursuant to the Shareholders Agreement, it was agreed that the board of the Target shall consist of three (3) directors, of which the Vendors shall collectively have the right to nominate one (1) director and the Purchaser shall have the right to nominate two (2) directors.

### 2.5. Legal Opinions

(a) **PRC legal opinion**

Han Kun Law Offices has been appointed as the Company's PRC legal adviser in connection with the Proposed Acquisition and legal opinions to be obtained by the Purchaser in connection with the Conditions Precedent.

Subject to, *inter alia*, the assumptions and qualifications as set out in Han Kun Law Offices' legal opinion dated 20 August 2015 (“**PRC Legal Opinion**”), it has opined, *inter alia*, that:

- (i) each of the Vendors has duly executed and delivered the Control Documents to which he/she is a party;
- (ii) each of Guiyang Zhongdian, the WFOE and Shenzhen Co (collectively, the “**PRC Companies**”) has duly executed and delivered the Control Documents to which it is a party and all necessary corporate actions to authorise the execution, delivery and performance of such documents have been taken;
- (iii) the written resolutions of the shareholders or the sole shareholder (as the case may be) of each of the PRC Companies authorising the execution, delivery and performance of the Control Documents were adopted in compliance with applicable laws and regulations of the PRC as well as the respective constitutional documents of the PRC Companies;

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- (iv) each of the Control Documents to which any of the PRC Companies is a party constitutes a valid, legal and binding obligation of such party, except that the equity pledge of Guiyang Zhongdian under the Equity Pledge Agreement will only take effect until after the relevant equity pledge is registered with the competent local branch of State Administration for Industry and Commerce;
- (v) each of the Control Documents does not, and the execution, delivery and performance by each PRC Company and the shareholders of the PRC Companies, of each Control Document to which such PRC Company and/or its shareholders, is a party will not result in (i) conflicting with or violating any provision of the articles of association or business license of such PRC Company, or (ii) to the best of Han Kun Law Offices' knowledge after due inquiry with the PRC Companies, conflict with or result in a breach or violation of or constitute a default under any arbitration award or judgment, order of decree of any court of the PRC that any of the PRC Companies is bound by;
- (vi) the submission by the parties to the Control Documents or the Deposit Arrangement Agreement respectively to arbitration at the China International Economic and Trade Arbitration Commission ("**CIETAC**") for arbitration in accordance with the then effective arbitration rules does not contravene relevant PRC laws, and is valid and binding upon the PRC Companies and the Vendors as the parties to the Control Documents and the Deposit Arrangement Agreement respectively. The arbitration award rendered by CIETAC will be recognized and enforced by PRC courts, subject to the exceptions as set forth in the then effective PRC laws and regulations (including without limitation the *Civil Procedures Law of the People's Republic of China*, the *Arbitration Law of the People's Republic of China* and their interpretations promulgated by the Supreme People's Court of the People's Republic of China); and
- (vii) the Deposit Arrangement Agreement to which each of the Vendors is a party constitutes a legal, valid and binding obligation of such Vendor.

Please refer to Appendix A of this Circular for further details of the VIE Arrangement.

(b) **Singapore legal opinion**

Bird & Bird ATMD LLP has been appointed as the Company's Singapore legal adviser in connection with the Proposed Acquisition and legal opinions to be obtained by the Purchaser in connection with the Conditions Precedent.

Subject to, *inter alia*, the assumptions and qualifications as set out in Bird & Bird ATMD LLP's legal opinion dated 20 August 2015 ("**Singapore Legal Opinion**"), it has opined, *inter alia*, that:

- (i) the execution and delivery by the Purchaser of each of the SPA, the Supplemental SPA, the Second Supplemental SPA and the Shareholders Agreement does not violate any Singapore law, rule or regulation;
- (ii) each of the SPA, the Supplemental SPA, the Second Supplemental SPA and the Shareholders Agreement constitutes legal, valid, binding and enforceable obligations on the Purchaser for all purposes under the laws of Singapore; and
- (iii) the express choice of Singapore law to govern the SPA, the Supplemental SPA, the Second Supplemental SPA and the Shareholders Agreement will be recognised and upheld as valid and binding by the Singapore courts, provided that it is *bona fide* and legal and there is no reason for avoiding the choice on the ground of public policy.

### 2.6. Rationale for the Proposed Acquisition

The Board is of the view that the Proposed Acquisition is in the best interest of the Group as it will enable the Group to establish a foothold in the PRC IT industry. This new platform will increase the Group's visibility in cross-selling and will enable the Group to form new ventures with the Group's

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existing IT and mobile satellite service business. In addition, the Group will be able to leverage on Guiyang Zhongdian's high performance data centre and growing customer base in both government departments and private entities to strengthen its reach in the China market.

As such, the Proposed Acquisition will allow the Group to expand its business in the PRC and further develop its existing operations in the areas of information technology and communications through leveraging on Guiyang Zhongdian's data centre business and its local network.

### 2.7. Risk Factors relating to the Proposed Acquisition

The Group could be affected by a number of risks related to the Proposed Acquisition, in addition to those relating to the VIE Arrangement set out in the section entitled "Risks Factors Relating to the VIE Arrangement" in Appendix A of this Circular. The risks described below are not intended to be exhaustive. If any of the following considerations and uncertainties develops into actual events, the business, results of operations, financial condition and prospects of the Group could be materially and adversely affected. There may be additional risks in relation to the Business not presently known to the Group or that the Group may currently deem immaterial, which could affect its operations.

#### ***Dilution of the shareholding of Shareholders***

As the Purchase Consideration will be satisfied in part by the issue and allotment of the Consideration Shares to the Vendors (further details of which are set out in Paragraph 2.4(b) of this Circular), Shareholders will suffer dilution in their shareholdings following Completion.

#### ***Guiyang Zhongdian has a short operating history and the management accounts of Guiyang Zhongdian have not been audited***

Guiyang Zhongdian was incorporated on 28 April 2014 and has a short operating history. Although the Company believes that the Proposed Acquisition is likely to enable the Group to extract synergies from Guiyang Zhongdian and to allow the Group to expand its business in the PRC, there is no assurance that these will be achieved. Further, the management accounts of Guiyang Zhongdian have not been audited, and there is no assurance that there will be no material deviations between the unaudited management accounts and audited accounts (when they are eventually audited). Any such material deviations may materially affect the Group's business, financial condition, results of operations and/or its prospects.

#### ***Guiyang Zhongdian is dependent on its key management personnel***

The operations of Guiyang Zhongdian are dependent upon the continued service of its key management personnel. The existing management and workforce of the Group may not have the necessary experience and expertise to manage and operate the business of Guiyang Zhongdian immediately after Completion of the Proposed Acquisition. If Guiyang Zhongdian loses the services of any of its existing key management personnel, in particular the Operating Vendors, without timely and suitable replacements, or is unable to attract and retain new experienced personnel as it grows, the profitability and operations of the Group may be adversely affected.

#### ***Goodwill recognised upon Completion may be subject to impairment***

The Purchaser will purchase the Sale Shares for an aggregate Purchase Consideration that is more than the net amount of the identifiable assets acquired and the liabilities assumed at fair value. Such difference will be recognised by the Group upon Completion as goodwill and intangibles, if any, acquired. In the event of any impairment of goodwill and intangibles, the financial performance and position of the Group will be adversely affected.

### 2.8. Funding

Barring unforeseen circumstances and after taking into account the Group's existing financial resources and operating cash flows requirements, the Non-share Consideration will be or is expected to be satisfied by:

## LETTER TO SHAREHOLDERS

- (a) approximately HK\$45 million from the net proceeds from the placement of 2,121,290,000 new Shares as announced by the Company on 27 January 2015 (which was paid to the Vendor on 13 March 2015 by way of the Cash Deposit, details of which are set out in Paragraph 2.4(b) of this Circular); and
- (b) approximately HK\$37 million from assignment of receivables in favour of the Vendors.

### 2.9. Relative figures under Rule 1006 of the Catalyst Rules

The relative figures of the Proposed Acquisition computed based on the Group's unaudited consolidated financial results for the 9 months ended 31 December 2014 ("9M2014"), in accordance with Rule 1006 of the Catalyst Rules are as follows:-

Rule 1006	Basis	Relative figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable <sup>(1)</sup>
(b)	Net profit attributable to the assets acquired, compared with the Group's net profit <sup>(2)(3)</sup>	Not meaningful
(c)	Aggregate value of the consideration given, compared with the Company's market capitalization <sup>(4)(5)</sup>	94.4%
(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 <sup>(6)</sup>	26.5%
(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the Group's probable and proved reserves	Not applicable

#### Notes:

- (1) Not applicable as there is no disposal of assets.
- (2) Net profits defined to be profit or loss before income tax, minority interests and extraordinary items.
- (3) Not meaningful as the Group made a loss before income tax, minority interests and extraordinary items of approximately HK\$36.1 million for 9M2015. Furthermore, the profit before tax of the Target relative to the Group will not be meaningful as the Target was only incorporated on 2 December 2014 and the Target has no active operations during the period from the date of incorporation to the date of the announcement of the Proposed Acquisition. For illustrative purpose only, Guiyang Zhongdian incurred a loss before income tax, minority interests and extraordinary items of approximately RMB6.6 million (or approximately HK\$8.3 million based on the exchange rate of HK\$1.2597: RMB1 as at 12 March 2015) for the financial period commencing from 28 April 2014 (being the date of establishment) to 31 December 2014. Hence, the relative figure under Rule 1006(b) is 14.6% (after taking into account the Target's effective interest of 63% in Guiyang Zhongdian). The loss of the Company was for a 9 months financial period, whereas the loss of Guiyang Zhongdian was for a financial period of approximately 8 months.
- (4) Total consideration for the Proposed Acquisition consists of 2,000,000,000 Consideration Shares and the Non-share Consideration of HK\$82.0 million. Pursuant to Rule 1003(3) of the Catalyst Rules, the value of the Consideration Shares for purposes of computing the relative figures under Rule 1006 of the Catalyst Rules is computed based on 2,000,000,000 new Shares and the higher of (a) Share price of HK\$0.0254 per Share (or approximately S\$0.004543 per Share, being the weighted average price and at an exchange rate of HK\$5.5941: S\$1.00 on 12 March 2015); or (b) NAV per Share of HK\$0.0494 based on unaudited figures for 9M2015 adjusted with the net proceeds from the placement completed on 17 February 2015. Hence, solely for the purpose of Rule 1006, the relevant consideration for the Proposed Acquisition is HK\$180,800,000.
- (5) The Company's market capitalisation of approximately HK\$191.6 million is based on its total number of issued Shares of 7,540,813,474 Shares and the weighted average price of approximately S\$0.004543 per Share and at an exchange rate of HK\$5.5941: S\$1.00 on 12 March 2015, being the market day prior to the signing of the SPA.
- (6) Subject to there being no adjustment to the Original Purchase Consideration, in terms of the amount or the type of purchase consideration to be paid.



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## LETTER TO SHAREHOLDERS

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As the relative figures set out in Rule 1006(c) above exceeds 75% but is less than 100%, the Proposed Acquisition constitutes a "major transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Company would like to seek the approval of Shareholders for the Proposed Acquisition at the SGM as set out in the Notice of SGM.

### 2.10. Financial effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition as set out below are purely for illustration purposes only and are not indicative of the actual financial effects of the Proposed Acquisition upon Completion on the NTA per share or LPS of the Company.

The financial effects of the Proposed Acquisition have been prepared based on the following assumptions:

- (a) the financial effects of the Proposed Acquisition on the share capital, earnings, NTA and gearing of the Group have been prepared based on the audited consolidated financial statements of the Group for FY2015 and the unaudited financial statements of Guiyang Zhongdian for the period ended 31 March 2015;
- (b) the financial effects on the Group's loss per Share are computed assuming that the Proposed Acquisition had been completed on 1 April 2014;
- (c) the financial effects on the Group's NTA per Share and gearing are computed assuming that the Proposed Acquisition had been completed on 31 March 2015;
- (d) the fair value adjustments on the net assets of the Group and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered and will be determined on the date of Completion. As the final goodwill or negative goodwill will have to be determined at the Completion of the Proposed Acquisition, the actual amount could be materially different from the aforementioned assumption. Any goodwill or negative goodwill arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Group; and
- (e) expenses to be incurred in connection with the Proposed Acquisition had not been taken into consideration in the computation of the financial effects.

### NTA per Share

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition<sup>(1)</sup></b>
Consolidated NTA attributable to shareholders of the Company (" <b>Shareholders</b> ") (HK\$' 000)	363,986	419,927 <sup>(2)</sup>
Number of Shares	7,540,813,474 <sup>(3)</sup>	9,540,813,474
Consolidated NTA per Share (HK\$)	0.0483	0.0440

#### Note:

- (1) Assuming that the Proposed Acquisition was completed as at the end of FY2015.
- (2) Assuming that the fair value of Guiyang Zhongdian is equal to the Original Purchase Consideration of approximately HK\$137.9 million.
- (3) Number of issued Share capital as at the Latest Practicable Date

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## LETTER TO SHAREHOLDERS

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### LPS

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition<sup>(1)</sup></b>
(Loss) attributable to Shareholders (HK\$'000)	(42,511)	(56,939) <sup>(2)</sup>
Number of shares	5,083,401,000 <sup>(3)</sup>	7,083,401,000
Consolidated LPS (HK\$)	(0.0084)	(0.0069)

#### Notes:

- (1) Assuming that the Proposed Acquisition was completed as at the beginning of FY2015.
- (2) After taking into account the net loss after income tax attributable for the Target Group of approximately HK\$14.4 million for the financial period commencing on 28 April 2014 and ending on 31 March 2015.
- (3) Weighted average number of Shares as disclosed in the Company's annual report 2015, without any adjustment as at the Latest Practicable Date.

### Gearing

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Total borrowings <sup>(1)</sup> (HK\$'000)	6,000	72,144
Shareholders' funds <sup>(2)</sup> (HK\$'000)	363,986	376,113
Gearing ratio (times)	0.0165	0.1918

#### Notes:

- (1) Total borrowings refers to the aggregate amount of credit facilities secured from banks and financial institutions, including hire purchase, finance leases and borrowings from third parties.
- (2) Shareholders' funds refers to the aggregate amount of issued and paid-up share capital, share premium, contributed surplus, any type of reserves and retained earnings of the Group.

The financial effects presented above are not intended to, and do not, reflect projections of the future financial performance or the actual future financial performance or position of the Group after completion of the Proposed Acquisition and are computed based on the assumptions as summarized above.

Upon completion of the Proposed Acquisition, the Target will become a subsidiary of the Group and its financial statements will be subject to review by the auditors of the Company.

## LETTER TO SHAREHOLDERS

### 2.11. Shareholding effects of the Proposed Acquisition

The interests of the Directors, substantial Shareholders and the Vendors immediately before (based on the register of directors and register of substantial Shareholders as at the Latest Practicable Date) and after the Completion are as follows:

	Before the Proposed Acquisition		After the Proposed Acquisition	
	Number of Shares	% of shareholding <sup>(1)</sup>	Number of Shares	% of shareholding <sup>(2)</sup>
<b>Existing Shareholders</b>				
<b><u>Directors</u></b>				
Chan Andrew Wai Men	414,895,000	5.50%	414,895,000	4.35%
Luk Chung Po, Terence	36,000,000	0.48%	36,000,000	0.38%
Chu Yin Ling, Karen	19,000,000	0.25%	19,000,000	0.20%
Lee Joo Hai	6,000,000	0.08%	6,000,000	0.06%
Phuah Lian Heng	5,000,000	0.07%	5,000,000	0.05%
Alexander Shlaen	-	-	-	-
<b><u>Substantial Shareholder(s)</u></b>				
HK INHONTECH Holdings Company Limited <sup>(3)</sup>	599,700,000	7.95%	599,700,000	6.29%
Cayman INHONTECH Holdings Co., Ltd. <sup>(3)</sup>	599,700,000	7.95%	599,700,000	6.29%
INHONTECH Holdings Co., Ltd. <sup>(3)</sup>	599,700,000	7.95%	599,700,000	6.29%
Hongfan Wei <sup>(3)</sup>	599,700,000	7.95%	599,700,000	6.29%
Yong Tai Investment Ltd <sup>(4)</sup>	584,800,000	7.76%	584,800,000	6.12%
Yuan Limin <sup>(4)</sup>	584,800,000	7.76%	584,800,000	6.12%
<b><u>Other Public Shareholders (excluding Vendors)</u></b>	<b>3,491,518,474</b>	<b>46.30%</b>	<b>3,491,518,474</b>	<b>36.60%</b>
<b><u>Sub-Total of the existing Shareholders</u></b>	<b>7,540,813,474</b>	<b>100.00%</b>	<b>7,540,813,474</b>	<b>79.04%</b>
<b><u>Vendors</u></b>				
Zhang Dai	-	0.00%	650,000,000	6.81%
Xu Yong	-	0.00%	650,000,000	6.81%
Bi Wei Na	-	0.00%	350,000,000	3.67%
Xu Yu Chi	-	0.00%	350,000,000	3.67%
<b><u>Sub-Total of the Vendors</u></b>	<b>-</b>	<b>0.00%</b>	<b>2,000,000,000</b>	<b>20.96%</b>
<b>TOTAL</b>	<b>7,540,813,474</b>	<b>100.00%</b>	<b>9,540,813,474</b>	<b>100.00%</b>

**Notes:**

- (1) Based on the Company's existing issued Share capital of 7,540,813,474 Shares.
- (2) Based on the Company's enlarged issued Share capital of 9,540,813,474 Shares after taking into account the Company's existing issued Share capital of 7,540,813,474 Shares and the 2,000,000,000 Consideration Shares.
- (3) Cayman INHONTECH Holdings Co., Ltd. is deemed to be interested in the 599,700,000 Shares held by HK INHONTECH Holdings Company Limited by virtue of Section 7 of the Companies Act.  
  
INHONTECH Holdings Co., Ltd. is deemed to be interested in the 599,700,000 Shares held by HK INHONTECH Holdings Company Limited by virtue of Section 7 of the Companies Act.  
  
Hongfan Wei is deemed to be interested in the 599,700,000 Shares held by HK INHONTECH Holdings Company Limited by virtue of Section 7 of the Companies Act.
- (4) Yuan Limin is deemed to be interested in the 584,800,000 Shares held by Yong Tai Investment Ltd by virtue of Section 7 of the Companies Act.

## LETTER TO SHAREHOLDERS

Pursuant to the SPA, the Vendors have represented that none of them (i) holds any Shares (or any interest therein) for his/her own account, or as nominee or in trust for or otherwise on behalf of any of the others, or (ii) has the intention to be represented on the board of directors of the Company or any of its subsidiaries whether directly or indirectly, or to otherwise obtain control or take over the board of directors of the Company or any of its subsidiaries. In addition, pursuant to the SPA, the Vendors have agreed and acknowledged that the Company will not offer any directorship in its board of directors to any of the Vendors. The Vendors have further irrevocably and unconditionally undertaken not to request the Company or its subsidiaries to appoint any of the Vendors to their respective board of directors.

Upon allotment and issuance of the Consideration Shares, none of the Vendors will hold more than 15% of the Company's enlarged issued Share capital. The two Operating Vendors will hold in aggregate approximately 13.62%.

### 3. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 3.1. Interests in the Company

The interests of the Directors and Substantial Shareholders of the Company in the Shares as at the Latest Practicable Date, based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders, are as follows:-

	As at the Latest Practicable Date			
	Direct Interest		Deemed Interest	
	No. of Shares	%( <sup>1</sup> )	No. of Shares	%( <sup>1</sup> )
<b>Directors</b>				
Chan Andrew Wai Men	414,895,000	5.50	-	-
Luk Chung Po, Terence	36,000,000	0.48	-	-
Chu Yin Ling, Karen	19,000,000	0.25	-	-
Lee Joo Hai	6,000,000	0.08	-	-
Phuah Lian Heng	5,000,000	0.07	-	-
Alexander Shlaen	-	-	-	-
<b>Substantial Shareholders</b>				
HK INHONTECH Holdings Company Limited <sup>(2)</sup>	599,700,000	7.95	-	-
Cayman INHONTECH Holdings Co., Ltd. <sup>(2)</sup>	-	-	599,700,000	7.95
INHONTECH Holdings Co., Ltd. <sup>(2)</sup>	-	-	599,700,000	7.95
Hongfan Wei <sup>(2)</sup>	-	-	599,700,000	7.95
Yong Tai Investment Ltd <sup>(3)</sup>	584,800,000	7.76	-	-
Yuan Limin <sup>(3)</sup>	-	-	584,800,000	7.76

#### Notes:

- (1) Calculated as a percentage of the total number of issued Shares as at the Latest Practicable Date.
- (2) Cayman INHONTECH Holdings Co., Ltd. is deemed to be interested in the 599,700,000 Shares held by HK INHONTECH Holdings Company Limited by virtue of Section 7 of the Companies Act.  
  
INHONTECH Holdings Co., Ltd. is deemed to be interested in the 599,700,000 Shares held by HK INHONTECH Holdings Company Limited by virtue of Section 7 of the Companies Act.  
  
Hongfan Wei is deemed to be interested in the 599,700,000 Shares held by HK INHONTECH Holdings Company Limited by virtue of Section 7 of the Companies Act.
- (3) Yuan Limin is deemed to be interested in the 584,800,000 Shares held by Yong Tai Investment Ltd by virtue of Section 7 of the Companies Act.

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## LETTER TO SHAREHOLDERS

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### 3.2. Interests in the Proposed Resolutions

None of the Directors has, and to the best of the Directors' knowledge, there are no substantial Shareholders of the Company, who have, any interest, direct or indirect, in the Proposed Resolutions other than through their respective shareholdings in the Company.

### 4. SERVICE CONTRACTS OF DIRECTORS

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.

Pursuant to the SPA, the Vendors agreed and acknowledged that the Group will not offer any directorship in its board of directors to any of the Vendors. The Vendors have further irrevocably and unconditionally undertaken not to request the Group or its subsidiaries to appoint any of the Vendors to their respective board of directors.

### 5. DIRECTORS' RECOMMENDATIONS

None of the Directors is deemed to be interested for the purpose of making a recommendation to the Shareholders in respect of the Proposed Acquisition.

The Directors, having considered, among others, the terms and rationale for the Proposed Resolutions, is of the view that the Proposed Resolutions are in the interests of the Company and, accordingly, recommend that Shareholders vote in favour of Ordinary Resolutions 1 and 2 relating to the Proposed Resolutions as set out in the Notice of SGM.

### 6. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on page 44 of this Circular, will be held on 10 September 2015 at 4.30 p.m. at Room 302, Level 3, 32 Maxwell Road #03-01, Singapore 069115, for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions set out in the Notice of SGM.

### 7. 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 48 hours before the SGM; and
- (b) if 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 proxy form (Depositor Proxy Form) as attached to this Circular 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

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## LETTER TO SHAREHOLDERS

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to enable its nominee/nominees 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 proxy form (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.

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.

### **8. 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 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 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 these sources and/or reproduced in this Circular in its proper form and context.

### **9. CONSENTS**

- 9.1. The Independent Valuer has given and has not before the issue of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of its name and the Business Valuation Letter set out in Appendix B to this Circular, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular and the availability of the corresponding Business Valuation Letter as a document for inspection.
- 9.2. Each of the Company's PRC legal adviser, Han Kun Law Offices, and the Company's Singapore legal adviser, Bird & Bird ATMD LLP, has given and has not before the issue of this Circular withdrawn its written consent to the issue of this Circular with the inclusion of each of their names and all references to each of their legal opinions in the form and context in which they appear in this Circular. However, for the avoidance of doubt, each of the Company's PRC legal adviser and the Company's Singapore legal adviser do not make, or purport to make, any statement in this Circular or any statement upon which a statement in this Circular is based and makes no representation express or implied regarding, and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for, any statements, information or opinions in or any omissions of this Circular.

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

Whilst the registered office of the Company is in Bermuda, the principal office of the Company is in Hong Kong and the office of the Company's Share Transfer Agent is in Singapore. Taking into account that Hong Kong and Singapore are more accessible locations than Bermuda, copies of the following documents will be made available for inspection during normal business hours at the principal office of the Company at Suite 605, 6/F, Ocean Centre, Harbour City, 5 Canton 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 from the date of this Circular up to and including the date of the SGM:

- (a) the Bye-Laws of the Company;

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## LETTER TO SHAREHOLDERS

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- (b) the annual report of the Company for FY2015;
- (c) the SPA;
- (d) the Deposit Arrangement Agreement;
- (e) the Business Valuation Letter;
- (f) the letter of consent from the Independent Valuer;
- (g) the letter of consent from Han Kun Law Offices;
- (h) the letter of consent from Bird & Bird ATMD LLP;
- (i) the Control Documents;
- (j) the PRC Legal Opinion; and
- (k) the Singapore Legal Opinion.

Yours faithfully

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

**Chan Andrew Wai Men**  
**Executive Director and Chairman**

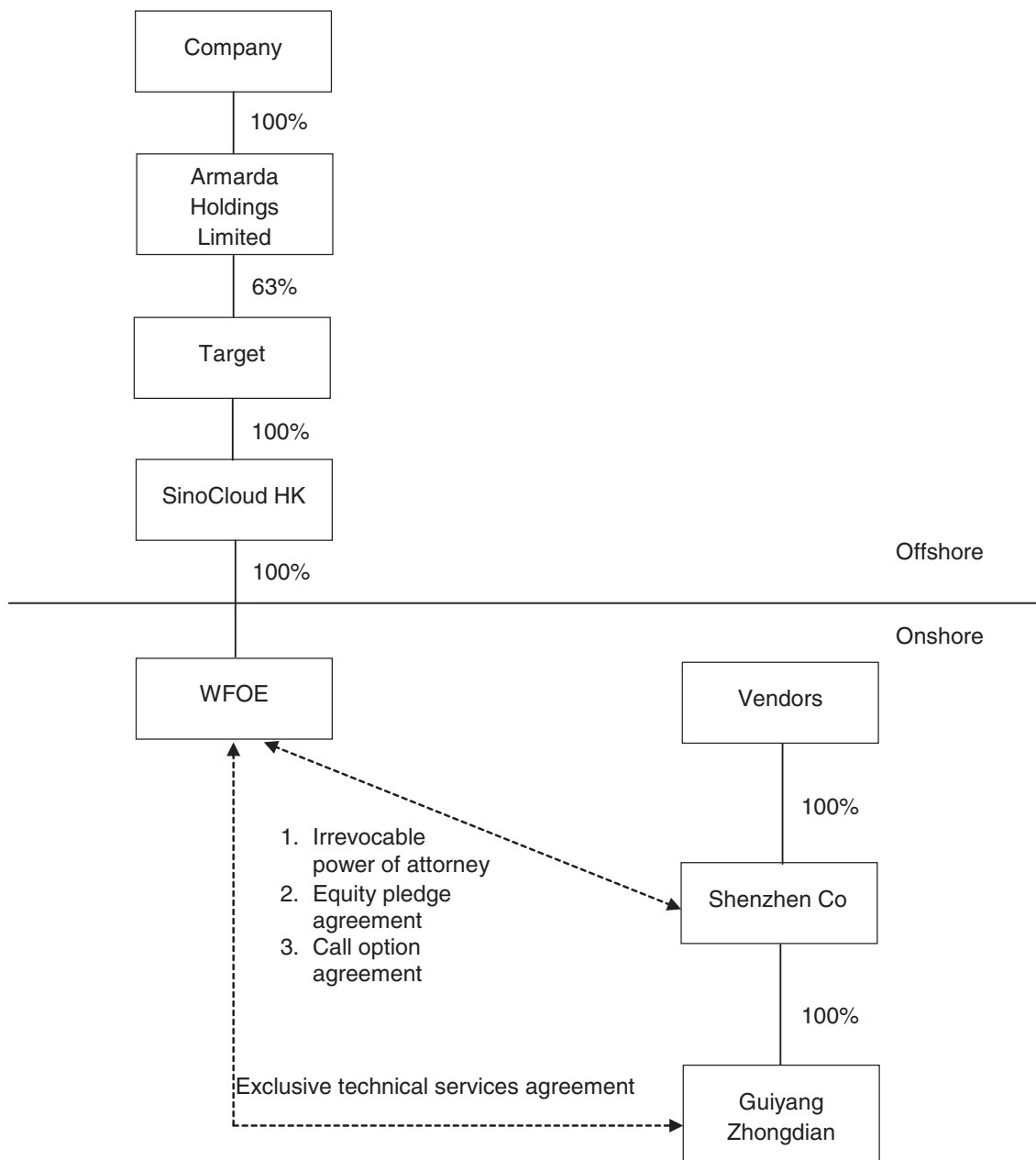
## APPENDIX A – VIE ARRANGEMENT

### PRC LAWS AND REGULATIONS RELATING TO THE VALUE-ADDED TELECOMMUNICATIONS BUSINESS IN THE PRC

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in value-added telecommunications business. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunications service provider and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Guidance Catalog of Industries for Foreign Investment promulgated in 2007, as amended in 2011 and 2015, and other applicable laws and regulations. As such, pursuant to the SPA, the WFOE, Shenzhen Co and Guiyang Zhongdian had entered into the VIE Arrangement to enable all of the operating and economic rights, interests, benefits, risks and liabilities and the effective control and management over Guiyang Zhongdian to be transferred to, or owned or managed or controlled by, or ceded to or vested in the WFOE, on a sole and exclusive basis, to the maximum extent legally permissible.

### DETAILS OF THE VIE ARRANGEMENT

The following simplified diagram illustrates the flow of economic benefits from Guiyang Zhongdian to the Company under the VIE Arrangement:





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## APPENDIX A – VIE ARRANGEMENT

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As one of the Conditions Precedent, the WFOE, Shenzhen Co and Guiyang Zhongdian had entered into the VIE Arrangement, the proposed principal terms of which shall be as follows:

**(1) Irrevocable Power of Attorney**

Parties: (a) Shenzhen Co; and  
(b) WFOE; and  
(c) Guiyang Zhongdian.

Term: The Irrevocable Power of Attorney is irrevocable so long as Shenzhen Co remains a shareholder of Guiyang Zhongdian.

Subject: Shenzhen Co, as the 100% shareholder of Guiyang Zhongdian, authorises the WFOE or its nominee(s) to attend shareholders' meetings of Guiyang Zhongdian and exercise the shareholder's right in relation to Guiyang Zhongdian on behalf of Shenzhen Co.

Shenzhen Co and the WFOE agree that Shenzhen Co unconditionally appoints the WFOE or its nominee(s) as agent and the WFOE accepts such appointment.

The agent is given unfettered power and authority to attend shareholders' meetings; and to exercise shareholder's rights of voting, including but not limited to, sale, transfer, pledge or disposal of its equity interests in Guiyang Zhongdian.

**(2) Equity Pledge Agreement**

Parties: (a) WFOE;  
(b) Shenzhen Co; and  
(c) Guiyang Zhongdian.

Term: The pledge shall take effect as of the date when it is registered with the Administration for Industry and Commerce and shall remain in effect until the later of (a) 2 years after all contractual obligations under the Secured Agreements have been fulfilled and performed satisfactorily to the WFOE and its nominee; and (b) enforcement of the Pledge.

During the term of the pledge, the WFOE shall be entitled to dispose of the pledged assets in accordance with the agreement in the event that (a) Shenzhen Co and/or Guiyang Zhongdian do not perform their contractual obligations under the Secured Agreements; or (b) Shenzhen Co and/or Guiyang Zhongdian fail to perform their contractual obligations under the Secured Agreements due to any reason not attributable to the pledge.

Subject: Shenzhen Co unconditionally pledges all its equity interest in Guiyang Zhongdian to the WFOE or its nominee(s) as a guarantee for the performance of (a) Shenzhen Co's obligations under the Irrevocable Power of Attorney and Shenzhen Co's and the Vendors' obligations respectively under the Call Option Agreement; and (b) Guiyang Zhongdian's obligations under the Exclusive Technical Service Agreement.

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## APPENDIX A – VIE ARRANGEMENT

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### (3) *Call Option Agreement*

Parties: (a) WFOE;  
(b) Shenzhen Co;  
(c) Guiyang Zhongdian; and  
(d) the Vendors.

Term: The call option granted under the agreement takes effect from the date of the agreement and remains in full effect until the earlier of (a) termination by the parties by written agreement, and (b) successful enforcement of the call option by the WFOE.

Subject: Pursuant to a call option granted by Shenzhen Co to the WFOE, the WFOE shall have the right to request Shenzhen Co to transfer all of its equity interest in Guiyang Zhongdian to the WFOE and/or its nominees at any time at the WFOE's discretion, to the extent the exercise of the call option is in compliance with PRC laws and regulations.

The Vendors undertake that they will not transfer or create any encumbrance on the equity interest in Shenzhen Co without the prior written consent of the WFOE.

### (4) *Exclusive Technical Service Agreement*

Parties: (a) WFOE; and  
(b) Guiyang Zhongdian.

Term: The agreement shall remain effective unless terminated in accordance with its provisions or terminated in writing by the WFOE. The agreement shall be terminated upon the expiration of the operation term of either party if the application for the renewal of its operation term is not approved by the relevant governmental authority.

If Guiyang Zhongdian fails to perform within the agreed term under the agreement and within a grace period of 30 days from the date it receives a breach notice from the WFOE, the WFOE shall be entitled to notify Guiyang Zhongdian to terminate the agreement, such termination to take effect from the date that Guiyang Zhongdian receives the termination notice. Only the WFOE may terminate the agreement during its term by giving at least 10 days' written notice to Guiyang Zhongdian.

Subject: The WFOE shall provide, by itself or through its nominee(s), technology, technical and consulting services ("**Services**") and Guiyang Zhongdian shall engage the WFOE as its sole and exclusive service provider for the Services, and shall not engage any third party to provide part or all of services the same as, similar to or comparable to or may replace the Services unless otherwise agreed by the WFOE in writing.

The Group's rights, interests and control in Guiyang Zhongdian are exercisable by way of the VIE Arrangement. The VIE Arrangement may not be as effective in providing operational control as direct ownership. Please refer to the section below entitled "Risk Factors Relating to the VIE Arrangement" for details on the risk factors that are material to Shareholders in making an informed decision on the VIE Arrangement and the Proposed Acquisition.

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## APPENDIX A – VIE ARRANGEMENT

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### RISK FACTORS RELATING TO THE VIE ARRANGEMENT

***If the PRC government deems that the VIE Arrangement does not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, the Group could be subject to severe penalties or be forced to relinquish its interests in those operations.***

Foreign ownership of internet-based businesses, including online retail businesses and distribution of online information, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider and any such foreign investor must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Guidance Catalog of Industries for Foreign Investment promulgated in 2007, as amended in 2011 and 2015, and other applicable laws and regulations.

The ultimate shareholders of Guiyang Zhongdian are the Vendors. The Group entered into the VIE Arrangement which enables it to:

- exercise effective control over Guiyang Zhongdian;
- receive substantially all of the economic benefits and bear the obligation to absorb substantially all of the losses of Guiyang Zhongdian; and
- have an exclusive option to purchase all or part of the equity interests in Guiyang Zhongdian when and to the extent permitted by PRC law.

Because of these contractual arrangements, the Group is the primary beneficiary of Guiyang Zhongdian.

In the opinion of Han Kun Law Offices (the Group's PRC legal adviser) the VIE Arrangement constitutes a legal, valid and binding obligation of each party to the VIE Agreement. However, although the structure which the Group has adopted is consistent with longstanding industry practice, and is commonly adopted by comparable companies in China, the Group has been advised by its PRC legal adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. It is uncertain whether any new PRC laws or regulations relating to variable interest entity (i.e. Guiyang Zhongdian) structures will be adopted or if adopted, what they would provide and the PRC government may not agree that the VIE Agreement complies with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. In particular, the arrangements contemplated in the Control Documents may be deemed as substantial control or acquisition by foreign investors under the *Notice regarding the Establishment of the Security Review System for Mergers and Acquisition of Domestic Enterprise by Foreign Investors* issued by the PRC General Office of the State Council on February 3, 2010 and the *Regulations regarding the Implementation of the Security Review System for Mergers and Acquisition of Domestic Enterprise by Foreign Investors* issued by the PRC Ministry of Commerce on August 25, 2011 and this kind of control or acquisition in certain industries may be subject to the national security review by competent governmental authorities.

If the VIE Arrangement and/or businesses of Guiyang Zhongdian are found to be in violation of any existing or future PRC laws or regulations, or Guiyang Zhongdian fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- shutting down the Group's servers or blocking its website, or discontinuing or placing restrictions or onerous conditions on our operation through any transactions between the Group's PRC subsidiaries and variable interest entity;
- imposing fines, confiscating the income from the Group's PRC subsidiaries or the Group's variable interest entity, or imposing other requirements with which the Group or its variable interest entity may not be able to comply; or

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## APPENDIX A – VIE ARRANGEMENT

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- requiring the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with its variable interest entity and deregistering the equity pledges of its variable interest entity, which in turn would affect the Group's ability to consolidate, derive economic interests from, or exert effective control over its variable interest entity.

The imposition of any of these measures could result in a material adverse effect on the Group's ability to conduct all or any portion of its business operations. In addition, it is unclear what impact the PRC government actions would have on the Group and on its ability to consolidate the financial results of the variable interest entity in its consolidated financial statements, if the PRC government authorities were to find the Group's legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes the Group to lose its right to direct the activities of the variable interest entity or otherwise separate from the variable interest entity and if the Group is not able to restructure the ownership structure and operations in a satisfactory manner, the Group would no longer be able to consolidate the financial results of the variable interest entity in its consolidated financial statements, which means that the Group may not be able to achieve the desired results from the Proposed Acquisition. In addition, the Group's operating results and financial position would be adversely affected.

***The Group relies on contractual arrangements with its variable interest entity (ie, Guiyang Zhongdian) and its shareholders for a portion of the Group's business operations, which may not be as effective as direct ownership in providing operational control.***

The Group has relied and expects to continue to rely on contractual arrangements with, by and among, the WFOE, Guiyang Zhongdian, Shenzhen Co and its shareholders to hold its value-added telecommunications business license. These contractual arrangements may not be as effective as direct ownership in providing the Group with control over its variable interest entity. For example, its variable interest entity and its shareholders could breach their contractual arrangements with the Group by, among other things, failing to conduct its operations, in an acceptable manner or taking other actions that are detrimental to the Group's interests.

If the Group had direct ownership of Guiyang Zhongdian, it would be able to exercise its rights as a shareholder to effect changes in the board of directors of Guiyang Zhongdian, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, the Group may not be able to directly change the members of the boards of directors of Guiyang Zhongdian and would have to rely on Guiyang Zhongdian, Shenzhen Co (as the sole shareholder of Guiyang Zhongdian) and the shareholders of Shenzhen Co to perform their obligations in order for the Group to exercise its control over Guiyang Zhongdian. The shareholder and the beneficiary owners of the Group's consolidated variable interest entity may have conflicts of interest with the Group or its shareholder, and they may not act in the Group's best interests or may not perform their obligations under these contracts. Such risks exist throughout the period in which the Group intends to operate its business through the contractual arrangements with its variable interest entity. If any dispute relating to these contracts remains unresolved, the Group will have to enforce its rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings, which may be costly and time consuming and will be subject to uncertainties in the PRC legal system. Therefore, the Group's contractual arrangements with its variable interest entity may not be as effective in ensuring its control over the relevant portion of its business operations as direct ownership would be.

***Any failure by the Group's variable interest entity or its shareholders to perform their obligations under the Group's contractual arrangements with them would have a material and adverse effect on the Group's business.***

If the Group's variable interest entity or its shareholder or its beneficiary owners fail to perform their respective obligations under the contractual arrangements, the Group may have to incur substantial costs and expend additional resources to enforce such arrangements. Although the Group has entered into the Call Option Agreement in relation to Guiyang Zhongdian, which provides that the WFOE may exercise an option to acquire, or nominate a person to acquire, ownership of the equity in Guiyang Zhongdian, to the extent permitted by applicable PRC laws, rules and regulations, the exercise of such call option is subject to the review and approval of the relevant PRC governmental authorities. Based on the current applicable PRC laws, rules and regulations, the Group is unable to exercise the call option to obtain ownership of

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## APPENDIX A – VIE ARRANGEMENT

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the equity in Guiyang Zhongdian. The Group has also entered into the Equity Pledge Agreement with respect to Guiyang Zhongdian to secure its certain obligations or its equity holder to the WFOE under the contractual arrangements. However, the enforcement of such agreement through arbitral or judicial agencies may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. Moreover, the Group's remedies under the Equity Pledge Agreement are primarily intended to help it collect debts owed to it by the variable interest entity or the variable interest entity's equity holder under the contractual arrangements and may not help the Group in acquiring the assets or equity of the variable interest entity. The Group may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which the Group cannot assure will be effective under PRC law.

In addition, although the terms of the VIE Agreement provide that they will be binding on the successors of the relevant individual who are parties to the VIE Agreement, as those successors are not a party to the VIE Agreement, it is uncertain whether the successors in case of the death, bankruptcy or divorce of an individual who is a party to the VIE Agreement will be subject to or will be willing to honour the obligations of such individual under the VIE Agreement.

All the agreements under the Group's contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as Singapore. As a result, uncertainties in the PRC legal system could limit the Group's ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event the Group is unable to enforce these contractual arrangements, or if the Group suffers significant delay or other obstacles in the process of enforcing these contractual arrangements, the Group may not be able to exert effective control over our variable interest entity, and its ability to conduct its business may be negatively affected.

***Contractual arrangements in relation to the Group's variable interest entity may be subject to scrutiny by the PRC tax authorities and they may determine that the Group or its PRC variable interest entity owe additional taxes, which could negatively affect the Group's financial condition and the value of your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between the WFOE (the Group's wholly-owned subsidiary in China), Guiyang Zhongdian (the Group's variable interest entity in China), and its sole shareholder, Shenzhen Co, were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Guiyang Zhongdian and/or the WFOE's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Guiyang Zhongdian and/or the WFOE for PRC tax purposes, which could in turn increase its tax liabilities without reducing Guiyang Zhongdian and/or the WFOE's tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on Guiyang Zhongdian and/or the WFOE for the adjusted but unpaid taxes according to the applicable regulations. The Group's financial position could be materially and adversely affected if the Group's variable interest entity's tax liabilities increase or if it is required to pay late payment fees and other penalties.

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## APPENDIX A – VIE ARRANGEMENT

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***The Group may lose the ability to use and enjoy assets held by its variable interest entity that are material to the operation of its business if the entity becomes bankrupt or becomes subject to a dissolution or liquidation proceeding.***

As part of the Group's contractual arrangements with its variable interest entity, this entity holds certain assets that are material to the operation of the Group's business, including the value-added telecommunications business license. If the Group's variable interest entity becomes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, or the shareholder of the Group's variable interest entity voluntarily liquidates the Group's variable interest entity, the Group may be unable to continue some or all of its business activities, which could materially and adversely affect its business, financial condition and results of operations. Under the contractual arrangements, the Group's variable interest entity may not transfer or dispose of its assets without the Group's prior consent. If the Group's variable interest entity undergoes a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering the Group's ability to operate its business, which could materially and adversely affect the Group's business, financial condition and results of operations.

***The directors and executive officers of the variable interest entity, as well as the Group's employees who execute other strategic initiatives may have potential conflicts of interest with the Company.***

PRC laws provide that a director and an executive officer owes a fiduciary duty to the company he or she directs or manages. The directors and executive officers of the Group's variable interest entity must act in good faith and in the best interests of the variable interest entity and must not use their respective positions for personal gain. However, the Group cannot assure you that these individuals as well as the Group's employees will always act in the best interests of the Company should any conflicts of interest arise, or that any conflicts of interest will always be resolved in the Group's favour. The Group also cannot assure you that these individuals will ensure that the variable interest entity will not breach the existing contractual arrangements. If the Group cannot resolve any such conflicts of interest or any related disputes, the Group would have to rely on legal proceedings to resolve these disputes and/or take enforcement action under the contractual arrangements. There is substantial uncertainty as to the outcome of any such legal proceedings. If these develop into actual events, the Group may incur expenses in relation to legal proceedings which would affect the Group's profitability with no certainty of a favourable outcome of events. Furthermore, the Group's management may be distracted by the disputes and related legal proceedings, which may affect the Group's operations adversely.

***Guiyang Zhongdian faces the risk of non-renewal of its value-added telecommunications business license.***

Guiyang Zhongdian faces the risk of non-renewal in the terms of its value-added telecommunications business license. The value-added telecommunications business license tends to be issued for fixed periods of time, after which a renewal of the licence is required. There is no assurance that the value-added telecommunications business license can be renewed in a timely manner. If Guiyang Zhongdian's value-added telecommunications business license were not renewed, this could materially adversely affect Guiyang Zhongdian's business and financial condition and hence, the Group's operations and financial conditions.

***Guiyang Zhongdian has not yet obtained prior approval from Guizhou Communications Bureau for its equity transfer and may therefore be subject to sanction under PRC Telecommunication Law.***

Under PRC Telecommunication Law, changes in the shareholding of companies under the supervision of the competent authority in charge of the information industry, such as Guiyang Zhongdian, are subject to prior approval by Guizhou Communications Bureau ("GZCB") before the equity transfer can be implemented and registered. Companies that fail to obtain such prior approval may be ordered to rectify such failure and the illegal incomes may be confiscated. They may also be ordered to pay a fine of up to five times of the illegal income (if there is no illegal income or if the illegal income is less than RMB50,000, the fine will be no less than RMB100,000 and no more than RMB1 million), or suspend business operations if the failure is serious. Guiyang Zhongdian has not yet obtained such prior approval from GZCB for the equity transfer from Shenzhen Lechu and Li Xiaopeng to Shenzhen Co.

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## APPENDIX A – VIE ARRANGEMENT

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However, the implementation of the above legal requirement by different local authorities may vary. Some local authorities in charge of the information industry may adopt a post-approval administration mechanism on the changes in the shareholding of these companies. Based on oral enquiries made by Guiyang Zhongdian with GZCB, GZCB indicated that the equity transfer is not subject to prior or post approval. Guiyang Zhongdian is required to submit the latest shareholding info to the GZCB during annual review (年检), which is in early 2016. If the relevant PRC regulatory authorities would have discretion to take action in dealing with such violations or failures, this could materially adversely affect Guiyang Zhongdian's business and financial condition and hence, the Group's operations and financial conditions.

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## APPENDIX B – BUSINESS VALUATION LETTER

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The Board of Directors  
SinoCloud Group Limited  
Suite 605, 6th Floor, Ocean Centre,  
Harbour City, 5 Canton Road,  
Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs,

### 1. Introduction

We understand that on 13 March 2015, SinoCloud Group Limited (“SGL” or the “Company”), through its wholly owned subsidiary, Armarda Holdings Limited, entered into a sale and purchase agreement (the “Agreement” or “SPA”) with Zhang Dai, Xu Yong, Bi Wei Na, and Xu Yu Chi (each a “Vendor” and collectively, the “Vendors”) and subsequently on 14 July 2015 followed by a supplemented agreement to acquire 63.0% of each Vendor’s respective interests in SinoCloud 01 Limited (the “Target”) (collectively, the “Transaction”). The Target is a company incorporated in the British Virgin Islands on 2 December 2014 and has issued a paid-up share capital of US\$100,000, comprising of 100,000 ordinary shares. It 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. SinoCloud HK is the owner of 100% of the equity interest in SinoCloud Data (Guiyang) Company Limited (中云数据(贵阳)有限公司), a wholly foreign owned enterprise (the “WFOE”) to be incorporated in the People’s Republic of China (“PRC”).

Shenzhen Zhongdian Lechu Data Technology Company Limited (“Shenzhen Co”) is incorporated in the PRC and wholly owned by the Vendors. Shenzhen Co’s only asset is a 100% equity interest in Guiyang Zhongdian Gaoxin Digital Technologies Limited (“贵阳中电高新数据科技有限公司” or the “Guiyang Zhongdian”). PRC laws and regulations restrict foreign ownership of telecommunication value-added business. Pursuant to a series of contractual arrangements to be entered into by the WFOE, Shenzhen Co and Guiyang Zhongdian (the “VIE Arrangement”), all the operating and economic rights, interests, benefits, risks and liabilities and the effective control and management over Shenzhen Co, and hence Shenzhen Co’s rights, interests, and control in Guiyang Zhongdian, will be transferred to, or owned or managed or controlled by, or ceded to or vested in, the WFOE, on a sole and exclusive basis, to the maximum extent legally permissible.

Deloitte & Touche Financial Advisory Services Limited (“Deloitte”) has been engaged by SGL to provide valuation advisory services to estimate the range of values of a 100% equity interest in Guiyang Zhongdian as at 28 February 2015 (the “Valuation Date”).

Guiyang Zhongdian is in the business of operating internet data center services and businesses in Guiyang in the province of Guizhou and as at the Valuation Date, Guiyang Zhongdian has commenced the initial phase of its operations and a proposed transaction is under negotiation. We have adopted fair market value as the basis of this Valuation.

Fair market value is defined in the International Glossary of Business Valuation Terms issued by American Institute of Certified Public Accountants as follows:

“The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of relevant facts.”

Unless otherwise noted, in estimating the fair market value, we have assumed that Guiyang Zhongdian and its assets will remain a going concern.

### 2. Terms of Reference

This letter has been prepared for inclusion in the Circular and is addressed to the Board of Directors (“Directors”) of SGL (the “Board”) solely for its use in connection with, and limited to, the Transaction only. Other than for this intended purpose, this letter cannot be used or relied upon for any other purpose and/or by any other person including, without limitation, any of the Shareholders or SGL’s employees or any of the Directors as individuals or any investor or any other persons.



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## APPENDIX B – BUSINESS VALUATION LETTER

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Other than our engagement as set out above, as well as the purchase price allocation to value certain identifiable intangible assets of Guiyang Zhongdian upon the completion of the Transaction, Deloitte has had no involvement in any other aspect pertaining to the Transaction including, without limitation, the negotiations, the deliberations or the decision by the respective parties to enter into the Transaction. We do not, by this letter or otherwise, advise, recommend, evaluate, comment or form any judgment or opinion on the legal, commercial or financial rationale, merits or risks in relation to the Transaction or the relative merits of the Transaction as compared to any alternative transaction previously considered by SGL or that otherwise may be available to SGL in the future or on the future growth prospects or earnings potential of SGL, the Target, and/or Guiyang Zhongdian. Such advice, recommendation, evaluations, comments, judgment or opinion are and remain the sole responsibility of the Board and its advisors engaged for the purpose.

This letter does not constitute and cannot be construed as an advice, a recommendation or any form of judgment or opinion to any person in connection with the Transaction and, accordingly, it may not be relied upon as such by any person and, in particular, by any Shareholder. Such person or Shareholder should seek his own professional advice in connection with the Transaction and the Circular.

The Directors confirmed to us that, to the best of their knowledge and belief, the information contained in this letter and the data on which this letter is prepared constitute a full and true disclosure of all relevant and material facts on SGL and Guiyang Zhongdian and there is no other information or fact, the omission of which would cause any of the information disclosed to us or relied by us or any information contained herein and in the data on which this letter is prepared to be untrue, incomplete or misleading in any material respect.

In connection with our engagement, we held discussions with the management of SGL and/or Guiyang Zhongdian and relied on the financial forecasts (the “Projections”) and other information provided to us by SGL and/or Guiyang Zhongdian which are the sole responsibility of SGL and/or Guiyang Zhongdian, as the case may be. In performing the Valuation, we placed reliance on the Projections of Guiyang Zhongdian. Our scope of work excludes, *inter alia*, (i) providing a view on the reasonableness of the Projections or any prospective information, (ii) undertaking any independent market study for Guiyang Zhongdian, and (iii) the validity, rights, obligations and completeness of the licenses and operating permits and approvals required to operate Guiyang Zhongdian. In addition, we examined certain publicly available information which we consider to be pertinent to our engagement. We have not independently verified such information, whether written or verbal, and accordingly, we cannot and do not warrant, opine or accept any responsibility for the accuracy, completeness or adequacy of such information including, without limitation, the Projections we received from SGL and/or Guiyang Zhongdian. We have not carried out any work which constitutes an audit in accordance with generally accepted auditing standards including any in-depth investigation into the business and affairs of SGL, the Target, Guiyang Zhongdian, and their respective subsidiaries. In performing our engagement herein, we relied upon and have assumed that all information provided to us is true, accurate, not misleading and complete in all respects as at the date hereof and that all information which is or may be relevant to our engagement has been duly provided to us and drawn to our attention by the managements of SGL and/or the Guiyang Zhongdian. We do not express any opinion on and we do not take any responsibility for or in relation to and have further assumed that all bases and assumptions, statements of fact, beliefs, opinions and intentions made by the management of SGL and/or Guiyang Zhongdian in preparing the Projections of Guiyang Zhongdian. We also do not represent that the reasonableness and achievability of the Projections.

Our estimate of the range of values of Guiyang Zhongdian was based on generally accepted valuation procedures and practices that rely on the use of assumptions and the consideration of uncertainties not all of which can be easily quantified or ascertained. The final analysis leading to our estimate of the range of values of Guiyang Zhongdian presents an independent assessment based on our best professional judgment and experience predicated on all relevant and available references and resources. You should note that there would usually be differences between the Projections on which our Valuation was based and the actual results, because events and circumstances frequently do not occur as expected, and those differences may be material and will accordingly, affect our estimate of the range of values of Guiyang Zhongdian. You should also note that by its very nature, valuation work cannot be regarded as an exact science and the conclusions made in many cases will of necessity be subjective and dependent on the

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## APPENDIX B – BUSINESS VALUATION LETTER

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exercise of individual judgment. There is therefore, no indisputable single value. Whilst we consider our estimate of the range of values of Guiyang Zhongdian to be both reasonable and defensible based on our scope and the information available to us, others may place a different value on Guiyang Zhongdian.

Our estimate of the range of values of Guiyang Zhongdian is based on the market, economic, industry and other conditions prevailing at the time when the Valuation was conducted and the information made available to us by the management of SGL and/or Guiyang Zhongdian. We assume no responsibility to update, revise or reaffirm our evaluation or assumptions in light of any subsequent events or circumstances that may affect our estimate of the range of values of Guiyang Zhongdian or any factors or assumptions contained herein.

### 3. Valuation Approach

We have adopted fair market value as the basis of this Valuation.

We performed the Valuation of Guiyang Zhongdian based on the Income Approach, using the Discounted Cash Flow (“DCF”) method. In the application of the DCF method, we considered, *inter alia*, the following:

- a. The Projections and supporting information as provided by SGL and Guiyang Zhongdian;
- b. Relevant information provided by SGL and/or Guiyang Zhongdian which includes, *inter alia*, the Projections, licences, operating permits and approvals, commercial agreements, customer contract, and market information;
- c. Discussions and correspondence with the management of SGL and/or Guiyang Zhongdian as well as their respective advisors;
- d. As at the Valuation Date, Guiyang Zhongdian has only commenced the initial phase of operations;
- e. Fair market value basis; and,
- f. The rates of return required for an investment in a company at a similar stage of development as Guiyang Zhongdian.

### 4. Key assumptions and risk factors

The estimated value range is based on the following key assumptions and management representations:

- a. Guiyang Zhongdian achieves the Projections used for our DCF analysis.
- b. Guiyang Zhongdian is able to provide the hosting services, and engage in cooperation with China Telecom;
- c. Guiyang Zhongdian implements the phases through installation of additional cabinets to the existing buildings;
- d. Guiyang Zhongdian has no historical revenue generated as at the Valuation Date, however, we understand that one customer has signed a contract with Guiyang Zhongdian, with additional customers currently under negotiations;
- e. The rental contract for the use of the buildings will continue to be renewed subsequent to the expiry of the existing contract, and Guiyang Zhongdian is able to use the site indefinitely;
- f. The value-add services permit received from the local government will be renewed without consequences upon expiry to allow for continued operations of Guiyang Zhongdian; and
- g. Other than the business as reflected in the Projections, Guiyang Zhongdian does not have any other material businesses, assets or liabilities. The cash flows from Guiyang Zhongdian can be freely distributed to the Target as and when received with no additional taxes.

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## APPENDIX B – BUSINESS VALUATION LETTER

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Please refer to Section 2.7 of the Circular for the “Risk Factors relating to the Proposed Acquisition” and Appendix A for the “Risk Factors Relating to the VIE Arrangement”.

### 5. Base Case Estimated Range of Values

Based on our terms of reference, valuation approach and key assumptions and risk factors above, we estimated the fair market value of a 100% interest in Guiyang Zhongdian to be in the range of:

Discount rate	30%	28%
Estimated range of values of 100% of the Guiyang Zhongdian (RMB million)	170	199

\* In estimating the discount rate, we made reference to the venture capital rates of return for first stage or “early development” companies. Such data is referenced in the AICPA’s Practice Aid entitled “Valuation of Privately-Held-Company Equity Securities Issued as Compensation”.

### 6. Conclusion

Based upon and subject to the foregoing and other information used in the preparation of this letter, we have estimated the fair market value range of Guiyang Zhongdian to be RMB 170 million to RMB 199 million.

Our estimation of the fair market value range of Guiyang Zhongdian should be considered in the context of the entirety of this letter. Save for the purposes of the Circular to be dispatched to the shareholders of SGL and/or the special general meeting of shareholders to be convened by SGL in connection with the Transaction, this letter may not be reproduced, disseminated or quoted for any other purpose without Deloitte’s prior written consent. This letter is governed by, and should be construed in accordance with the laws of Hong Kong Special Administrative Region, and are strictly limited to the matters stated therein and do not apply by implication to any other matter.

Yours faithfully,  
DELOITTE & TOUCHE FINANCIAL ADVISORY SERVICES LIMITED

Edwina Tam  
Principal

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## NOTICE OF SPECIAL GENERAL MEETING

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### SINOCLOUD GROUP LIMITED

(Registration No.: 34050)  
(Incorporated in Bermuda)

## NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of SINOCLOUD GROUP LIMITED (the “**Company**”) will be held at Room 302, Level 3, 32 Maxwell Road #03-01, Singapore 069115 on 10 September 2015 at 4.30 p.m. (Singapore time) and at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions.

All capitalised terms used in this Notice which are not defined herein shall have the same meanings ascribed to them in the Circular to shareholders of the Company dated 24 August 2015 (the “**Circular**”).

### **ORDINARY RESOLUTION 1 – THE PROPOSED ACQUISITION OF 63.0% EQUITY INTERESTS IN SINOCLOUD 01 LIMITED**

That contingent upon the passing of Ordinary Resolution 2 as set out in this Notice:

- (a) approval be and is hereby given for the proposed acquisition by Armarda Holdings Limited, a wholly-owned subsidiary of the Company of 63,000 shares in the capital of SinoCloud 01 Limited (the “**Proposed Acquisition**”) from Zhang Dai, Xu Yong, Bi Wei Na and Xu Yu Chi (the “**Vendors**”) for an aggregate purchase consideration of HK\$137,941,000 under the terms and conditions of the conditional share sale and purchase agreement dated 13 March 2015 entered into between the Company’s wholly-owned subsidiary, Armarda Holdings Limited, and the Vendors; and
- (b) the Directors of the Company and each of them be authorised to take any and all steps, to complete and do all such acts and things including but not limited to approving, negotiating, signing, executing and delivering all such documents and approving any amendments, alterations or modifications to any document and affixing the common seal of the Company to any such documents (if necessary) in connection with the Proposed Acquisition and/or any other transactions contemplated thereby and/or as they or he may consider necessary, desirable or expedient to give effect to this Resolution as they may deem fit, with such modifications thereto (if any) as they or he may from time to time consider necessary, expedient and/or appropriate.

### **ORDINARY RESOLUTION 2 – THE PROPOSED ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES**

That, contingent upon the passing of Ordinary Resolution 1 as set out in this Notice:

- (a) approval be and is hereby given for the issue and allotment by the Company of the 2,000,000,000 new ordinary shares of par value HK\$0.001 each, credited as fully paid, in the issued share capital of the Company (“**Consideration Shares**”), at S\$0.005 for each Consideration Share, in payment and satisfaction of part of the Purchase Consideration payable for the Acquisition and in accordance with the terms and conditions of the SPA (the “**Proposed Issuance**”). For the avoidance of doubt, shareholders’ preemptive right under Bye-law 10 of the Bye-Laws of the Company shall not apply to the proposed issue of the Consideration Shares to the Vendors; and
- (b) the Directors of the Company and each of them be authorised to take any and all steps, to complete and do all such acts and things including but not limited to approving, negotiating, signing, executing and delivering all such documents and approving any amendments, alterations or modifications to any document and affixing the common seal of the Company to any such documents (if necessary) in connection with the Proposed Issuance and/or any other transactions contemplated thereby and/or as they or he may consider necessary, desirable or expedient to give effect to this Resolution as they may deem fit, with such modifications thereto (if any) as they or he may from time to time consider necessary, expedient and/or appropriate.

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## NOTICE OF SPECIAL GENERAL MEETING

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### BY ORDER OF THE BOARD

Chu Yin Ling, Karen  
Company Secretary  
Singapore, 24 August 2015

#### Notes:

1. If a Shareholder who is not a Depositor (as defined in Section 130A of the Companies Act), is unable to attend the SGM and wishes to appoint a proxy/proxies to attend and vote on his behalf, he could complete, sign and return the proxy form ("**Shareholder Proxy Form**") as attached to the Circular in accordance with the instructions printed thereon. With the exception of The Central Depository (Pte) Limited (the "**CDP**") who may appoint more than two proxies, a Shareholder entitled to attend and vote at the SGM who holds two (2) or more shares is entitled to appoint no more than two (2) proxies to attend and vote on his behalf. A proxy need not be a Shareholder.
2. Where a form of proxy appoints more than one proxy (including the case where such appointment results from a nomination by the CDP), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
3. If a Depositor who is an individual and whose name appears in the Depository Register (as defined in Section 130A of the Companies Act) as at a time not earlier than 48 hours before the time appointed for the SGM and is unable to attend the SGM personally and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the proxy form (the "**Depositor Proxy Form**") as attached to the Circular in accordance with the instructions printed thereon.
4. A Depositor who is not an individual can only be represented at the SGM if its nominee is/are appointed as CDP's proxy/proxies. To appoint its nominee/nominees as proxy/proxies of the CDP and to enable its nominee/nominees to attend and vote at the SGM, such Depositor should complete, execute and deposit the Depositor Proxy Form as attached to this Circular in accordance with the instructions printed thereon.
5. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its corporate representative at the SGM.
6. To be valid, the Shareholder Proxy Form or the Depositor Proxy Form, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the SGM or at any adjournment thereof. Detailed instructions can be found on the Shareholder Proxy Form and Depositor Proxy Form.
7. 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 if he wishes to do so, in place of his proxy/proxies.
8. Shareholders of the Company (and their respective proxies) are requested NOT to wear singlets, running shorts and slippers at Maxwell Chambers, the venue of the Special General Meeting of the Company. Your co-operation in complying with Maxwell Chambers' dress code is greatly appreciated or otherwise, you may be denied entry into the building.
9. Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Canaccord Genuity Singapore Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this notice.*

*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 Ms. Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 68546160.*

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