

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

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**POTENTIAL MATERIAL DILUTION OF EFFECTIVE EQUITY INTEREST IN A PRINCIPAL  
SUBSIDIARY, GUIYANG ZHONGDIAN GAOXIN DIGITAL TECHNOLOGIES LIMITED**

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**1. INTRODUCTION**

The board of directors ("**Board**" or "**Directors**") of SinoCloud Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to inform that Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**Guiyang Zhongdian**"), a principal subsidiary of the Group, intends to increase its registered and paid-up capital such that the Company's effective interest in Guiyang Zhongdian will be reduced by up to 26.8% of its existing holdings.

**2. THE POTENTIAL DILUTION**

**2.1 Background**

The Company, through its wholly-owned subsidiary, SinoCloud Investment Holdings Limited ("**SinoCloud Investment**"), owns 81.0% of the issued and paid-up share capital of SinoCloud 01 Limited ("**SinoCloud 01**"), a company incorporated in the British Virgin Islands on 2 December 2014, as at the date of this announcement. Upon completion of the Third Acquisition (as defined below), the Company, through SinoCloud Investment, will hold the entire issued and paid-up share capital of SinoCloud 01. As at the date of this announcement, (i) SinoCloud 01 owns the entire issued and paid-up capital of SinoCloud 01 (HK) Limited ("**SinoCloud HK**"), a company incorporated in Hong Kong on 5 March 2015; and (ii) SinoCloud HK is the owner of 100% of the equity interest in SinoCloud Data (Guiyang) Limited (中云数据(贵阳)有限公司) ("**SinoCloud Data**"), a wholly foreign-owned enterprise established in the PRC on 27 May 2015.

Prior to the Initial Guiyang Fund Investment (as defined below), Shenzhen Zhongdian Lechu Data Technology Co., Ltd. (深圳中电乐触数据科技有限公司) ("**Shenzhen Co**") holds 100% equity interest in Guiyang Zhongdian. Shenzhen Co is a company established in the PRC on 17 November 2014 as a limited liability company, and is wholly-owned by Zhang Dai, Xu Yong, Bi Wei Na and Xu Yu Chi, who hold 32.5%, 32.5%, 17.5% and 17.5% of its equity interest respectively.

Guiyang Zhongdian is a company established in the PRC on 28 April 2014 as a limited liability company. Guiyang Zhongdian is principally engaged in the business of operating IDC services, cloud computing and big data services in the Guiyang region, Guizhou province, the PRC.

Pursuant to a series of contractual arrangements entered into by SinoCloud Data, Shenzhen Co and Guiyang Zhongdian, all of the operating and economic rights, interests, benefits, risks and liabilities and the effective control and management over Guiyang Zhongdian held by Shenzhen Co, are transferred to, owned or managed or controlled by, or ceded to or vested in, SinoCloud Data, on a sole and exclusive basis

to the maximum extent legally possible ("**VIE Arrangements**"), given the restrictions on foreign ownership of companies that are engaged in value-added telecommunications business in the PRC.

#### *Initial Acquisition*

On 1 October 2015, the Company completed the acquisition of a 63.0% interest in SinoCloud 01 ("**Initial Acquisition**"). Please refer to the circular to the shareholders of the Company (the "**Shareholders**") dated 24 August 2015 and the Company's announcements dated 15 March 2015, 20 March 2015, 14 July 2015, 30 July 2015, 24 August 2015, 2 September 2015, 10 September 2015 and 1 October 2015 for more details on the Initial Acquisition. Upon completion of the Initial Acquisition, the Company holds a 63.0% effective interest in Guiyang Zhongdian through the VIE Arrangements and Shenzhen Co's 100.0% interest in Guiyang Zhongdian.

#### *Second Acquisition*

On 7 March 2017, the Company completed the acquisition of an additional 18.0% interest in SinoCloud 01 ("**Second Acquisition**"), resulting in a post-acquisition effective interest of 81.0% in Guiyang Zhongdian through the VIE Arrangements and Shenzhen Co's 100.0% interest in Guiyang Zhongdian. Please refer to the Company's announcement dated 7 March 2017 for more details of the Second Acquisition.

#### *Initial Guiyang Fund Investment*

On 16 May 2017, the Company announced that Guiyang Zhongdian and Shenzhen Co had entered into an investment agreement with Guiyang Gaoxin Big Data Fund Company ("**Guiyang Fund**"), pursuant to which Guiyang Fund invested an aggregate of RMB54,000,000 ("**Initial Investment Sum**") in cash in Guiyang Zhongdian ("**Initial Guiyang Fund Investment**"). The Initial Investment Sum was injected into Guiyang Zhongdian as (i) registered and paid-up capital of RMB21,950,000; and (ii) share premium of RMB32,050,000. Subsequent to the Initial Guiyang Fund Investment, (i) Guiyang Fund held 18.0% equity interest in Guiyang Zhongdian; and (ii) Shenzhen Co's equity interest in Guiyang Zhongdian was accordingly reduced from 100.0% to 82.0% and correspondingly, as a result, the Company's effective interest in Guiyang Zhongdian, through the VIE Arrangements and Shenzhen Co's 82.0% interest in Guiyang Zhongdian, was reduced from 81.0% to 66.42%.

Please refer to the Company's announcement dated 16 May 2017 for more details of the Initial Guiyang Fund Investment.

Guiyang Fund was formed to invest in IDC-related companies in the PRC. It has a registered capital of RMB1 billion, with SDIC Taikang Trust Co., Ltd (国投泰康信托有限公司) committed over 50% of the registered capital and the remaining 50% of the registered capital from local technology companies in the PRC. The equity participation by Guiyang Fund in Guiyang Zhongdian is intended to enhance Guiyang Zhongdian's business network in the IDC market in the PRC, which will also facilitate the expansion of its customer base and participation in new IDC projects.

#### *Third Acquisition*

On 7 June 2017, the Company announced that it had, through SinoCloud Investment, entered into a sale and purchase agreement for the acquisition by the Company of the remaining 19.0% interest in SinoCloud 01 ("**Third Acquisition**"). The purchase consideration for the Third Acquisition was HK\$38,000,000, to be satisfied in full via the allotment and issuance of an aggregate of 3,392,857,143 new Shares at an issue

price of S\$0.002 each, to the vendors, namely Xu Yong, Bi Wei Na and Xu Yu Chi ("**Share Issuance**"). Please refer to the Company's announcement dated 7 June 2017 for more details of the Third Acquisition. As at the date of this announcement, the Share Issuance pursuant to the Third Acquisition has yet to be completed. The Company intends to complete the Third Acquisition, such that its effective interest in Guiyang Zhongdian is increased accordingly, prior to the dilution of its effective interest in Guiyang Zhongdian pursuant to the Further Injection.

Upon completion of the Third Acquisition, the Company's effective interest in Guiyang Zhongdian will increase from 66.42% to 82.0%, arising from its increased 100.0% interest in SinoCloud 01, the VIE Arrangements, and the Shenzhen Co's 82.0% interest in Guiyang Zhongdian.

## 2.2 The Potential Dilution

Further to the Initial Guiyang Fund Investment, Guiyang Zhongdian intends to undertake a corporate action which involves an increase in its share capital by up to RMB66,000,000, whereby its registered and paid-up capital will increase by up to RMB44,710,000 and the excess of RMB21,290,000 will be classified as share premium ("**Further Injection**"). Guiyang Zhongdian is still in discussion with potential investor(s) and has not identified specific investor(s) for purposes of the Further Injection. Accordingly, the Company shall update its Shareholders and provide relevant details on the transactions via SGXNet announcement(s) as and when Guiyang Zhongdian enters into the relevant investment agreement(s) for the Further Injection.

Upon completion of the Further Injection, Guiyang Zhongdian's registered capital will increase from RMB121,950,000 as at the date of this announcement to up to RMB166,660,000, and paid-up capital will increase from RMB42,950,000 as at the date of this announcement to up to RMB87,660,000. The potential investor(s) pursuant to the Further Injection will hold equity interest of 26.8% in Guiyang Zhongdian after the Further Injection.

As Shenzhen Co does not intend to participate in the Further Injection, its 82.0% interest in Guiyang Zhongdian will be reduced to 60.0% after completion of the Further Injection. Accordingly, the Company's effective interest in Guiyang Zhongdian, through the VIE Arrangements and Shenzhen Co's reduced 60.0% interest in Guiyang Zhongdian, will therefore be reduced from 82.0% prior to the Further Injection (but after the completion of the Third Acquisition), to not less than 60.0% after the Further Injection and the completion of the Third Acquisition, representing a maximum percentage reduction of 26.8% (the "**Potential Dilution**"). Based on the maximum amount to be raised of RMB66,000,000 and the maximum dilution of 26.8%, the proposed corporate action values Guiyang Zhongdian at RMB300,000,000 ("**Ascribed Value**"). Based on the unaudited financial statements of Guiyang Zhongdian for the financial year ended 31 March 2017 ("**FY2017**"), the Ascribed Value represents a 2,784% premium to the net tangible asset of Guiyang Zhongdian as at 31 March 2017.

Pursuant to Rule 805(2)(b) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), an issuer must obtain the prior approval of its shareholders in a general meeting if a principal subsidiary of an issuer issues shares that will or may result in a percentage reduction of 20.0% or more of the issuer's equity interest in the principal subsidiary. The Catalist Rules defines a principal subsidiary as "a subsidiary whose latest audited consolidated pre-tax profits (excluding the minority interest relating to that subsidiary) as compared with the latest audited pre-tax profits of the group (excluding minority interest relating to that subsidiary) accounts for 20.0% or more of such pre-tax profits of the group. In determining profits, exceptional and extraordinary items are to be excluded".

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 March 2016, Guiyang Zhongdian's pre-tax profits accounted for more than 20.0% of the pre-tax profits of the Group. In addition, the Company considers Guiyang Zhongdian to be a major revenue contributor to the Group, given the Group's focus on its IDC related businesses. Taking into account the above, the Company considers Guiyang Zhongdian to be a principal subsidiary of the Company. In accordance with Rule 805(2)(b) of the Catalist Rules, the Potential Dilution shall be subject to the approval of the Shareholders. A circular containing further details of the the Potential Dilution, together with a notice of a special general meeting, will be despatched by the Company to Shareholders in due course.

### 2.3 Rationale for the Potential Dilution

The funds from the Further Injection will allow Guiyang Zhongdian to expand its existing capacity in order to finance more IDC projects for its development in the IDC market, and further strengthen its financial status.

## 3. FINANCIAL EFFECTS OF THE POTENTIAL DILUTION

The proforma financial effects of the Potential Dilution are presented for illustrative purposes only and are not intended to be indicative or reflective of the actual future financial situation of the Company and the Group after the completion of the Potential Dilution.

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

- (a) the financial effect on the Group's consolidated net tangible asset ("NTA") per Share is computed based on the assumption that the Potential Dilution was completed on 31 March 2017;
- (b) the financial effect on the Group's loss per Share ("LPS") is computed based on the assumption that the the Potential Dilution was completed on 1 April 2016;
- (c) adjusted for the expenses to be incurred in respect of the Potential Dilution, being mainly professional fees, estimated to be approximately HK\$300,000; and
- (d) an exchange rate of RMB1.00:HK\$1.10.

#### NTA per Share

	Before the Potential Dilution	After the Potential Dilution
NTA <sup>(1)</sup> as at 31 March 2017 (HK\$'000)	144,675	208,113
Number of Shares	14,310,670,617	14,310,670,617
NTA <sup>(1)</sup> per Share (HK\$)	0.0101	0.0145

**Note:**

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

**LPS**

	<b>Before the Potential Dilution</b>	<b>After the Potential Dilution</b>
Net loss attributable to Shareholders for FY2017 (HK\$'000)	45,950	50,567
Weighted average number of Shares	14,310,670,617	14,310,670,617
LPS (HK\$)	0.0032	0.0035

**4. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE POTENTIAL DILUTION**

Save for Zhang Dai (Executive Director of the Company) who holds 32.5% equity interest in Shenzhen Co as at the date of this announcement, none of the Directors has, and to the best of the Directors' knowledge, there are no Controlling Shareholders of the Company, who have, any interest, direct or indirect, in the Potential Dilution, save for their respective shareholdings in the Company.

**5. SERVICE AGREEMENT**

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

**6. RESPONSIBILITY STATEMENT**

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

**BY ORDER OF THE BOARD**

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

**9 June 2017**

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

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

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