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

PROPOSED ACQUISITION OF ADDITIONAL 18.0% EQUITY INTEREST IN SINOCLOUD 01 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, on 7 March 2017, the Company had, through its wholly-owned subsidiary, SinoCloud Investment Holdings Limited ("**SinoCloud Investment**" or the "**Purchaser**"), entered into a sale and purchase agreement (the "**Agreement**") with Zhang Dai and Xu Yong (each a "**Vendor**" and collectively, the "**Vendors**") to acquire 18.0% of the equity interests in SinoCloud 01 Limited (the "**Target**"), being 18,000 ordinary shares in the capital of the Target (the "**Sale Shares**"), for an aggregate purchase consideration of HK$36,000,000 (equivalent to RMB32,400,000 based on an agreed exchange rate of RMB1: HK$1.1111) ("**Purchase Consideration**") (the "**Proposed Acquisition**").

Following completion of the Proposed Acquisition ("**Completion**"), the Group's effective interest in the Target will increase from 63.0% to 81.0%.

2. BACKGROUND

On 15 March 2015 and 14 July 2015, as amended, the Company announced that it had, through SinoCloud Investment (formerly known as Armarda Holdings Limited), entered into a sale and purchase agreement with Zhang Dai, Xu Yong, Bi Wei Na and Xu Yu Chi (the "**Vendors of Initial Acquisition**") for the acquisition of 63% equity interest in the Target (the "**Initial Acquisition**"). The Initial Acquisition was duly approved by the Company's shareholders ("**Shareholders**") at a special general meeting held on 10 September 2015. Please refer to the circular to Shareholders dated 24 August 2015 in respect of the Initial Acquisition (the "**Circular**"), as well as the Company's announcements relating to the Initial Acquisition 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.

The Initial Acquisition was completed on 1 October 2015 and as of the date of this announcement, the Company holds 63% equity interest in the Target.

3. INFORMATION ON THE TARGET

The Target is a company incorporated in the British Virgin Islands on 2 December 2014 and has 100,000 issued ordinary shares of par value US$1.00 each. As of the date of this announcement, (i) the Target owns the entire issued and paid-up capital of SinoCloud 01 (HK) Limited ("**SinoCloud HK**"), a company incorporated in Hong Kong on 5 March 2015; and (ii) SinoCloud HK owns 100% of the equity interest in SinoCloud Data (Guiyang) Limited ("**SinoCloud Data**"), a company established in the People's Republic of China ("**PRC**") on 27 May 2015 as a limited liability company.

Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**Guiyang Zhongdian**") is a company established in the PRC on 28 April 2014 as a limited liability company. Guiyang Zhongdian is in the business of operating internet data center services and businesses in the PRC (the "**Business**"). It is principally engaged in the operation of a internet data centre (the "**IDC**"), cloud computing and big data services in the Guiyang region, Guizhou province, the PRC. As of the date of this announcement, Shenzhen Zhongdian Lechu Data Technology Co., Ltd.

("**Shenzhen Co**") holds 100% equity interest in Guiyang Zhongdian. Shenzhen Co is a company established in the PRC on 17 November 2014 as a limited liability company, and is wholly-owned by the Vendors.

Pursuant to a series of contractual arrangements entered into by SinoCloud Data, Shenzhen Co and Guiyang Zhongdian (the "**VIE Arrangement**"), all of the operating and economic rights, interests, benefits, risks and liabilties and the effective control and management over Guiyang Zhongdian, 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, given the restrictions on foreign ownership of companies that are engaged in value-added telecommunications business in the PRC.

There is no substantial change in the structure of the Target and its wholly-owned subsidiaries, comprising SinoCloud 01 (HK) Limited and SinoCloud Data (Guiyang) Limited (collectively, the "**Target Group**") since the completion of the Initial Acquisition which had taken place on 1 October 2015.

Please refer to the Circular for further information on, amongst others, the Initial Acquisition and the VIE Arrangement.

4. Information on the Vendors

4.1 Zhang Dai

Zhang Dai 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, 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, Beijing Feilan Telecommunications Technology Company and China Comservice Jinyu (Beijing) Telecommunications Technology Company. 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.

4.2 Xu Yong

Xu Yong is the founder of Guiyang Zhongdian. He has over 20 years of management experience.

4.3 Shareholdings in the Target

The Vendors currently hold in aggregate, 24.05% of the remaining 37.0% equity interest in the Target which the Group does not currently hold, comprising 24,050 ordinary shares of par value US$1.00 each in the capital of the Target, details as set out below:

Name of Vendor	Number of shares held in the Target before the Proposed Acquisition	Number of Sale Shares held
Zhang Dai	12,025	12,025
Xu Yong	12,025	5,975
TOTAL	**24,050**	**18,000**

4.4 Shareholdings in the Company

As at the date of this announcement, the Vendors are Shareholders of the Company, and details on their shareholdings in the Company are as set out below:

Name of Vendor	Number of shares held in the capital of the Company	% shareholdings in the Company
Zhang Dai	260,000,000	2.38%
Xu Yong	650,000,000	5.95%

5. SALIENT TERMS OF THE PROPOSED ACQUISITION

5.1 Sale Shares

Subject to the terms and conditions of the Agreement, the Vendors shall, as legal and beneficial owners of the Sale Shares and relying on the representations, warranties and undertakings of the Purchaser contained in the Agreement, sell, transfer and assign and the Purchaser shall, relying on the representations, warranties and undertakings of the Vendors contained in the Agreement, purchase the Sale Shares free from all encumbrances and together with all rights, benefits and advantages attaching thereto including dividends and distributions as of and including the date of Completion (the "**Completion Date**") and thereafter.

5.2 Purchase Consideration

Pursuant to the Agreement, the Purchase Consideration shall be fully satisfied by way of an assignment of receivable of HK$36,000,000 by the Group in favour of the Vendors (the “**Assignment of Receivable**”). Please refer to a separate announcement released by the Company today, in connection with the Assignment of Receivable.

The Purchase Consideration is arrived at on a willing buyer and willing seller basis, taking into account the purchase consideration of the Initial Acquisition as there had been no material change to the VIE Arrangement and business of Guiyang Zhongdian since the completion of the Initial Acquisition. As such, no independent valuation was conducted on the Target Group for the purpose of the Proposed Acquisition.

The purchase consideration for the Initial Acquisition of approximately HK$137,941,000 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 a Business Valuation (as defined below).

For the purposes of the Initial 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 (approximately HK$212.5 million to HK$248.8 million based on an exchange rate of RMB1:HK$1.25) as at the date of valuation of 28 February 2015. Please refer to the Circular for further details on the Business Valuation.

5.3 Conditions Precedent

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

(a) the Purchaser having obtained approval of its board of directors in relation to the transactions contemplated in the Agreement;

(b) the Company having obtained approval of the Board of Directors in relation to the transactions contemplated in the Agreement;

(c) the Purchaser and the Vendors having complied with the terms and conditions of the Agreement and there having been no breach of the Agreement by any party;

(d) the Vendors, Mr Lu Zhendong and Mr Gao Xiangjun[1] have entered into an assignment of receivable agreement to assign the Company's right of receivable from Mr Lu Zhendong, to satisfy the Purchase Consideration to be payable to the Vendors;

(e) none of the Company, the Purchaser, the Vendors and the Target Companies (namely all or any of the Target, SinoCloud HK, SinoCloud Data, Shenzhen Co and Guiyang Zhongdian) 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;

(f) all of the warranties and representations contained in the Agreement being true, correct, complete, accurate and not misleading in all respects at Completion, as if repeated at Completion, and all undertakings contained in the Agreement, to the extent being capable of being fulfilled prior to Completion, having been fulfilled in all respects;

(g) no material adverse change having occurred in relation to the Target Companies between the date of the Agreement and the Completion;

(h) the transactions contemplated in the Agreement (in whole or in part) not having constituted a very substantial acquisition and/or a reverse takeover under the Listing Manual Section B: Catalist Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**");

(i) the Purchaser, or the Company and the Vendors having complied with the Catalist Rules in all respects in connection with the Proposed Acquisition;

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

6. RATIONALE FOR THE PROPOSED ACQUISITION

Since the Initial Acquisition, the Target Group (which is in the IDC business) has become a major revenue and profit contributor to the Group. The Board is of the view that the Proposed Acquisition will allow the Group to increase its stake in the promising IDC business, which will, barring unforeseen circummstances, enable the Group to share more positive returns from the Target Group.

7. FINANCIAL INFORMATION OF THE TARGET

Based on the management accounts of the Target Group which are prepared under International Financial Reporting Standard, it recorded a net loss before tax of approximately HK$2.4 million for the financial year ended 31 March 2016 ("**FY2016**") and a net profit before tax of approximately HK$6.4 million for the nine (9) months ended 31 December 2016 ("**9M2017**"). The consolidated net liability as at 31 March 2016 was HK$106.6 million and net tangible assets as at 31 December 2016 was HK$113.7 million.

[1] Mr Lu Zhendong and Mr Gao Xiangjun are parties to the proposed settlement anounced by the Company on 12 December 2016, and 9 February 2017 as well as the circular to Shareholders dated 16 December 2016, in relation to the proposed settlement of the aggregate outstanding amount due and owing by Mr Lu Zhen Dong (as the Borrower) to the Company under a convertible loan of HK$78,084,000.

8. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures of the Proposed Acquisition computed based on the Group's latest announced unaudited consolidated financial results for the 9M2017, in accordance with Rule 1006 of the Catalist Rules are as follows:-

Rule 1006		
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable[(1)]
(b)	Net profits attributable to the assets acquired, compared with the Group's net profit	Not meaningful[(2)]
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares [(3)]	19.6%
(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	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be acquired of, compared with the aggregate of the Group's probable and proved reserves	Not applicable

Notes:

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

(2) Net profits is defined to be profit or loss before income tax, non-controlling interests and extraordinary items. As the Group made a loss before income tax, non-controlling interests and extraordinary items of approximately HK$7.8 million for 9M2017, the relative figure computed under Rule 1006(b) of the Catalist Rules would be negative, and hence is not meaningful.

(3) The Company's market capitalisation of approximately HK$183.4 million is based on its total number of issued ordinary shares ("**Shares**") of 10,917,813,474 and the weighted average price of S$0.003 per Share on 6 March 2017, being the last traded market day prior to the date of the Agreement, and at an exchange rate of HK$5.6 : S$1.00.

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

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

9. FINANCIAL EFFECTS

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

The proforma financial effects of the Proposed Acquisition have been computed based on the latest audited consolidated financial statements of the Group for FY2016 with the following bases and assumptions:

(a) the Purchase Consideration are satisfied in full by way of the Assignment of Receivable;

(b) the financial effect on the Group's consolidated net tangible asset ("**NTA**") per Share is computed based on the assumption that the Proposed Acquisition was completed on 31 March 2016;

(c) the financial effect on the Group's loss per Share ("**LPS**") is computed based on the assumption that the Proposed Acquisition was completed on 1 April 2015; and

(d) expenses to be incurred in respect of the Proposed Acquisition, being mainly professional fees, are estimated to be approximately HK$0.5 million.

NTA per Share

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA[1] of the Group as at 31 March 2016 (HK$'000)	156,780	120,280
Number of Shares	10,917,813,474	10,917,813,474
NTA[1] per Share (HK$ cents)	1.44	1.10

Note:

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

LPS

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Net loss attributable to shareholders of the Company for FY2016 (HK$'000)	111,615	112,556
Weighted average number of Shares	9,105,157,736	9,105,157,716
LPS (HK$ cents)	1.23	1.24

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

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

11. 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.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

13. RESPONSIBILITY STATEMENT

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

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer

7 March 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.