

SINOCLOUD GROUP LIMITED

(Incorporated in Bermuda on 13 August 2003)

(Registration No. 34050)

INCREASE IN REGISTERED CAPITAL IN A PRINCIPAL SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

- 1.1 The board of directors ("**Board**" or "**Directors**") of SinoCloud Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that on 15 May 2017, a principal subsidiary of the Company, namely Guiyang Zhongdian Gaoxin Digital Technologies Limited (贵阳中电高新数据科技有限公司) ("**Guiyang Zhongdian**") had, together with Shenzhen Zhongdian Lechu Data Technology Co., Ltd. (深圳中电乐触数据科技有限公司) ("**Shenzhen Lechu**"), entered into an investment agreement (the "**Agreement**") with Guiyang Gaoxin Big Data Fund Company (贵阳高新大数据产业投资合伙企业) (the "**Guiyang Fund**"), whereby the Guiyang Fund has agreed to invest an aggregate of RMB54.0 million in cash ("**Consideration**") in Guiyang Zhongdian (the "**Proposed Issue**").
- 1.2 Pursuant to the Agreement, the Consideration will be injected into Guiyang Zhongdian as (i) registered and paid-up capital of RMB21.95 million; and (ii) share premium of RMB32.05 million, and the Guiyang Fund will have 18% equity interests in Guiyang Zhongdian ("**New Equity Interests**") after the Proposed Issue.
- 1.3 Following the Proposed Issue, the Company's effective interest in Guiyang Zhongdian will be diluted by 18.0%, from the existing 81.00% to 66.42%.

2. INFORMATION ON GUIYANG ZHONGDIAN

- 2.1 Guiyang Zhongdian is a company established in the People's Republic of China ("**PRC**") on 28 April 2014 as a limited liability company. As at the date of this announcement, Guiyang Zhongdian has a registered and paid-up capital of RMB100,000,000 and RMB21,000,000 respectively, and is wholly-owned by Shenzhen Lechu. Shenzhen Lechu is a company established in the PRC on 17 November 2014 as a limited liability company, wholly-owned by Zhang Dai, Xu Yong, Bi Wei Na and Xu Yu Chi (the "**Vendors**"). 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 an internet data centre ("**IDC**"), cloud computing and big data services in the Guiyang region, Guizhou province, the PRC.
- 2.2 The Company, through its wholly-owned subsidiary, SinoCloud Investment Holdings Limited ("**SinoCloud Investment**") (formerly known as Armarda Holdings Limited), acquired 63.0% equity interests in SinoCloud 01 Limited ("**SC01**") from the Vendors (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, and was completed on 1 October 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, for further details on the Initial Acquisition.

SC01 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) SC01 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 PRC on 27 May 2015 as a limited liability company.

Pursuant to a series of contractual arrangements entered into by SinoCloud Data, Shenzhen Lechu and Guiyang Zhongdian (the “**VIE Arrangement**”), all of the operating and economic rights, interests, benefits, risks and liabilities 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. Subsequent to the Proposed Issue, as 18% of the equity interests of Guiyang Zhongdian will be held by the Guiyang Fund with the balance 82% held by Shenzhen Lechu, the aforementioned interests, amongst others, under the VIE Arrangement will be reduced accordingly, from 100% to 82%.

- 2.3 Subsequent to the Initial Acquisition, the Company, through SinoCloud Investment, acquired an additional 18% equity interests in SC01 from Zhang Dai and Xu Yong (the “**Second Acquisition**”), completed on 7 March 2017. Subsequent to the Second Acquisition, the Company’s effective interest in SC01 increased from 63.0% to 81.0%, as at the date of this announcement. The remaining 19.0% of the equity interests in SC01 are held by Xu Yong (6.05%), Bi Wei Na (6.475%) and Xu Yu Chi (6.475%). Please refer to the Company’s announcement dated 7 March 2017 for further information on the Second Acquisition.

3. INFORMATION ON THE GUIYANG FUND

The 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.

4. RATIONALE FOR THE PROPOSED ISSUE

The Proposed Issue will provide additional capital to Guiyang Zhongdian to further develop its IDC business in the PRC.

In addition, the Board is of the view that, with the equity participation by the Guiyang Fund in Guiyang Zhongdian, barring unforeseen circumstances, Guiyang Zhongdian will be able to enhance its 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.

5. THE PROPOSED ISSUE

- 5.1 Following the completion of the Proposed Issue, Guiyang Zhongdian’s registered capital will increase from RMB100,000,000 to RMB121,950,000, and paid-up capital will increase from RMB21,000,000 to RMB42,950,000, with Shenzhen Lechu and the Guiyang Fund holding 82.0% and 18.0% equity interests in Guiyang Zhongdian respectively.
- 5.2 The Company’s effective interest in Guiyang Zhongdian, through its shareholding in SC01 and with the VIE Arrangement, will decrease by 18.0%, from 81.0% to 66.42% (being 81.0% of Shenzhen Lechu’s 82.0% equity interests in Guiyang Zhongdian) after the Proposed Issue.
- 5.3 The Consideration of RMB54.0 million was negotiated on an arm’s length basis, and was arrived at on a willing buyer willing seller basis, taking into account factors such as the growth prospects of Guiyang Zhongdian. The Consideration will be satisfied fully by cash.
- 5.4 Based on the latest unaudited financial statements of Guiyang Zhongdian as at 31 December 2016, each of the net book value and net tangible asset value attributable to the 18% New Equity Interests in Guiyang Zhongdian amounted to approximately RMB0.9 million.

6. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED ISSUE

Save for Zhang Dai (an Executive Director of the Company) who holds 32.5% equity interests in Shenzhen Lechu (the holding company of Guiyang Zhongdian) as at the date of this announcement, 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 Issue (other than through their respective shareholdings in the Company, if any).

7. SERVICE CONTRACTS OF DIRECTORS

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

8. 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 Issue, 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

16 May 2017

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

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

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