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

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**DISPOSAL OF SUBSIDIARY – SALE AND PURCHASE DEED**

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## 1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of the Company (together with its subsidiaries, the "**Group**") would like to announce that the Company's wholly-owned subsidiary, SinoCloud Investment Holdings Limited ("**SinoCloud Investment**" or the "**Vendor**"), has entered into a sale and purchase deed (the "**Deed**") with New Star Education Limited (the "**Purchaser**") and Dr Chou Tao Hsiung Joseph (the "**Guarantor**") on 24 December 2015, for the disposal by the Vendor of 100% of the issued and paid up share capital of its wholly-owned subsidiary, Armarda Technology Services Limited ("**ATSL**"), to the Purchaser (the "**Disposal**") for an aggregate consideration of HK$3,540,000 (the "**Sale Consideration**").

## 2. INFORMATION ON THE DISPOSAL

2.1 ATSL is a company incorporated in the British Virgin Islands in 2001. Its principal business is the provision of information technology ("**IT**") consulting and support services.

Salient information on the companies owned by ATSL is set out as follows:

(i) Armarda Technology (Hong Kong) Limited ("**ATHK**") is wholly-owned by ATSL and is currently dormant. ATHK was formerly engaged in the business of trading of IT equipment.

(ii) LT Hong Kong Network Technology Limited BVI ("**LTBVI**") is wholly-owned by ATSL and is an investment holding company.

(iii) LT Hong Kong Network Technology Limited ("**LTHK"**) is wholly-owned by LTBVI and is currently dormant.

(iv) Armarda Technology (Zhuhai) Limited ("**ATZH**"), a wholly foreign-owned entity in the PRC, is wholly-owned by ATHK and is currently dormant. ATZH was formerly engaged in the business of IT consulting services.

(v) Fesco E-HR Services (Beijing) Company Limited ("**EFESCO**") is a 45%-owned associated company of ATHK and is currently engaged in the business of human resources services in the PRC.

ATSL and the abovementioned companies shall collectively be known as the "**Disposal Group**".

2.2 The Guarantor is a Hong Kong citizen. He was formerly the non-executive chairman of the Company, from March 2004 to November 2014, and is currently retired. He held senior management positions in various multinational information technology companies prior to his retirement.

2.3 Based on the unaudited consolidated financial statements of the Disposal Group for the six months ended 30 September 2015 ("**HY2016**"), the Disposal Group recorded a net loss before tax of approximately HK$1.2 million, and its net asset value amounted to approximately HK$3.54 million as at 30 September 2015. Based on the audited consolidated financial statements of the Disposal Group for the financial year ended 31 March 2015 ("**FY2015**"), the Disposal Group recorded a net loss before tax of approximately HK$17.6 million, and its net asset value amounted to approximately HK$3.54 million as at 31 March 2015.

2.4 The estimated net proceeds from the Disposal, after deducting estimated expenses in connection with the Disposal of approximately HK$0.54 million, will be approximately HK$3.0 million. Based on the assumption that the Disposal was effected on 30 September 2015, the Group is expected to record a loss of approximately HK$0.54 million in respect of the Disposal. As such, there will be a deficit over the net asset value of the Disposal Group as at 30 September 2015 and there will be no profit attributable to the asset disposed. The actual figure can only be determined on the basis of the net assets value of the Disposal Group upon the completion of the Disposal and subject to the Group's annual audit.

## 3. RATIONALE FOR THE DISPOSAL

With the Group's recent acquisition of an effective interest of 63% of a data centre at Guiyang, the PRC, the Group's core businesses now comprise mainly the provision of internet data centre services and mobile satellite telecommunication services. The Board is of the view that the businesses of the Disposal Group are no longer synergistic to the Group. Furthermore, the Disposal Group had been incurring losses for the past 5 years, and its business prospects appear to be diminishing. The Disposal will therefore enable the Group to streamline its corporate structure and re-strategize its financial and capital resources.

In addition to the above, the Disposal will allow the Group to unlock the value of its investment in the Disposal Group. The Group intends to use the net proceeds to strengthen its financial and working capital position. The Board is therefore of the view that the Disposal is beneficial to the Group and shareholders of the Company, and will serve their long-term interests as a whole.

## 4. KEY TERMS OF THE DISPOSAL

### 4.1 Sale Consideration

Subject to the terms of the Deed, the Sale Consideration shall be satisfied entirely in cash.

### 4.2 Payment Schedule

The Sale Consideration shall be paid according to the following payment schedule ("**Purchaser Payment Obligations**"):

(a) The Purchaser shall pay HK$740,000 within three business days of the date of the Deed. Such amounts shall be refundable to the Purchaser in the event that Completion (as defined below) does not take place by thirty (30) days from the date of the Deed (the "**Long Stop Date**") and the refund shall be made within five (5) business days after the Long Stop Date.

(b) The Purchaser shall pay the balance of HK$2,800,000 within forty (40) days from the date of the Deed ("**Completion Date**").

### 4.3 Conditions Precedent

The completion of the Deed (the "**Completion**") is conditional upon the fulfilment of the following conditions precedent to the satisfaction of the Vendor by the Long Stop Date, subject to the discretion of the Vendor to waive these:

(a) the Disposal not being prohibited by any statute, order, rule, regulation or directive issued after the date of the Deed by any legislative, executive or regulatory body which is applicable to the Vendor or the Purchaser;

(b) that all governmental, regulatory and third party approvals, consents and/or authorisations have been obtained for the Disposal where necessary (including but not

limited to the approvals of the shareholders of the Vendor, Purchaser and the Singapore Exchange Securities Trading Limited ("SGX-ST") where required); and

(c) that the Purchaser Warranties (as defined in the Deed) and the Guarantor Warranties (as defined in the Deed) remain true and are not misleading in any respect at the Completion, as if repeated at the Completion and at all times between the date of the Deed and the Completion.

At any time prior to the Completion Date, where the Purchaser is in breach of any of the Purchaser Warranties and/or the Guarantor is in breach of any of the Guarantor Warranties (as defined in the Deed) (as the case may be):

(a) where such breach is capable of remedy, the Purchaser and/or the Guarantor (as the case may be) shall have up to thirty (30) business days (or such other later date as the parties may agree) to remedy the breach to the satisfaction of the Vendor. The failure to remedy such breach shall entitle the Vendor to exercise its rights under (b) below; and

(b) where such breach is incapable of being remedied within the stipulated period, the Vendor shall be entitled by notice in writing to the Purchaser and the Guarantor to terminate the Deed, without prejudice to any claim by the Vendor against the Purchaser and/or the Guarantor arising from any breach of the terms hereof.

4.4 **Basis for the Consideration**

The Sale Consideration was determined on a willing-buyer and willing-seller basis after arm's length negotiations between the parties to the Deed. In arriving at the Sale Consideration, the Board had taken into account, *inter alia*, the following factors:

(a) the rationale for the Disposal (as described in Paragraph 3 above);

(b) the Disposal Group's business prospects and future earnings' potential;

(c) the historical operating track record and financial performance of the Disposal Group;

(d) the value of the assets currently owned and/or operated by the Disposal Group; and

(e) the unaudited net asset value of the Disposal Group as at 30 September 2015.

In view of the above, no independent valuation was conducted on the Disposal Group for the purposes of the Disposal.

4.5 **Guarantee and Indemnity**

The Guarantor has undertaken in the Deed to guarantee to the Vendor, as principal obligor, the due and punctual payment of each and every sum which from time to time falls due from the Purchaser to the Vendor pursuant to the Purchaser Payment Obligations which is not paid on the due date thereof. The Guarantor has also undertaken in the Deed to indemnify the Vendor by not later than ten (10) days after the issuance of a written demand by the Vendor, for and against any failure by the Purchaser to perform the Purchaser Payment Obligations.

## 5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

5.1 The relative figures of the Disposal computed on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") are as follows:-

| **Rule 1006** | **Bases** | **%** |
|---|---|---|
| (a) | The net asset value of assets to be disposed of, as compared with the Group's net asset value | 1.0 (1) |
| (b) | The net profits attributable to the assets disposed of, as compared with the Group's net profit | 14.6(2) |
| (c) | The aggregate value of the consideration given or received, compared with the Company's market capitalisation | 2.1%(3) |
| (d) | The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable |
| (e) | The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves | Not applicable |

**Notes:**

(1) Computed based on the unaudited net asset value of the Disposal Group as at 30 September 2015 of approximately HK$3.54 million, and the unaudited net asset value of the Group as at 30 September 2015 of approximately HK$355.79 million.

(2) Computed based on the unaudited consolidated net loss before tax of the Disposal Group for HY2016 of approximately HK$1.2 million, and the unaudited net loss before tax of the Group for HY2016 of approximately HK$8.2 million.

(3) Computed based on the Sale Consideration of HK$3.54 million and the Company's market capitalisation, computed based on the issued share capital of the Company of 7,540,813,474 Shares and the VWAP of S$0.0040 per Share (equivalent to HK$0.022 based on an exchange rate of S$1 : HK$5.503) on 11 December 2015 (being the last day on which the Shares were traded prior to the date of the Deed).

Having regard to the above, as the relative figures computed based on Rules 1006(a), 1006(b) and Rule 1006(c) of the Catalist Rules exceeds five per cent. (5%) but do not exceed 75%, the Disposal constitutes a "discloseable transaction" under Rule 1010 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 both the Group and the Disposal Group are 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 Disposal.

## 6. FINANCIAL EFFECTS

### 6.1 General

The pro-forma financial effects of the Disposal on the Company set out below are **solely for illustrative purposes only** and are therefore not indicative of the actual future financial position of the Company and the Group after the Completion.

The pro-forma financial effects of the Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2015 ("**FY2015**") and on the following bases and assumptions:-

(a) the financial effect on the loss per share ("**LPS**") is computed based on the assumption that the Disposal was completed on 1 April 2014;

(b) the financial effect on the consolidated net tangible assets ("**NTA**") per share is computed based on the assumption that the Disposal was completed on 31 March 2015; and

(c) the estimated transactional expenses to be incurred in connection with the Disposal amount to HK$0.54 million.

For the avoidance of doubt, such pro-forma financial effects have not taken into account (i) any corporate actions announced and undertaken by the Group subsequent to FY2015; and (ii) any issuance of new Shares subsequent to FY2015.

### 6.2 NTA per share

The effects of the Disposal on the NTA are as follows:-

| | Before the Disposal | After the Disposal |
|---|---|---|
| NTA (HK$'000) | 363,986 | 363,446 |
| Number of Shares | 7,540,813,474 | 7,540,813,474 |
| NTA[(1)] per share (HK$ cents) | 4.83 | 4.82 |

**Note**:

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

### 6.3 LPS

The financial effects of the Disposal on the LPS are as follows:-

| | Before the Disposal | After the Disposal |
|---|---|---|
| Net loss attributable to Shareholders of the Company for FY2015 (HK$'000) | 42,511 | 25,451 |
| Weighted average number of Shares | 5,083,401,000 | 5,083,401,000 |
| LPS (HK$ cents) | 0.84 | 0.50 |

## 7. INTERESTS IN THE DISPOSAL

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

## 8. SERVICE CONTRACTS

No person will be appointed to the Board of the Company in connection with the Disposal. Accordingly, no service will be entered into by the Company.

## 9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company 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 Disposal, 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.

## 10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Deed is made available for inspection during normal business hours at the principal office of the Company at Unit 605, 6/F, Ocean Centre, 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 for a period of three (3) months from the date of this announcement.

By Order of the Board

Chan Andrew Wai Men
Chairman and Chief Executive Officer

24 December 2015

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*This announcement 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 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 and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.*