

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

LETTER OF INTENT IN RELATION TO THE PROPOSED ACQUISITION OF AN INTERNET DATA CENTRE IN LIAN YUN GANG, THE PRC

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of SinoCloud Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that on 17 May 2018, Guiyang Zhongdian Gaoxin Digital Technologies Limited (贵阳中电高新数据科技有限公司) ("**Guiyang Zhongdian**") entered into a letter of intent (the "**LOI**") with Zhongdian Zhiyun Holdings Limited (中电智云控股有限公司) ("**ZDZY**" or the "**Vendor**"). Guiyang Zhongdian is an entity established in the People's Republic of China ("**PRC**") and the Company has an effective interest of 60% in Guiyang Zhongdian while the remaining 40% is owned by Guiyang Gaoxin Big Data Fund Company (贵阳高新大数据产业投资合伙企业) ("**Guiyang Fund**").

The LOI sets out the intentions of Guiyang Zhongdian and ZDZY, whereby Guiyang Zhongdian will cooperate with Guiyang Fund to acquire 100% equity interest in ZDZY's two (2) wholly-owned subsidiaries, namely Zhongtong Keyun Big Data Technology (Lian Yun Gang) Company Limited (中通科云数据科技(连云港)有限公司) ("**Target 1**") and Zhongtong Keyun Real Estate (Lian Yun Gang) Company Limited (中通科云置业(连云港)有限公司) ("**Target 2**") (collectively the "**Targets**") (the "**Proposed Acquisition**").

The LOI sets out certain terms and conditions which will form the broad basis of a definitive agreement to be entered into in relation to the Proposed Acquisition ("**Definitive Agreement**"). Shareholders should note that the LOI is not legally binding (save for certain terms, including confidentiality and exclusivity) and does not address all the material terms of the Proposed Acquisition. Such terms will be addressed in the Definitive Agreement to be entered into between the Company and the Vendor.

2. THE PROPOSED ACQUISITION

2.1 Information on the Targets and the Vendor

The information on the Targets and the Vendor was provided by the Vendor. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the Company's responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

The Targets were established in 2014 in the Lian Yun Gang city, Jiangsu Province, the PRC, to carry on the business of operating internet data centres ("**IDC**") in the PRC. Target 1 has a registered capital of RMB50 million and paid-up capital of RMB1 million, whereas Target 2 has a registered capital of RMB40 million and paid-up capital of RMB39 million.

Target 2 owns the land use rights of 36,000 square meter located at Development District, Yin Tai Lu South, Song Zhu Road North, Lian Yun Gang City, Jiangsu Province, the PRC (开发区银台路南、松竹路北, 连云港市, 江苏省) with a building with 28,000 square meter gross floor area (“**Land and Building**”). The aforementioned building has a capacity of housing 5,000 racks. As at the date of this announcement, the Targets have not installed the IDC facilities and equipment and have not commenced operations.

The Vendor was established in 2014 in Beijing. It is principally engaged in the business of information technology system integration, software development and consultancy, and building construction management. The ultimate beneficiaries of the Vendor and their respective effective interests in the Vendor are Zhang Wentong (60%), Yu Weiliang (24%) and Xu Hongna¹ (16%). None of the Vendor and its shareholders is related to any of the Directors and controlling shareholders of the Company, or their respective associates.

2.2 Salient terms of the LOI

2.2.1 *Determination of the Purchase Consideration*

The purchase consideration for the Proposed Acquisition, to be negotiated and agreed upon in the Definitive Agreement, shall be determined with reference to the net assets value of the Targets, business projection and an independent valuation report to be commissioned on the Targets.

2.2.2 *Refundable Deposit*

Pursuant to the terms of the LOI, Guiyang Zhongdian paid a refundable deposit of RMB34,950,000 (“**Deposit**”) to ZDZY to facilitate its ongoing discussion of the Proposed Acquisition. The Deposit had been secured by a pledge by the Vendor of the 82.5% equity interests in each of the Targets (“**Share Pledge**”) as collateral in favour of Guiyang Zhongdian.

2.2.3 *Expiry Date and the Exclusivity Period*

During the period from the date of the LOI to 31 December 2018 (the “**Exclusivity Period**”), none of the Company and the Vendor shall enter into or continue discussions, or pursue other transaction similar to the Proposed Acquisition.

In the event the Definitive Agreement is not entered into by 31 December 2018, the Vendor shall repay the Deposit in full to Guiyang Zhongdian before 18 January 2019 with the concurrent release of the Share Pledge, and the provisions of the LOI (save for certain provisions relating to, amongst others, confidentiality, and costs and expenses) shall cease and terminate, and no party shall have any claim against the other party, without prejudice to any rights and liabilities which may have accrued prior to such termination or which are expressed to survive such termination.

¹ Xu Hongna is the daughter of Xu Yu Chi, a 17.5% shareholder of Shenzhen Zhongdian Lechu Data Technology Co., Ltd. (深圳中电乐触数据科技有限公司) (“**Shenzhen Co**”) and a passive investor who is not involved in the operation of the business of Guiyang Zhongdian or Shenzhen Co. Shenzhen Co is an entity established in the PRC which holds 60% equity interest in Guiyang Zhongdian currently. Shenzhen Co had in 2015 entered into a series of contractual arrangements with the Group (via a wholly owned subsidiary of the Company in the PRC) and Guiyang Zhongdian, whereby 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, the Group, on a sole and exclusive basis, to the maximum extent legally possible (being, the VIE Arrangements). Please refer to the Company’s circular dated 24 August 2015 for details on the VIE Arrangements.

3. RATIONALE FOR THE PROPOSED ACQUISITION

Over the past years, the Group derived its revenue primarily through its effective interest in Guiyang Zhongdian, which had been generating positive returns to the Group since early 2016. Guiyang Zhongdian is engaged in the business of operating IDC services and businesses in Guiyang region, Guizhou Province, the PRC. The business environment of the IDC industry where Guiyang Zhongdian operates in remains promising and the Group has been focusing its efforts on strengthening its IDC business to capture the potential growth in the IDC market in the PRC, outside Guizhou Province, the PRC.

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 expand its core business in the IDC industry in the eastern China with good business growth prospects. The 40% shareholder of Guiyang Zhongdian, namely Guiyang Fund, had expressed its interest in cooperating with Guiyang Zhongdian to invest in other IDC businesses. With the contribution of Guiyang Fund, the Group (through its effective interest in Guiyang Zhongdian) will be able to expand and enhance the business network and customer base in the IDC industry.

The Board is of the view that there are sufficient safeguards in respect of the Deposit as it is secured by the Share Pledge, having considered the estimated market value of the Land and Building of approximately RMB121 million, where the market value of the land use rights as at 31 December 2017 amounted to approximately RMB81 million (supported by a valuation report dated 18 January 2018).

4. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

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.

5. 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.

6. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading the shares in the Company as there is no certainty or assurance at the date of this announcement that the Definitive Agreement will be entered into and its respective terms and conditions.

Shareholders are advised to read this announcement and any further announcements by the Company from time to time in relation to the Proposed Acquisition carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions that they should take.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer

17 May 2018

*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.

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.