

SINO CLOUD GROUP LIMITED
(Company Registration No.: 34050)
(Incorporated in Bermuda on 13 August 2003)

**ANNUAL GENERAL MEETING FOR FY2020
- RESPONSE TO QUERIES FROM SHAREHOLDERS**

The board of directors (the “**Board**” or the “**Directors**”) of SinoCloud Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Annual Report of the Company (“**Annual Report 2020**”) for the financial year ended 30 June 2020 (“**FY2020**”) and the Notice of Annual General Meeting which was issued on 7 October 2020. The following is the response from the Board to the questions received from shareholders of the Company (“**Shareholders**”).

QUESTION 1

The Group has been recording losses every quarter and the Company’s share price has been languishing at the low. What is the Company’s plan in revamping the Group’s business and increasing the Group’s revenue?

Company’s response

Since 2015, the Group has been focusing on the operation of an internet data center (“**IDC**”) in Guiyang City, the People’s Republic of China (“**PRC**”), and is constantly exploring opportunities to build a network of IDCs as well as identifying investment opportunities through greenfield development and/or acquisition of existing IDCs. Over the years, the Company had explored and was in advanced discussions with more than 10 potential investments across the PRC, in particular, in Shanxi, Beijing, and Lianyungang. However, none of these negotiations were concluded, largely due to pricing disagreements with the respective vendors.

With the advancement in technology and the increasing demand for internet data storage, the IDC landscape has evolved significantly over the past years and its potential has attracted many well established companies as investors. Such companies have stronger balance sheet with better access to financial resources provided by banks or funds, as compared to the Group. Such factors lowered the bargaining power of the Group in negotiations for investment opportunities of IDC businesses.

In view of the above considerations, in order to provide additional channels for the Company to improve long-term returns for Shareholders, and to broaden the Group’s stream of revenue and income, the Company intends to diversify its businesses to include investment in and operation of consumer discretionary businesses, which include (a) tourism, (b) food and beverage, and (c) entertainment (“**Proposed Diversification**”). Please refer to the Company’s circular to Shareholders dated 14 October 2020 for further information on the Proposed Diversification.

The Proposed Diversification is subject to Shareholders’ approval at the special general meeting to be held immediately after the conclusion of the AGM on 30 October 2020.

QUESTION 2

The Group's revenue decreased in FY2020 mainly due to decrease in customer demand and service fee reduction in FY2020, largely due to the lockdown in the PRC caused by the COVID-19 pandemic. Why did the customer demand drop, when during the COVID-19 pandemic, there were increases in internet, e-commerce and online services globally?

Company's response

The Group's revenue had been generated largely from designated groups of customers, including government-related projects. The recent COVID-19 pandemic created substantial adverse impact on the global economy, including the Group's IDC business in the PRC, where potential new orders for the Group's services had been postponed. The schedule of resuming negotiation process and respective capacity requirements of the customers are also delayed. Customer demand as well as service fees have reduced substantially since early 2020, which affected the Group's revenue reported in FY2020. The Company will review its available resources and reconsider the business approach and planning, and update Shareholders on material development on this front.

QUESTION 3

Has there been any impairment/write-off on any amount of receivables and contract assets related to the Group's single largest customer (as stated in the Key Audit Matters)? If yes, what percentage of the receivables/contract assets from that single customer was impaired/written-off?

Company's response

As disclosed in the Independent Auditor's Report on pages 58 and 59 of the Annual Report 2020, approximately 67% of the Group's trade receivables and contract assets as at 30 June 2020 was due from a single largest customer ("**Customer A**"), contributing 45% of the Group's total revenue during FY2020. The total balance due from Customer A amounted to HKD39,125,000 as at 30 June 2020, and was fully impaired as at 30 June 2020 as there was no concrete repayment plan in place to substantiate the recoverability as at 30 June 2020. The amount to be recovered from Customer A remains uncertain as at the date of this announcement and the management of Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**Guiyang Zhongdian**", a subsidiary of the Company) is in discussion with Customer A in order to reach a feasible repayment plan by the said customer.

QUESTION 4

Under Credit Risk section (Note 35(iii) to the Financial Statement) in the Annual Report 2020, are there any IDC services currently being provided to Customer A? If yes, why?

Company's response

The Company refers to Note 35(iii) to the Financial Statements on "Credit Risk", as set out on pages 139 to 144 of the Annual Report 2020. The Company confirms that the Group is still providing IDC services to "Customer A" as the management of Guiyang Zhongdian is in discussion with Customer A in order to reach a feasible repayment plan by the said customer. The repayment for the outstanding balance as at 30 June 2020 remains uncertain as at the date of this announcement.

QUESTION 5

Reference to the “Credit Risk” section of the Annual Report 2020, in Note 35(iii) to the Financial Statements. It is noted that *"qualitative and quantitative information like historical credit loss experience, profile of customers and historical repayment trends and adjusted with forward-looking factors, to assess ECL for individual customers / counterparties"* are used by the Group in assessing its customers. However, it still appears that its customers including Customers B, C, D do not have intentions of paying the Group for the trade receivables. Any comments?

Company's response

Guiyang Zhongdian applies a consistent set of assessment in respect of its customers. Some of the customers of Guiyang Zhongdian have been adversely impacted by the COVID-19 pandemic. The repayment of the respective outstanding balances as at 30 June 2020 by these key customers of Guiyang Zhongdian remains uncertain as at the date of this announcement, and the management of Guiyang Zhongdian is in discussion with these customers in order to reach a feasible repayment plan by them.

QUESTION 6

What is the current operating capacity of Guiyang Zhongdian?

Company's response

The current operating capacity of Guiyang Zhongdian is 660 racks.

QUESTION 7

Ms Chu Yin Ling, Karen (“**Ms Chu**”) will be retiring as a Director at the AGM and will not be seeking for re-election. Has a suitable Chief Financial Officer replacement been found?

Company's response

The Board wishes to highlight that Ms Chu will be retiring as a Director at the AGM, but will remain as the Chief Financial Officer and Company Secretary of the Company, with no change to her day-to-day responsibilities as a key management personnel of the Group. Please refer to page 9 of the Annual Report 2020.

By Order of the Board
SinoCloud Group Limited

Chan Andrew Wai Men
Chairman and Chief Executive Officer
29 October 2020

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"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

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.