

SINOCLOUD GROUP LIMITED
(formerly known as Armarda Group Limited)

First Quarter Financial Statement And Dividend Announcement

Financial statements on combined results of the Group for the three months ended 30 June 2015 (“3M 30 June 2015”). These figures have not been audited.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED INCOME STATEMENT				
FOR THE PERIOD ENDED 30 JUNE 2015				
(Expressed in Hong Kong thousand dollars)				
	Three Months Ended		Three Months Ended	
	30.6.2015		30.6.2014	
				%
				+ / (-)
Revenue	491		3,196	(85)
Other income	756		8	
Staff costs	(2,020)		(2,690)	(25)
Depreciation	(48)		(90)	(47)
Amortisation of intangible assets	-		(186)	
Cost of purchases	(393)		(2,489)	(84)
Subcontracting fees	-		(180)	
Other expenses	(3,979)		(8,884)	(55)
Finance costs	(333)		(1)	
Fair value gain on derivative financial instrument	733		-	
Share of loss of associates	(287)		(2,028)	(86)
Loss before tax	(5,080)		(13,344)	(62)
Income tax	-		(8)	
Loss for the year	(5,080)		(13,352)	(62)
Attributable to:				
Equity shareholders of the Company	(5,080)		(13,352)	(62)
Loss for the year	(5,080)		(13,352)	(62)

1(a)(ii) A consolidated statement (for the group) of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year

SINOCLOUD GROUP LIMITED
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015
(Expressed in Hong Kong thousand dollars)

	Three Months Ended 30.6.2015	Three Months Ended 30.6.2014	%
			+ / (-)
Loss for the period	(5,080)	(13,352)	(62)
Other comprehensive income			
Currency translation difference arising from consolidation	-	-	
Share of translation reserve of associates	-	-	
Total comprehensive loss for the year	<u>(5,080)</u>	<u>(13,352)</u>	(62)
Total comprehensive loss attributable to			
Equity shareholders of the Company	<u>(5,080)</u>	<u>(13,352)</u>	(62)
Total comprehensive loss for the year	<u>(5,080)</u>	<u>(13,352)</u>	(62)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

SINOCLOUD GROUP LIMITED					
STATEMENT OF FINANCIAL POSITION					
AS AT 30 JUNE 2015					
(Expressed in Hong Kong thousand dollars)					
	The Group		The Company		
	As at	As at	As at	As at	
	30.6.2015	31.3.2015	30.6.2015	31.3.2015	
	(undited)	(audited)	(undited)	(audited)	
Non-current assets					
Interest in an associate - CSMCG	152,679	152,886	169,432	169,432	
Interest in an associate - Fesco E-HR	11,142	11,222	-	-	
Plant and equipment	541	589	-	-	
Deposit to vendors of Guiyang IDC	82,000	82,000	-	-	
Other assets	1,003	1,003	-	-	
	<u>247,365</u>	<u>247,700</u>	<u>169,432</u>	<u>169,432</u>	
Current assets					
Trade and other receivables	127,492	128,754	119,899	119,143	
Cash and cash equivalents	6,905	7,914	-	-	
Due from an associate	16,153	15,460	3,900	11,700	
	<u>150,550</u>	<u>152,128</u>	<u>123,799</u>	<u>130,843</u>	
Total assets	<u>397,915</u>	<u>399,828</u>	<u>293,231</u>	<u>300,275</u>	
Current liabilities					
Obligations under finance lease	-	-	-	-	
Trade and other payables	13,664	22,984	8,052	17,452	
Due to a subsidiary (non-trade)	-	-	20,466	28,816	
Due to an associate	695	695	-	-	
Short-term loan	6,000	6,000	6,000	6,000	
Derivative financial instrument	17	-	17	-	
Income tax payable	2,911	2,911	-	-	
	<u>23,287</u>	<u>32,590</u>	<u>34,535</u>	<u>52,268</u>	
Non-current liability					
Convertible bonds	12,470	-	12,470	-	
Deferred tax liabilities	3,252	3,252	-	-	
	<u>15,722</u>	<u>3,252</u>	<u>12,470</u>	<u>-</u>	
Total liabilities	<u>39,009</u>	<u>35,842</u>	<u>47,005</u>	<u>52,268</u>	
Net Assets	<u>358,906</u>	<u>363,986</u>	<u>246,226</u>	<u>248,007</u>	
Equity					
Capital and reserves attributable to equity holders of the Company					
Share capital	7,541	7,541	7,541	7,541	
Reserves	351,365	356,445	238,685	240,466	
Total Equity	<u>358,906</u>	<u>363,986</u>	<u>246,226</u>	<u>248,007</u>	

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 30.6.2015 In HK\$'000		As at 31.3.2015 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Short-term loan	-	6,000	-	6,000

Amount repayable after one year

	As at 30.6.2015 In HK\$'000		As at 31.3.2015 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Convertible bonds and derivative financial instrument	-	13,220	-	-

Details of any collateral

The short-term loan is guaranteed by a director of the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

SINOCLOUD GROUP LIMITED			
CONSOLIDATED STATEMENT OF CASH FLOWS			
FOR THE PERIOD ENDED 30 JUNE 2015			
(Expressed in Hong Kong thousand dollars)			
		Three Months Ended 30.6.2015	Three Months Ended 30.6.2014
Cash flows from operating activities			
Loss before tax		(5,080)	(13,352)
Adjustment for :			
Interest income		(756)	(8)
Share of loss of associates		287	2,028
Finance costs		333	1
Depreciation of plant and equipment		48	90
Amortisation of intangible assets		-	186
Fair value loss on derivative financial instrument		(733)	-
Operating loss before working capital changes		(5,901)	(11,055)
Decrease in trade and other receivables		2,018	6,995
Decrease in other payables and accruals		(9,653)	(801)
Increase in amount due from an associate		(693)	(440)
Cash used in operations		(14,229)	(5,301)
Interest income received		-	8
Interest paid		-	(1)
Net cash used in operating activities		(14,229)	(5,294)
Cash flows from financing activities			
Repayment of finance lease obligations		-	(22)
Convertible bonds		13,220	-
Deposit for placement		-	5,000
Net cash generated from financing activities		13,220	4,978
Net decrease in cash and cash equivalents		(1,009)	(316)
Cash and cash equivalents at beginning of the period		7,914	10,178
Cash and cash equivalents at end of the period		6,905	9,862
An analysis of cash and cash equivalents as follows :			
Cash at bank and in hand		6,905	9,862

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

<i>The Group</i>										
	Share Capital	Share Premium	Contributed Surplus	Foreign Exchange Translation Reserve	PRC Statutory Reserve	Re-Valuation Reserve	Share-Based Capital Reserve	Other Deficit	Accum. Losses	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	7,541	393,291	16,456	32,714	5,863	98	-	(49,466)	(42,511)	363,986
Net loss for the period from 1.4.2015 to 30.6.2015									(5,080)	(5,080)
At 30 June 2015	7,541	393,291	16,456	32,714	5,863	98	-	(49,466)	(47,591)	358,906
<i>The Group</i>										
	Share Capital	Share Premium	Contributed Surplus	Foreign Exchange Translation Reserve	PRC Statutory Reserve	Re-Valuation Reserve	Share-Based Capital Reserve	Other Deficit	Accum. Losses	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	191,476	337,117	43,348	32,838	5,863	98	9,028	(49,466)	(285,098)	285,204
Net loss for the period from 1.4.2014 to 30.6.2014									(13,352)	(13,352)
At 30 June 2014	191,476	337,117	43,348	32,838	5,863	98	9,028	(49,466)	(298,450)	271,852
<i>The Company</i>										
	Share Capital	Share Premium	Share-Based Capital Reserve	Contributed Surplus	Accum. Losses	Total Equity				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
At 1 April 2015	7,541	393,291	-	16,456	(169,281)	248,007				
Net loss for the period from 1.4.2015 to 30.6.2015					(1,781)	(1,781)				
At 30 June 2015	7,541	393,291	-	16,456	(171,062)	246,226				
<i>The Company</i>										
	Share Capital	Share Premium	Share-Based Capital Reserve	Contributed Surplus	Accum. Losses	Total Equity				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
At 1 April 2014	191,476	337,117	9,028	43,348	(379,901)	201,068				
Net loss for the period from 1.4.2014 to 30.6.2014					(3,582)	(3,582)				
At 30 June 2014	191,476	337,117	9,028	43,348	(383,483)	197,486				

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Issued and fully paid ordinary shares	Share capital HK\$'000
Balance as at 1 April 2015 and 30 June 2015	7,540,813,474	7,541

As at 30 April 2015, the Company has entered into convertible bond agreements with Mr Lam Cho Ying Terence Joe and Mr Soo Kok Beng Peter, for a subscription amounting to S\$2,256,000 of convertible bonds (“**Bonds**”) at a conversion price at S\$0.006 for each Share (“**Bond Issuance**”) for a total number of 376,000,000 new ordinary shares to be converted. As at 30 June 2015 and as at the date of this announcement, no conversion has taken place.

There were no outstanding convertibles as at 30 June 2014.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares excluding treasury shares as at 30 June 2015 was 7,540,813,474 (31 March 2015: 7,540,813,474).

There were no treasury shares as at 30 June 2015 and 30 June 2014.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation, and/or use of treasury shares as at the end of the current financial period reported on.

For financial period ended 30 June 2015, the Company does not have any sales, transfers, disposals, cancellation, and/or use of treasury shares.

There are no treasury shares as at 30 June 2015 and 30 June 2014.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by the Group’s auditors.

3. Where the figures have been audited or reviewed, the auditors’ report (including an qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the

audited financial statements for the financial year ended 31 March 2015. The adoption of the new and amended International Financial Reporting Standards (IFRS) and Interpretations of IFRS (INT IFRS) that are mandatory for financial year beginning on or after 1 April 2015 does not result in substantial changes to the Group.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

6. **Loss per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

The Group

Loss per ordinary share after deducting any provision for preference dividends:				
		3 Months Ended 30.6.2015		3 Months Ended 30.6.2014
Based on weighted average number of ordinary shares in issue (Please see note 6a below)		(0.07) HK cents		(0.41) HK cents
On a fully diluted basis (Please see note 6b below)		(0.07) HK cents		(0.41) HK cents

Note 6a : Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to equity shareholders of the Company of approximately HK\$5,080,000 for the 3M 30 June 2015 (3M 30 June 2014 : loss of approximately HK\$13,352,000) and the weighted average number of ordinary shares of 7,540,813,474 for the 3M 30 June 2015 (3M 30 June 2014 : 3,290,847,000) in issue during the period.

Note 6b : Diluted loss per share

The 12% unsecured convertible bond due 2017 has no dilutive effect for the 3M ended 30 June 2015 as its conversion to ordinary shares would decrease loss per share, as a result, they are not treated as dilutive potential ordinary shares.

The conditional share awards of 150,000,000 PSP shares as at 30 June 2014 have no dilutive effect for the respective periods as their conversion to ordinary shares would decrease loss per share, as a result, they are not treated as dilutive potential ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	As at 30.6.2015	As at 31.3.2015
Net asset value of the Company per ordinary share based on existing issued share capital	HK\$0.033 per share	HK\$ 0.033 per share
Net asset value of the Group per ordinary share based on existing issued share capital	HK\$0.048 per share	HK\$ 0.048 per share

The calculation of net asset value per share of the Company as at 30 June 2015 is based on the Company's net asset value of HK\$246,226,000 (31 March 2015 : HK\$248,007,000) and 7,540,813,474 ordinary shares in issue as at 30 June 2015 (7,540,813,474 ordinary shares in issue as at 31 March 2015).

The calculation of net asset value per share of the Group as at 30 June 2015 is based on the Group's net asset value of HK\$358,906,000 (31 March 2015 : HK\$363,986,000) and 7,540,813,474 ordinary shares in issue as at 30 June 2015 (7,540,813,474 ordinary shares in issue as at 31 March 2015).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

(A) REVIEW OF FINANCIAL RESULTS

Revenue

The Group's revenue generated in the 3M 30 June 2015 decreased by approximately HK\$2.7 million, from approximately HK\$3.2 million in the 3M 30 June 2014 to approximately HK\$0.5 million in the 3M 30 June 2015. The decrease in revenue was mainly caused by the lower sales of IT equipment and no revenue was generated from provision of IT services.

Cost of purchases

Cost of purchases decreased by approximately HK\$2.1 million, from approximately HK\$2.5 million in the 3M 30 June 2014 to approximately HK\$0.4 million in the 3M 30 June 2015. The decrease was primarily due to the corresponding lower revenue from trading of IT equipment.

Subcontracting fees

No subcontracting fees were incurred in the 3M 30 June 2015, whereas approximately HK\$180 thousand were incurred in the 3M 30 June 2014.

Other income

Other income in the 3M 30 June 2015 increased by approximately HK\$748 thousand, from approximately HK\$8 thousand in the 3M 30 June 2014 to approximately HK\$756 thousand

in the 3M 30 June 2015. The increase was attributable to interest income in respect of the convertible loan receivable by the Group of HK\$72 million.

Operating expenses

The Group's total operating expenses (including staff costs and other expenses but excluding cost of goods sold, subcontracting fees, amortisation, depreciation and impairment) decreased by approximately HK\$5.6 million, from approximately HK\$11.6 million in the 3M 30 June 2014 to approximately HK\$6.0 million in the 3M 30 June 2015.

Staff costs decreased by approximately HK\$0.7 million, from approximately HK\$2.7 million in the 3M 30 June 2014 to approximately HK\$2.0 million in the 3M 30 June 2015, which was mainly caused by a decrease in head count.

Intangible assets of customer relationship (arising from the acquisition of Brilliant Time Limited) had been fully amortised and impaired as at 31 March 2015. The amortization of intangible assets in the 3M 30 June 2014 amounted to approximately HK\$186 thousand.

Finance costs increased by approximately HK\$332 thousand, from approximately HK\$1 thousand in the 3M 30 June 2014 to approximately HK\$333 thousand in the 3M 30 June 2015. The increase was mainly due to (i) finance costs amounting to approximately HK\$180 thousand in relation to a short term loan, and (ii) approximately HK\$153 thousand in relation to a convertible bond.

Fair value gain on derivative financial instrument of approximately HK\$733 thousand is generated from the change in fair value of derivative financial instrument in the 3M 30 June 2015. Please refer to the below section on convertible bonds and derivative financial instrument for further details.

Share of loss of associates of approximately HK\$287 thousand in the 3M 30 June 2015 represented (i) the share of loss of associate in Fesco E-HR of approximately HK\$80 thousand; and (ii) the share of loss of associate in CSMCG of approximately HK\$207 thousand. Please refer to the below section on interest in an associate for further details.

Share of loss of associates in the 3M 30 June 2014 of approximately HK\$2 million represented (i) the share of profit of associate in Fesco E-HR of approximately HK\$0.04 million; and (ii) the share of loss of associate in CSMCG of approximately HK\$2.1 million.

Other expenses decreased by approximately HK\$4.9 million, from approximately HK\$8.9 million in the 3M 30 June 2014 to approximately HK\$4.0 million in the 3M 30 June 2015.

Income tax

The Company was incorporated under the laws of Bermuda and has received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1996, which exempts the Company and its shareholders, other than shareholders ordinarily residing in Bermuda, from any Bermuda taxes computed on profit, income or any capital asset gain or appreciation, or any tax in the nature of estate duty or inheritance tax, until the year of 2035.

The Group's profits derived from Hong Kong are subject to Hong Kong profits tax at 16.5% (FY2015: 16.5%). No provision for Hong Kong profits tax was made, as there was no assessable profit derived from Hong Kong during 3M 30 June 2015.

The Group's subsidiary in the PRC, Armarda Technology (Zhuhai) Limited ("ATZH") is subject to PRC income tax of 25% and withholding tax of 5%. No tax provision was made,

as ATZH has been recording accumulated losses since the financial year ended 31 December 2008 till now.

No Singapore income tax was payable in respect of the Group's operations in Singapore, as such operations sustained losses for tax purposes in 2015 and 2014.

Subsidiaries incorporated under the laws of BVI are exempted from income tax.

Net loss after taxation

The Group's net loss after taxation attributable to shareholders of the Group in the 3M 30 June 2015 was approximately HK\$5.1 million, representing a decrease of approximately HK\$8.3 million as compared to approximately HK\$13.4 million in the 3M 30 June 2014.

(B) REVIEW OF FINANCIAL POSITION

Interest in an associate – CSMCG

The Company entered into a sale and purchase agreement on 28 March 2011 to acquire 45% equity interest ("**Acquisition**") in China Satellite Mobile Communications Group Limited ("**CSMCG**") at a purchase consideration, determined on a willing-buyer, willing-seller basis, comprising the following:

- a) loan notes of HK\$45 million ("**Loan Notes**"); and
- b) 920,000,000 fully paid-up ordinary shares in the capital of the Company at the prevailing market price ("**Consideration Shares**").

Further to the Acquisition, the Company entered into individual sale and purchase agreements on 30 September 2014 with each of ten vendors to acquire in aggregate, additional 45.95% equity interest in CSMCG (the "**Proposed Acquisition**") to be satisfied by a combination of an aggregate cash consideration of HK\$45.95 million and 1,069,381,820 fully paid-up ordinary shares in the capital of the Company. The Proposed Acquisition requires Shareholders' approval in a special general meeting to be convened in due course. Please refer to the Company's announcement dated 30 September 2014 for further details.

The 45% share of loss from CSMCG amounting to approximately HK\$0.2 million and approximately HK\$2.1 million in 3M 30 June 2015 and 3M 30 June 2014 respectively, were primarily due to the provision for losses in relation to unutilised air-time.

The interest in an associate - CSMCG reported as at 30 June 2015 amounted to approximately HK\$152.7 million and was calculated based on the audited figure as at 31 March 2015 of approximately HK\$152.9 million, with share of loss in the 3M 30 June 2015 amounting to approximately HK\$0.2 million.

Interest in an associate – Fesco E-HR (eFesco)

The 45% share of loss from Fesco E-HR amounting to approximately HK\$80 thousand during 3M 30 June 2015 and share of gain amounting to approximately HK\$4 thousand in the 3M 30 June 2014 respectively. The increase in share of loss is mainly caused by reduce revenue being generated during the 3M 30 June 2015.

The interest in the associate reported as at 30 June 2015 and 30 June 2014 were approximately HK\$11.1 million and HK\$11.2 million respectively.

Plant and equipment

The total net book value of the Group's plant and equipment of approximately HK\$0.5 million as at 30 June 2015 comprised mainly furniture, fixtures, computer and other equipment of approximately HK\$0.1 million, and motor vehicles of approximately HK\$0.4 million. The net book value decreased by HK\$0.1 million from approximately HK\$0.6 million as at 31 March 2015 to approximately HK\$0.5 million as at 30 June 2015, representing the depreciation charge provided during the period.

Deposit to vendors of Guiyang Zhongdian

The Company, through its subsidiary, had entered into a sale and purchase agreement dated 13 March 2015 (as supplemented and amended on 14 July 2015 and 29 July 2015) with 4 individual vendors to acquire 63% effective equity interest in SinoCloud 01 limited, to hold 100% effective interest in Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**Guiyang Zhongdian**") through a VIE arrangement for a business to be carried on in internet data centre, cloud computing and big data services (the "**Guiyang Acquisition**"). The total purchase consideration for the Guiyang Acquisition amounted to approximately HK\$138 million, to be satisfied by a combination of 2.0 billion new issued ordinary shares of the Company and cash consideration of HK\$82 million. The Company had paid a deposit of HK\$82 million to the vendors as at 30 June 2015 and 31 March 2015, of which HK\$45 million was satisfied by cash and the remaining HK\$37 million was satisfied by assignment of receivables in favour of the vendors, provided that the vendors have entered into a deposit arrangement agreement. The assignment of receivables consists of HK\$12 million convertible loan assignment and HK\$25 million other receivable assignment.

Please refer to the Company's announcements dated 15 March 2015, 14 July 2015 and 29 July 2015 for further details.

Other assets

The following is a breakdown of the other assets of the Group as at 30 June 2015 and 31 March 2015 :

	30.6.2015 HK\$'000	31.3.2015 HK\$'000
Golf club membership	<u>1,003</u>	<u>1,003</u>

Other assets – golf club membership remains the same of approximately HK\$1 million as at 30 June 2015 and 31 March 2015 respectively, representing the costs of transferable life membership of a golf club.

Trade and other receivables

The following is a breakdown of the total trade and other receivables of the Group as at 30 June 2015 and 31 March 2015 :

	30.6.2015 HK\$'000	31.3.2015 HK\$'000
Trade receivables	843	1,319
Other receivables, deposits and prepayments	<u>126,649</u>	<u>127,435</u>
	<u>127,492</u>	<u>128,754</u>

Trade receivables

The Group's trade receivables decreased by approximately HK\$0.5 million from approximately HK\$1.3 million as at 31 March 2015 to approximately HK\$0.8 million as at 30

June 2015. The balance as at 30 June 2015 is mainly due to sales generated during 3M 30 June 2015 which have not been settled, which are current and the amount is within the credit period.

Other receivables, deposits and prepayments

The following is a breakdown of other prepayments and receivables of the Group as at 30 June 2015 and 31 March 2015 :

	30.6.2015	31.3.2015
	HK\$'000	HK\$'000
(i) Convertible loan	72,000	72,000
(ii) Interest receivable - convertible loan	3,816	3,060
(iii) Loans to the vendors of CSMCG	24,700	24,700
(iv) Advances to the vendors of CSMCG	19,100	19,100
(v) Prepayment of purchase of RFID chips	-	242
(vi) Short term advances	5,532	5,532
(vii) Other deposits and receivables	1,501	2,801
	<u>126,649</u>	<u>127,435</u>

(i) Convertible loan

During FY2014, the Company granted a loan of approximately HK\$50 million to its business partner to acquire approximately 44% in a PRC company (“**PRC Company**”) to operate in the PRC telecommunication industry, via a Zhuhai holding company (“**Zhuhai Entity**”). The loan was secured by 94.5% equity shares of the Zhuhai Entity and a conversion option, at the Company’s discretion, to convert the loan into equity shares in the Zhuhai Entity, in the event that the PRC regulatory authority sanctions foreign invested enterprises to the restricted telecommunication industry. As the conversion option is not transferrable and is currently not exercisable as the telecommunication industry is restricted only to domestic PRC enterprises, the management concluded that the conversion option has no intrinsic value, and thus, the Company does not have any substantive potential voting rights and power over the PRC Company. Please refer to the Company’s announcement dated 29 May 2014 for further details.

In July 2014, the Company further extended a loan amounting to approximately HK\$33.95 million to the business partner, and together with the abovementioned loan of approximately HK\$50 million, the total loan to the business partner amounted to an aggregate of approximately HK\$84 million. Please refer to the Company’s announcement dated 14 August 2014 for further details.

The Company’s wholly-owned subsidiary, Armarda Holdings Limited, had entered into a sale and purchase agreement dated 13 March 2015 (as supplemented and amended on 14 July 2015 and 29 July 2015) to acquire 63% effective equity interest in SinoCloud 01 Limited (to hold 100% effective interest in Guiyang Zhongdian through a VIE arrangement), where part of the cash consideration was settled by assignment of convertible loan amounting to HK\$12 million as a deposit payment to vendors. Please refer to the Company’s announcements dated 15 March 2015, 14 July 2015 and 29 July 2015 for further details.

In view of the above, the net convertible loan amounted to HK\$72 million as at 30 June 2015 and 31 March 2015.

(ii) Interest receivable - convertible loan

Interest receivable increased by approximately HK\$0.7 million, from approximately HK\$3.1 million as at 31 March 2015 to approximately HK\$3.8 million as at 30 June 2015. This relates to interest income in respect of the convertible loan during 3M 30 June 2015.

(iii) Loans to the vendors of CSMCG

As at 31 March 2014, the Group granted loans amounting to HK\$24.7 million to certain vendors of CSMCG. The loans are secured by 24.34% equity interest in CSMCG. There were no movement of the loans as at 30 June 2015.

Please refer to the Company's announcement dated 29 May 2014 for further details.

(iv) Advances to the vendors of CSMCG

In July 2014, the Company provided advances to certain vendors of CSMCG amounting to approximately HK\$19.1 million for the potential acquisition of the remaining equity interest in CSMCG.

Please refer to the Company's announcement dated 14 August 2014 for further details.

(v) Prepayment of purchase of RFID chips

China RFID Limited ("CRL"), a wholly owned subsidiary of the Company, entered into an exclusive distributor agreement ("**Exclusive Distributor's Agreement**") with Smart Asia Technology Limited ("**SMART**") on 18 January 2013 to renew the distributorship of RFID chips. On the same date, CRL also entered into an exclusive supply agreement ("**Exclusive Supply Agreement**") with China Vision Intelligent Card Reader Co., Ltd. ("**China Vision**") to renew the exclusive supply agreement with China Vision.

Pursuant to the Distributor's Agreement above, CRL has made a deposit of HK\$2 million for the initial order of RFID chips which was recognised as cost of goods sold during 3M 30 June 2013. In addition, pursuant to the Distributor's Agreement, CRL has made a prepayment of HK\$7.5 million, which is the refundable deposit for future orders from SMART and sufficient for the procurement at the best possible price per unit from SMART.

CRL will be able to utilise the refundable deposit for any future order within the duration of Exclusive Distributor's Agreement without making further payment. The prepayment reduced to approximately HK\$242 thousand as at 31 March 2015. The aforesaid two exclusive agreements are expired on 18 January 2015, SMART has refunded the unused balance to CRL during 3M 30 June 2015.

(vi) Short-term advances

The short term advances represent the advances provided to the long term business partners to facilitate the Company in the operation of mobile satellite services and other IT related services. The advances remain unchanged of approximately HK\$5.5 million as at 30 June 2015 and 31 March 2015.

(vii) Other deposits and receivables

Other deposits and receivables decreased by approximately HK\$1.3 million, from approximately HK\$2.8 million in the 12M 31 March 2015 to approximately HK\$1.5 million in the 3M 30 June 2015, mainly representing the deposit for the office utilities and office rental in both Hong Kong and PRC.

Due from associate

Pursuant to an agreement between the Company and CSMCG dated 1 December 2012, CSMCG has appointed the Company as a procurement agent for *inter-alia* the purchase of the satellite phones, airtime, and other professional service. As at 30 June 2015, the

amount due from CSMCG in relation to the procurement of satellite phones, airtime and arrangement of marketing activities of approximately HK\$12.3 million.

In addition, the Company provided an unconditional and irrecoverable financial guarantee to a mobile satellite communication service provider (“Service Provider”) of CSMCG to indemnify the Service Provider against all losses and default from CSMCG, in the event that CSMCG is unable to meet its obligation of at least 10 million minute bulk airtime commitment from 1 April 2014 to 31 March 2015, amounting to a quarterly payment of US\$500,000 (total commitment of US\$2,000,000).

Pursuant to a loan facility agreement between CSMCG and the Company, the associate agrees to reimburse the Company for any amounts paid to the Service Provider on behalf of CSMCG, with a handling fee of 3%, payable within 12 months, in return for the financial assistance extended by the Company. As at 30 June 2015, US\$0.5 million has not been paid by CSMCG and accordingly, the financial guarantee is recognised as a financial liability and a loan to associate is recognised as financial asset for the US\$0.5 million (equivalent to approximately HK\$3.9 million).

Cash and cash equivalents

The following is a breakdown of cash and cash equivalents of the Group as at 30 June 2015 and 31 March 2015 :

	30.6.2015 HK\$'000	31.3.2015 HK\$'000
Cash at banks and in hand	6,905	7,914
Total cash and cash equivalents	6,905	7,914

Please refer to page 15 on “Cashflows” on the decrease in cash and cash equivalents.

Trade and other payables

The following is a breakdown of the trade and other payables of the Group as at 30 June 2015 and 31 March 2015:

	30.6.2015 HK\$'000	31.3.2015 HK\$'000
Trade payables	348	153
Other payables and accruals	13,316	22,831
	13,664	22,984

Trade payables represent mainly the outstanding support charges due to independent subcontractors for services rendered to the Group’s customers in the PRC. It increased by approximately HK\$0.1 million from approximately HK\$0.2 million as at 31 March 2015 to approximately HK\$0.3 million as at 30 June 2015.

Other payables and accruals represent other outstanding operating expenses payable. It decreased by approximately HK\$9.5 million from approximately HK\$22.8 million as at 31 March 2015 to approximately HK\$13.3 million as at 30 June 2015. As at 30 June 2015, approximately HK\$7.8 million has been settled by the Company for the financial liability resulted from a financial guarantee provided to a mobile satellite communication service provider of an associate (please see details at “Due from associate”).

Short-term loan

Short term loan of HK\$6 million represents the funds being financed by an unrelated third party to the Company carrying 1% interest per month. The loan is repayable in December 2015 and is guaranteed by a director of the Company. The short term loan was used to support the Company and the borrower for participating in the project that the Company is pursuing.

None of Directors or substantial shareholders of the Company has any interest, direct or indirect, in the PRC Project, other than through their respective shareholding in the Company or their involvement as director of the Company.

Convertible bonds and derivative financial instrument

The value of the derivative financial instrument (current portion) and the convertible bonds (non-current portion) amounted to HK\$17,000 and HK\$12,470,000 as at 30 June 2015 respectively. These relate to the issuance of convertible bonds (“**Bonds**”) completed on 27 May 2015 to certain investors for an aggregate amount of S\$2,256,000 (equivalent to approximately HK\$13.2 million). The Bonds bear interest rate at 12% per annum at a conversion price at S\$0.006 for each Share.

Deferred tax liabilities

Deferred tax liabilities amounting to approximately HK\$3.3 million as at 30 June 2015 and 31 March 2015, and were derived from the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for taxation purposes.

Cashflows

The Group used approximately HK\$14.2 million in its operating activities for the 3M 30 June 2015 . This was due to cash used in operating activities before changes in working capital of approximately HK\$5.9 million, the decrease in trade and other receivables of approximately HK\$2.0 million, the decrease in other payables and accruals of approximately HK\$9.7 million, and the increase in amount due from associate of approximately HK\$0.7 million.

The Group generated net cash inflow from financing activities of approximately HK\$13.2 million for the 3M 30 June 2015, which comprised net proceeds from issuance of 12% unsecured convertible bonds due 2017 of approximately HK\$13.2 million.

As a whole, the Group used approximately HK\$1 million in the 3M 30 June 2015. The cash and cash equivalents amounted to approximately HK\$6.9 million as at 30 June 2015.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The overall market condition of the PRC IT industry where the Group operates in has remained extremely difficult. The management of the Company expects that such market condition as well as the Group’s operating performance in this industry in the PRC will not improve in the near future. Accordingly, the management has continued to explore and

develop the existing and new business initiatives, including but not limited to, the Thuraya mobile satellite communication services and data centre related projects in the PRC in the upcoming reporting periods, and develop them to become the Group's core businesses.

Pursuant to the announcements dated 15 March 2015, 14 July 2015 and 30 July 2015 in relation to the proposed acquisition of Guiyang Zhongdian for a data centre project, various processes are being undertaken for a shareholders' meeting to be convened and the Company will provide an update to the shareholders in due course.

11. Dividend

If a decision regarding dividend has been made :-

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

None.

(b)(i) and (b)(ii) Amount of dividend per share of the current reporting financial period and of the previous corresponding period.

Nil (3M 31 March 2015 : nil).

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend is declared/recommended.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT general mandate has been obtained by the Group from the Company's shareholders. There is no IPT during 3M 30 June 2015.

14. Use of proceeds

On 27 May 2015, the Company had completed the Bond Issuance of 12.0% unsecured convertible bonds ("**Bonds**") due 2017, which raised net proceeds of approximately S\$2.2 million. Use of proceeds from the Bond Issuance had been duly announced by the Company via SGXNET on 12 Aug 2015. There are no further updates on the abovementioned use of proceeds from the Bond Issuance as at the date of this announcement.

15. Negative assurance on interim financial statements pursuant to Rule 705(5)

We, Chan Andrew Wai Men and Luk Chung Po, Terence being directors of the Company do hereby confirm on behalf of the Board of Directors that to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial statements for the 3 months ended 30 June 2015 to be false or misleading in any material aspect.

For and on behalf of the
Board of Directors of
SinoCloud Group Limited

Chan Andrew Wai Men
Executive Director

Luk Chung Po, Terence
Executive Director

14 August 2015

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Executive Director and Chairman

14 August 2015

*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 Singapore Exchange Securities Trading Limited ("**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.