

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

Unaudited Full Year Financial Statement And Dividend Announcement for the Financial Year Ended 31 March 2018

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 YEAR ENDED 31 MARCH 2018			
(Expressed in Hong Kong thousand dollars)			
	Twelve Months Ended	Twelve Months Ended	
	31.3.2018	31.3.2017	%
	(Unaudited)	(Audited)	+ / (-)
Revenue	83,097	50,168	66
Other income	22,754	3,341	NM
Employee benefits expense	(10,604)	(10,222)	4
Depreciation of property, plant and equipment	(10,097)	(11,317)	(11)
Amortisation of intangible assets	(9,649)	(9,649)	-
Operating lease expenses	(5,503)	(5,946)	(7)
Provision for warranty	(1,201)	-	NM
Subcontracting fee	(22,613)	-	NM
Bandwidth fee	(10,000)	(554)	NM
Other expenses	(10,140)	(12,207)	(17)
Foreign exchange adjustment loss	(681)	(91)	NM
Impairment of:			
- investment in associates	(26,400)	(34,650)	(24)
- Amount due from associates	(22,719)	-	NM
- trade receivables	-	(692)	(100)
Finance costs	(3,229)	(7,026)	(54)
Share of loss of associate	(1,289)	(2,842)	(55)
Loss before tax	(28,274)	(41,687)	(32)
Income tax expense	(7,994)	(431)	NM
Loss for the financial year	(36,268)	(42,118)	(14)
(Loss)/ Profit attributable to:			
Equity holders of the Company	(50,728)	(45,846)	11
Non-controlling interest	14,460	3,728	NM
	(36,268)	(42,118)	(14)

NM: Not meaningful

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 YEAR ENDED 31 MARCH 2018				
(Expressed in Hong Kong thousand dollars)				
	Twelve Months Ended		Twelve Months Ended	
	31.3.2018		31.3.2017	
	(Unaudited)		(Audited)	
				%
				+ / (-)
Loss for the financial year	(36,268)		(42,118)	(14)
Other comprehensive income/ (loss)				
Currency translation difference arising from consolidation	17,350		(117)	NM
	(18,918)		(42,235)	(55)
Total comprehensive (loss)/ profit attributable to:				
Equity holders of the company	(40,318)		(45,948)	(12)
Non-controlling interest	21,400		3,713	NM
	(18,918)		(42,235)	(55)

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 31 MARCH 2018
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	As at 31.3.2018 (Unaudited)	As at 31.3.2017 (Audited)	As at 31.3.2018 (Unaudited)	As at 31.3.2017 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	220,800	59,705	-	-
Intangible assets	151,617	161,266	-	-
Investment in associates	-	27,688	-	53,550
Amount due from subsidiaries (non-trade)	-	-	104,509	58,581
	<u>372,417</u>	<u>248,659</u>	<u>104,509</u>	<u>112,131</u>
Current assets				
Trade and other receivables	162,894	89,848	31,851	44,046
Amount due from associates (non-trade)	-	22,719	-	-
Cash and bank balances	724	1,081	-	-
	<u>163,618</u>	<u>113,648</u>	<u>31,851</u>	<u>44,046</u>
TOTAL ASSETS	<u>536,035</u>	<u>362,307</u>	<u>136,360</u>	<u>156,177</u>
LIABILITIES				
Current liabilities				
Trade and other payables	100,896	58,193	6,999	2,931
Provision for warranty	1,266	-	-	-
Short term borrowing	49,967	7,622	-	-
Loan from shareholder of the company	2,000	-	-	-
Convertible bonds	-	13,220	-	13,220
Lease obligation	-	14,244	-	-
Amount due to subsidiaries (non-trade)	-	-	2,449	-
	<u>154,129</u>	<u>93,279</u>	<u>9,448</u>	<u>16,151</u>
Non-current liabilities				
Lease obligation	-	20,252	-	-
Loan from a shareholder of the company	4,074	2,000	-	-
Convertible bonds	13,220	-	13,220	-
	<u>17,294</u>	<u>22,252</u>	<u>13,220</u>	<u>-</u>
TOTAL LIABILITIES	<u>171,423</u>	<u>115,531</u>	<u>22,668</u>	<u>16,151</u>
NET ASSETS	<u>364,612</u>	<u>246,776</u>	<u>113,692</u>	<u>140,026</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	14,311	10,918	14,311	10,918
Share premium	473,003	438,396	473,004	438,396
Contributed surplus	16,456	16,456	16,456	16,456
Translation reserve/ (deficit)	9,583	(3,785)	-	-
Statutory reserve	5,863	5,863	-	-
Revaluation reserve	98	98	-	-
Other reserve/ (deficit)	15,120	(52,475)	-	-
Accumulated losses	(253,658)	(199,972)	(390,079)	(325,744)
	<u>280,776</u>	<u>215,499</u>	<u>113,692</u>	<u>140,026</u>
Non-controlling interest	<u>83,836</u>	<u>31,277</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY	<u>364,612</u>	<u>246,776</u>	<u>113,692</u>	<u>140,026</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 31.3.2018 In HK\$'000		As at 31.3.2017 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	-	-	14,244
Convertible bonds	-	-	-	13,220
Short term loan from bank	-	6,246	-	7,622
Amount due to directors of the Company	-	1,020	-	1,300
Short term loan from director of a subsidiary	-	-	-	801
Short term loan from an unrelated third party	-	-	-	5,001
Short term loan from a financial institution	-	43,721	-	-
Loan from a shareholder of the Company	-	2,000	-	-

Amount repayable after one year

	As at 31.3.2018 In HK\$'000		As at 31.3.2017 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	-	-	20,252
Loan from a shareholder of the Company	-	4,074	-	2,000
Convertible bonds	-	13,220	-	-

Details of any collateral

Not applicable as there are no collateral on the Group's borrowings and debt securities.

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 YEAR ENDED 31 March 2018		
(Expressed in Hong Kong thousand dollars)		
	Twelve Months Ended 31.3.2018	Twelve Months Ended 31.3.2017
Operating activities		
Loss for financial year	(28,274)	(41,687)
<i>Adjustments:</i>		
Depreciation of property, plant and equipment	10,097	11,317
Amortisation of intangible assets	9,649	9,649
Share of loss of associates	1,289	2,842
Property, plant and equipment written off	50	-
Impairment of investment in associates	26,400	34,650
Impairment loss of trade receivables	-	692
Impairment of amount due from associates	22,719	-
Provision for warranty	1,200	-
Interest expense	3,229	7,026
Interest income	(21)	(7)
Operating profit before working capital changes	46,338	24,482
Trade and other receivables	(63,661)	(25,620)
Trade and other payables	34,323	10,671
Cash generated from operations	17,000	9,533
Income tax paid	(7,994)	(431)
Net cash generated from operating activities	9,006	9,102
Investing activities		
Purchase of property, plant and equipment	(18)	(8,798)
Addition to property, plant and equipment - Construction in progress	(156,760)	-
Amount due from an associate (non-trade)	-	(174)
Interest income received	21	7
Net cash used in investing activities	(156,757)	(8,965)
Financing activities		
Proceeds from capital injection by a shareholder of a subsidiary	136,754	-
Repayment of lease obligations	(36,233)	(19,499)
(Repayment)/ Proceeds of loan borrowing	(2,084)	7,622
Loan from a director of the Company	500	500
Loan from a director of a subsidiary	5,418	318
Loan from a shareholder of the Company	4,074	2,000
Interest paid	(3,229)	(7,026)
Proceeds of loan from a financial institution	41,453	-
(Repayment)/ Proceeds from a loan from third party	(4,681)	5,001
Net cash generated from/ (used in) financing activities	141,972	(11,084)
Net decrease in cash and cash equivalents	(5,779)	(10,947)
Cash and cash equivalents at beginning of the financial year	1,081	12,037
Effect of exchange rate changes in cash and cash equivalents	5,422	(9)
Cash and cash equivalents at end of the financial year	724	1,081

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

2018											
Group	Attributable to equity holders of the Company										
	Share Capital	Share Premium	Contributed Surplus	Translation Reserve	Statutory Reserve	Revaluation Reserve	Other reserve	Accum. Losses	Non-Controlling Interest	Total Equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance as at 1 April 2017	10,918	438,396	16,456	(3,785)	5,863	98	(52,475)	(199,972)	31,277	246,776	
Loss for the year	-	-	-	-	-	-	-	(50,728)	14,460	(36,268)	
Other comprehensive income, net of tax	-	-	-	10,410	-	-	-	-	6,940	17,350	
Total comprehensive loss	-	-	-	10,410	-	-	-	(50,728)	21,400	(18,918)	
<u>Total transactions with owners, recognized directly in equity</u>											
Write off of translation reserve arising from strike off of subsidiary	-	-	-	2,958	-	-	-	(2,958)	-	-	
Capital injection by a shareholder of a subsidiary	-	-	-	-	-	-	83,418	-	53,336	136,754	
Issuance of shares	3,393	34,607	-	-	-	-	(15,823)	-	(22,177)	-	
Total transactions with owners, recognized directly in equity	3,393	34,607	-	2,958	-	-	67,595	(2,958)	31,159	136,754	
Balance as at 31 March 2018	14,311	473,003	16,456	9,583	5,863	98	15,120	(253,658)	83,836	364,612	

2017										
Group	Attributable to equity holders of the Company									
	Share Capital	Share Premium	Contributed Surplus	Translation Reserve	Statutory Reserve	Revaluation Reserve	Other Deficit	Accum. Losses	Non-Controlling Interest	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2016	10,918	438,396	16,456	(3,683)	5,863	98	(49,466)	(154,126)	60,555	325,011
Loss for the year	-	-	-	-	-	-	-	(45,846)	3,728	(42,118)
Other comprehensive loss, net of tax	-	-	-	(102)	-	-	-	-	(15)	(117)
Total comprehensive loss	-	-	-	(102)	-	-	-	(45,846)	3,713	(42,235)
<u>Total transactions with owners, recognized directly in equity</u>										
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	(3,009)	-	(32,991)	(36,000)
Total transactions with owners, recognized directly in equity	-	-	-	-	-	-	(3,009)	-	(32,991)	(36,000)
Balance as at 31 March 2017	10,918	438,396	16,456	(3,785)	5,863	98	(52,475)	(199,972)	31,277	246,776

<i>Company</i>	Attributable to equity holders of the Company				
	Share	Share	Contributed	Accum.	Total
	Capital	Premium	Surplus	Losses	Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2017	10,918	438,396	16,456	(325,744)	140,026
Loss for the year	-	-	-	(64,335)	(64,335)
Other comprehensive loss, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	-	(64,335)	(64,335)
<u>Total transactions with owners, recognized directly in equity</u>					
Issuance of shares	3,393	34,608	-	-	38,001
Total contribution by and distributions to owners	3,393	34,608	-	-	38,001
Balance as at 31 March 2018	14,311	473,004	16,456	(390,079)	113,692
<i>Company</i>	Attributable to equity holders of the Company				
	Share	Share	Contributed	Accum.	Total
	Capital	Premium	Surplus	Losses	Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2016	10,918	438,396	16,456	(280,473)	185,297
Loss for the year	-	-	-	(45,271)	(45,271)
Other comprehensive loss, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	-	(45,271)	(45,271)
Balance as at 31 March 2017	10,918	438,396	16,456	(325,744)	140,026

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 the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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-up ordinary shares	Share capital HK\$'000
Balance as at 31 December 2017 and 31 March 2018	14,310,670,617	14,311

On 28 November 2017, the Company entered into two separate convertible bonds agreements with Mr Lam Cho Ying Terence Joe and Mr Soo Kok Beng Peter (“**Subscribers**”) respectively, for bonds in aggregate principal amount of S\$2,256,000 to be issued by the Company, due on 27 November 2019 (“**Convertible Bonds**”). The Convertible Bonds are convertible into 1,128,000,000 new shares in the capital of the Company at a conversion price of S\$0.002 for each share. As at 31 March 2018 and as at the date of this announcement, no conversion has taken place.

The total number of shares that may be issued on conversion of all the outstanding convertibles of the Company as at 31 March 2018 is 1,128,000,000 (31 March 2017: 376,000,000). The convertible securities as at 31 March 2018 relate to the Convertible Bonds. Save for the above, the Company does not have any other convertible securities.

There were no treasury shares and subsidiary holdings as at 31 March 2018 and 31 March 2017.

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 31 March 2018 was 14,310,670,617 (31 March 2017: 10,917,813,474).

There were no treasury shares as at 31 March 2018 and 31 March 2017.

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial reported on.

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

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial reported on.

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 2017. 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 2017 does not result in substantial changes to the Group's financial statements.

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**

	12 Months Ended 31.3.2018	12 Months Ended 31.3.2017
Loss attributable to equity holders of the Company (HK\$'000)	50,728	45,846
Weighted average number of shares in issue	12,563,116,801	10,917,813,474
Loss per ordinary share (HK cents)		
- Based on weighted average number of ordinary shares in issue	0.40	0.42
- On a fully diluted basis (Please see note below)	0.40	0.42

Note:

The convertible bonds in aggregate principal amount of S\$2,256,000 which expired on 26 May 2017 has no dilutive effect for the twelve months ended 31 March ("FY") 2017. The Convertible Bonds expiring on 27 November 2019 has no dilutive effect for FY2018.

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 31.3.2018	As at 31.3.2017
Net asset value of the Company per ordinary share	HK\$0.008	HK\$0.012
Net asset value of the Group per ordinary share	HK\$0.020	HK\$0.020

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**

Following the completion of the Group's acquisition of 63% interest in SinoCloud 01 Limited on 1 October 2015, SinoCloud 01 Limited ("**SC01**") and together with its subsidiaries comprising SinoCloud 01 Limited, SinoCloud 01 (HK) Limited, SinoCloud Data (Guiyang) Limited and Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**GYZD**"), the "**S01 Group**") are treated as subsidiaries of the Group. The Group has consolidated the profit or loss and financial position of the S01 Group into the Group's financial statements. On 7 March 2017, the Group acquired an additional 18% interest in SC01 and the S01 Group became a 81% subsidiary of the Group. Since 15 May 2017 and as at 30 June 2017, the Company's effective interest in GYZD was reduced from 81% to 66.42% as a result of an initial investment of RMB54.0 million by Guiyang Gaoxin Big Data Fund Company ("**Guiyang Fund**") in GYZD ("**Initial Guiyang Fund Investment**"). On 6 July 2017, the Company's effective interest in GYZD was reduced from 66.42% to 48.6%, as a result of additional investment of RMB66.0 million ("**Subsequent Guiyang Fund Investment**") by Guiyang Fund in GYZD. Please refer to the Company's announcements on 16 May 2017 and 6 July 2017 for further information on the Initial Guiyang Fund Investment and the Subsequent Guiyang Fund Investment. On 6 October 2017, the Group completed the acquisition of an additional 19.0% equity interest in SC01 and accordingly, SC01 became a 100.0% owned subsidiary of the Group, and the Company's effective interest in GYZD increased from 48.6% to 60.0%. The remaining stake of 40% in GYZD not held by the Group shall be treated as non-controlling interest and will be reported separately in the Group's financial statements for the financial year ended 31 March 2018.

(A) REVIEW OF FINANCIAL RESULTS

Revenue

Revenue generated in FY2018 increased by HK\$32.9 million, from HK\$50.2 million in FY2017 to HK\$83.1 million in FY2018. The increase was mainly attributable to an increase in revenue contribution from GYZD, due to an increase in demand for its internet data centre ("**IDC**") services.

Other income

Other income increased by HK\$19.4 million, from HK\$3.3 million in FY2017 to HK\$22.7 million in FY2018.

Other income of HK\$22.7 million in FY2018 comprised (i) government subsidy received by GYZD of HK\$4.0 million; and (ii) a reversal of interest expenses accrued in prior years in respect of a finance lease arrangement of GYZD of HK\$18.7 million. The reversal of interest expense was due to interest savings as a result of an early settlement by the subsidiary – GYZD, with the lessor of GYZD during FY2018. Other income in FY2017 of HK\$3.3 million relates to a government subsidy received by GYZD.

Operating expenses

Employee benefits expenses increased slightly by HK\$0.4 million, from HK\$10.2 million in FY2017 to HK\$10.6 million in the FY2018, mainly due to an increase in headcount during FY2018.

Depreciation of property, plant and equipment decreased by HK\$1.2 million, from HK\$11.3 million in FY2017 to HK\$10.1 million in FY2018. The decrease in depreciation expenses was mainly due to the full depreciation of an equipment in FY2018. There was no depreciation charged for the cost incurred for the construction of the phase two of the Guiyang IDC (“**GY IDC Phase II**”) and the call centre in Guiyang (“**Construction Cost**”), as the construction is in progress. Please refer to “Property, plant and equipment” under section B – review of financial position below for further information on the capitalisation of the aforementioned Construction Cost.

Amortisation of intangible assets remained at HK\$9.6 million in both FY2017 and FY2018. It relates to the amortisation of customer contract and favorable lease arising from the acquisition of SC01.

Operating lease expenses decreased slightly by HK\$0.4 million, from HK\$5.9 million in FY2017 to HK\$5.5 million in FY2018. This was mainly due to lower rental expenses incurred as a result of an office relocation of a subsidiary in the PRC.

Provision for warranty of HK\$1.2 million relates to the after sales technical services to be provided for the IDC business in FY2018.

Subcontracting fee of HK\$22.6 million in FY2018 (FY2017: nil) relates to expenses incurred for the IDC business which had been outsourced since FY2018. GYZD had outsourced some of its project implementation process to subcontractors in FY2018.

Bandwidth fee increased by HK\$9.4 million, from HK\$0.6 million in FY2017 to HK\$10.0 million in FY2018, mainly due to the increase in outsourced technical services in FY2018.

Other expenses, comprising primarily office overhead, legal and professional fees and exchange difference, decreased by HK\$1.5 million, from HK\$12.3 million in FY2017 to HK\$10.8 million in FY2018. The decrease was mainly due to (i) exchange difference of HK\$0.7 million arising from translation of RMB to HK\$ and (ii) legal and professional fees of HK\$0.7 million.

Impairment of investment in associates, China Satellite Mobile Communications Group Limited (“**CSMCG**”), amounted to HK\$26.4 million and HK\$34.7 million in FY2018 and FY2017 respectively. In December 2017, CSMCG signed a master distributor agreement with a global broadband services and technology company for the distribution of mobile satellite products and services in the PRC, subject to the approval of product type and in-country service license as required by the relevant PRC regulatory authorities. Due to the

uncertainty in obtaining the requisite approval from the relevant PRC authorities, change of market potential in satellite business where CSMCG operates in and the net liabilities position of CSMCG, the management of the Group is of the view that the investment in CSMCG and amount due from CSMCG to be recovered is nil under a prudent approach, coupled with other assessment factors including uncertainty in CSMCG obtaining financial support and no revenue being generated. As a result, an impairment of HK\$22.7 million was also provided for in respect of the amount due from CSMCG in FY2018.

Impairment of trade receivables of HK\$0.7 million in FY2017 relates to a long overdue receivable from a customer of GYZD. No such impairment was reported in FY2018.

Finance costs decreased by HK\$3.8 million to HK\$3.2 million in FY2018, from HK\$7.0 million in FY2017. The decrease was due to the termination of finance lease arrangement in GYZD during FY2018.

Share of loss of associates represented the Company's share of loss in CSMCG. Share of loss of associates decreased by HK\$1.5 million, from HK\$2.8 million in FY2017 to HK\$1.3 million in FY2018, mainly attributable to lower operating cost incurred by CSMCG in FY2018.

Income tax

The Company is 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% (FY2017: 16.5%). No provision for Hong Kong profits tax was made, as there was no assessable profit derived from Hong Kong during FY2018.

The Group's subsidiaries in the PRC, SinoCloud Data (Guiyang) Limited ("**SCDG**") and GYZD are subject to PRC enterprise income tax of 25% ("**EIT**") and withholding tax of 5% respectively. GYZD generated net profits in FY2018 and recorded accumulated profits in FY2018, and accordingly, EIT was provided in FY2018.

No Singapore income tax was payable in respect of the Group's operations in Singapore, as our Singapore operation has been inactive since the financial year ended 31 December 2005. The Company's only subsidiary in Singapore, Armarda Technology (Singapore) Pte. Ltd. was struck off on 4 April 2017.

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

Net loss after taxation

As a result of the above, the Group's net loss after tax decreased by HK\$5.8 million from HK\$42.1 million in FY2017 to HK\$36.3 million in FY2018. If impairment losses on the investment in associates and amount due from associates had been excluded, the Group would have recorded a profit before tax of HK\$20.8 million in FY2018.

(B) REVIEW OF FINANCIAL POSITION

Non-current Assets

Non-current assets increased by HK\$123.7 million, from HK\$248.7 million as at 31 March 2017 to HK\$372.4 million as at 31 March 2018. Non-current assets comprised (i) property, plant and equipment; (ii) intangible assets; and (iii) investment in associates.

(i) Property, plant and equipment

The net book value of property, plant and equipment increased by HK\$161.1 million, from HK\$59.7 million as at 31 March 2017 to HK\$220.8 million as at 31 March 2018. The increase was mainly due to the capitalisation of cost incurred for the construction and development of (i) the GY IDC Phase II of HK\$124.9 million, and (ii) call center of HK\$ 33.4 million.

GY IDC Phase II – the leasehold improvement of GY IDC Phase II (with a capacity of hosting 1,000 racks) amounting to HK\$124.9 million has yet to be completed and accordingly, no depreciation charge was provided for.

Call centre – the call centre construction is in progress. It is situated in the vocational technique college, nearby Guiyang city. The call centre will provide both traditional voice recognition service as well as computerized call system service. The call centre system will be integrated with existing GYZD's IDC business, offering value added solutions to the customers.

(ii) Intangible assets

Intangible assets decreased by HK\$9.7 million, from HK\$161.3 million as at 31 March 2017 to HK\$151.6 million as at 31 March 2018, being the amortisation expense during the year. The intangible assets relate to the business combination of SC01, which comprised (i) goodwill of HK\$124.1 million, representing the excess value of total purchase consideration over the fair value of the net identifiable assets; (ii) customer contract of HK\$14.2 million; and (iii) favorable lease of HK\$13.3 million as at 31 March 2018.

(iii) Investment in associates

Investment in associates was nil as at 31 March 2018 (31 March 2017: HK\$27.7 million) due to share of loss of CSMCG of HK\$1.3 million and impairment of HK\$26.4 million. The management of the Group is of the view that the recoverable amount of such investment is nil under a prudent approach. Please refer to the section "Other Operating Expenses" under section A – review of financial results for further details on the aforementioned impairment on investment in associates.

Current Assets

Current assets increased by HK\$50.0 million, from HK\$113.6 million as at 31 March 2017 to HK\$163.6 million as at 31 March 2018. Current assets comprised (i) trade and other receivables; (ii) amount due from associates (non-trade); and (iii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables increased by HK\$73.1 million, from HK\$89.8 million as at 31 March 2017 to HK\$162.9 million as at 31 March 2018.

Trade and other receivables as at 31 March 2018 comprised (a) trade receivables of HK\$56.0 million; (b) other receivables and prepayment of HK\$31.6 million; (c) refundable deposit for a potential acquisition of HK\$43.7 million; and (d) loan and deposit from vendors of CSMCG of HK\$31.6 million.

- (a) Trade receivables increased by HK\$21.4 million, from HK\$34.6 million as at 31 March 2017 to HK\$56.0 million as at 31 March 2018. The increase was in line with the increase in revenue in FY2018, contributed by the IDC business. The management of the Company had assessed the aging of the trade receivables as at 31 March 2018, and taking into account the debtors' payment patterns and track records, it is of the opinion that no provision for impairment is necessary.
- (b) Other receivables and prepayment increased by HK\$21.0 million, from HK\$10.6 million as at 31 March 2017 to HK\$31.6 million as at 31 March 2018, comprising (i) prepayment of HK\$9.0 million in respect of GY IDC Phase II equipment; and (ii) aggregate deposits and prepayments of HK\$22.6 million primarily in respect of the IDC business.
- (c) GYZD placed a refundable deposit to Zhongdian Zhiyun Holdings Limited (中电智云控股有限公司) (“**ZDZY**”) for a potential acquisition of an IDC in Lian Yun Gang in the PRC. GYZD 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) and Zhongtong Keyun Real Estate (Lian Yun Gang) Company Limited (中通科云置业(连云港)有限公司) (collectively the “**Targets**”). The deposit had been secured by a pledge of the 82.5% equity interests in each of the Targets as collateral in favour of GYZD. Please refer to the announcement of the Company dated 17 May 2018 for details.
- (d) Loan and deposit from vendors of CSMCG (the “**CSMCG Vendors**”) decreased by HK\$12.2 million, from HK\$43.8 million as at 31 March 2017 to HK\$31.6 million as at 31 March 2018, due to repayment made by the CSMCG Vendors during FY2018. On 7 May 2018, the Company entered into a supplemental repayment agreement with the CSMCG Vendors to extend the repayment date of the outstanding sum (“**Repayment Agreement**”). Please refer to the announcement of the Company dated 7 May 2018 for details on the Repayment Agreement. As of the date of this announcement, HK\$29.4 million remained outstanding from the CSMCG Vendors.

(ii) Amount due from associates (non-trade)

Amount due from associates (non-trade) of HK\$22.7 million as at 31 March 2017 was fully impaired as at 31 March 2018. Please refer to the section “Other Operating Expenses” under section A – review of financial results for further details on the aforementioned impairment on investment in associates. Notwithstanding, CSMCG remains a 45% associates of the Group, and the management of the Company will continue to monitor CSMCG's operation closely, and will try to recover the amount due on a best effort.

(iii) Cash and bank balances

Cash and bank balances decreased by HK\$0.4 million, from HK\$1.1 million as at 31 March 2017 to HK\$0.7 million as at 31 March 2018. Please refer to “Cashflows” on the movement in cash and cash equivalents.

Current Liabilities

Current liabilities increased by HK\$60.8 million, from HK\$93.3 million as at 31 March 2017 to HK\$154.1 million as at 31 March 2018. Current liabilities comprised mainly (i) trade and other payables; (ii) short term borrowing; (iii) loan from a shareholder of the Company; (iv) convertible bonds; and (v) finance lease obligations.

(i) **Trade and other payables**

Trade and other payables increased by HK\$42.7 million, from HK\$58.2 million as at 31 March 2017 to HK\$100.9 million as at 31 March 2018. Trade and other payables as at 31 March 2018 comprised (i) trade payables of HK\$45.0 million; (ii) other payables of HK\$49.5 million; (iii) customer deposits of HK\$5.4 million; and (iv) amount due to directors of the Company of HK\$1.0 million.

Trade payables increased by HK\$25.6 million, from HK\$19.4 million as at 31 March 2017 to HK\$45.0 million as at 31 March 2018, mainly due to (i) the outstanding balance owing to an equipment supplier upon termination of the finance lease arrangement under GYZD of HK\$0.3 million; (ii) rental accruals of HK\$26.9 million; and (iii) outstanding balance owing to subcontracting suppliers of HK\$17.8 million incurred by GYZD.

Other payables increased by HK\$18.5 million, from HK\$31.0 million as at 31 March 2017 to HK\$49.5 million as at 31 March 2018, mainly due to (i) the leasehold improvement of GY IDC Phase II of HK\$7.3 million, (ii) other development fees in relation to GYZD's IDC business of HK\$19.0 million; (iii) income tax payable of HK\$5.7 million; and (iv) accrued operating expenses of the Company of HK\$17.5 million.

Customer deposits decreased by HK\$1.1 million, from HK\$6.5 million as at 31 March 2017 to HK\$5.4 million as at 31 March 2018, mainly due to the receipt of deposits from customers of GYZD, where the service has yet been provided.

Amount due to a director of the Company decreased by HK\$0.3 million, from HK\$1.3 million as at 31 March 2017 to HK\$1.0 million as at 31 March 2018. The advance is provided by a director of the Company for operation purpose. The loan is interest-free, unsecured and repayable on demand.

(ii) **Short term borrowing**

Short term borrowing comprised (i) short term loan from a bank; and (ii) short term loan from a financial institution.

Short term loan from a bank decreased by HK\$1.4 million, from HK\$7.6 million as at 31 March 2017 to HK\$6.2 million as at 31 March 2018. The loan bears an interest rate of 8.28% per annum and is repayable on or before 9 March 2019. The loan is guaranteed by Shenzhen Zhongdian Lechu Data Technology Co., Limited ("**Shenzhen Co**"), the holding company of GYZD.

Short term loan from a financial institution – Northern International Trust Co. Limited 北方國際信託股份有限公司, amounted to HK\$43.7 million as at 31 March 2018. The loan bears an interest rate of 8.5% per annum and is repayable on or before 25 January 2019. The loan is guaranteed by Guiyang Zhongdian Guiyun Communication Development Co., Limited, a 75%-subsidiary of Shenzhen Co, and a director of the Company.

(iii) Loan from a shareholder of the Company

Loan from a shareholder of the Company amounted to HK\$2.0 million as at 31 March 2018. The loan is interest-bearing at 6% per annum, unsecured and repayable on demand on or before 6 March 2019.

(iv) Convertible bonds

Convertible bonds relate to the convertible bonds of an aggregate amount of S\$2.26 million (equivalent to HK\$13.2 million), which bear interest rate at 12% per annum at a conversion price of S\$0.006 for each Share, due on 28 May 2017. The redemption of convertible bonds was made in November 2017 with the proceeds from new convertible bonds issued (please refer to “Non-current Liabilities – Convertible Bonds” for further information on the new convertible bonds).

(v) Lease obligations – current portion

The current portion of the finance lease obligations amounted to HK\$14.2 million as at 31 March 2017 and nil as at 31 March 2018. The lease obligations relate to a lease to facilitate the equipment purchase for the operation of the IDC business in GYZD. The finance lease arrangement was terminated in FY2018.

Non-current Liabilities

Non-current liabilities decreased by HK\$5.0 million, from HK\$22.3 million as at 31 March 2017 to HK\$17.3 million as at 31 March 2018. Non-current liabilities comprised (i) lease obligations (non-current portion); (ii) loan from a shareholder of the Company; and (iii) convertible bonds.

(i) Lease obligations – non-current portion

The non-current portion of the finance lease obligations amounted to HK\$20.3 million as at 31 March 2017 and nil as at 31 March 2018. The lease obligations relate to a lease to facilitate the equipment purchase for the operation of the IDC business of GYZD. The finance lease arrangement had been terminated in FY2018.

(ii) Loan from a shareholder of the Company

Loan from a shareholder of the Company increased by HK\$2.1 million, from HK\$2.0 million as at 31 March 2017 to HK\$4.1 million as at 31 March 2018, due to an additional HK\$2.1 million loan being provided by a shareholder of the Company in FY2018. The loan is interest-bearing at 6% per annum, unsecured and repayable on demand on or before 29 November 2019.

(iii) Convertible bonds

Convertible bonds relate to the Convertible Bonds of an aggregate amount of S\$2.26 million (equivalent to HK\$13.2 million) entered into by the Company with the Subscribers in November 2017, which bears interest rate at 12% per annum at a conversion price of S\$0.002 for each Share. The Convertible Bonds are due on 27 November 2019.

Non-controlling interest (“NCI”)

NCI increased by HK\$52.5 million, from HK\$31.3 million as at 31 March 2017 to HK\$83.8 million as at 31 March 2018. The NCI was due to the fact that SC01 became a 100.0% owned subsidiary of the Group, and the Company’s effective interest in GYZD increased from 48.6% to 60.0%, as at 31 March 2018.

(C) CASH FLOWS

Net cash generated from operating activities for FY2018 amounted to HK\$9.0 million. This was due to (i) an operating profit before changes in working capital of HK\$46.3 million; (ii) an increase in trade and other payables of HK\$34.3 million; and (ii) partially offset by an increase in trade and other receivables of HK\$63.7 million.

Net cash flow used in investing activities amounted to HK\$156.8 million in FY2018, mainly due to the capitalisation of the cost incurred for the construction of GYZD Phase II and call centre.

Net cash flow generated from financing activities of HK\$142 million in FY2018 relates to (i) short term loan from a shareholder of the Company of HK\$4.1 million; (ii) short term loan from a director of a subsidiary of HK\$5.4 million; (iii) short term loan from a financial institution of HK\$41.5 million; (iv) Guiyang fund capital injection HK\$136.8 million; and partially offset by (i) repayment of lease obligations of HK\$36.2 million; (ii) repayment of loan from third party of HK\$4.7 million; and (iii) interest paid for short term loans of HK\$3.2 million.

As a whole, the Group used cash of HK\$5.8 million in FY2018. The cash and cash equivalents as at 31 March 2018 amounted to HK\$0.7 million.

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

The unaudited financial results for FY2018 set out in this announcement are in line with the profit guidance announcement released by the Company on 15 May 2018.

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 Group derives its revenue primarily from GYZD, which has been generating positive returns to the Group since early 2016.

In May 2017 and July 2017, Guiyang Fund injected a total of RMB120 million into GYZD, with a resultant interest in 40% in GYZD, as of 6 July 2017. Consequently, the Group’s effective interest in GYZD was reduced to 48.6%. With the funds received from Guiyang Fund, GYZD was able to expand its capacity, enhance its business network and further develop its IDC business in the PRC. Subsequent to 30 September 2017, on 6 October 2017, the Group completed the acquisition of an additional 19% equity interest in SC01 and accordingly, SC01 became a 100.0% owned subsidiary of the Group, and the Company’s effective interest in GYZD increased from 48.6% to 60.0%. The Guiyang IDC is under phase II development with a capacity of hosting 1,000 racks which is expected to be completed in early 2019. The increased capacity, from an existing capacity of 660 racks to 1,000 racks, will enable GYZD to expand its IDC business in Guiyang city.

GYZD paid a refundable deposit of approximately RMB35 million for a proposed acquisition of Lian Yun Gang IDC, pursuant to a letter of intent entered into by GYZD on 17 May 2018 (the “**Proposed Acquisition**”). The IDC is located at Lian Yun Gang City, Jiangsu Province. The Proposed Acquisition will enable the Group to expand its core

business in the IDC industry. Guiyang Fund expressed its interest in cooperating with GYZD to invest in other IDC businesses. The final terms and conditions will only be addressed in the definitive agreement where the Company will make further announcement in due course.

The business environment of the IDC industry where the Group operates in remains promising. The Group is focusing its efforts on strengthening its IDC business to capture the potential growth from the IDC market in the PRC.

Investment in and amount due from CSMCG have been fully impaired in FY2018. Notwithstanding that CSMCG had signed a master distributor agreement with a global broadband services and technology company for the distribution of mobile satellite products and services in the PRC, the execution of such agreement will be subject to approval of product type and in-country service license as required by the relevant PRC regulatory and, the outcome is uncertain. The management of the Group is of the view that the recoverable amount of such investment and amount due from CSMCG is nil under a prudent approach. CSMCG does not have the financial resources where the recoverability of amount due from associates is improbable. Nevertheless, CSMCG remains a 45%-associates of the Group. The management will continue monitoring CSMCG closely and will endeavour to recover the amount due from CSMCG to the Group on a best efforts basis.

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 (FY2017: 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.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

- 14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

For FY2018, the Group has 2 reportable segments, namely mobile satellite services and internet data centre services. Other business operations includes investment holding and is categorised as "all other segments". The strategic business units offer different products and services, and are operated independently in view of their different technological requirements and marketing strategies. For each strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports of each strategic business unit on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Performance is measured in terms of segment profit before income tax, which is provided in the internal management reports reviewed by the Group's CEO. The management believes that segment profit is applicable for measuring performance as such information is the most relevant in evaluating the results of certain segments as compared to other entities operating within these industries.

2018				
	Mobile satellite services	Internet Data Center Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue (including other income)	-	105,833	18	105,851
Segment Profit/ (loss)	(1,289)	47,789	(71,545)	(25,045)
Finance costs				(3,229)
Loss before tax				(28,274)
Income tax				(7,994)
Loss for the financial year				(36,268)
Segment assets	-	351,682	184,353	536,035
Segment liabilities	-	133,602	37,821	171,423
Other Segment items				
Capital expenditure	-	136,754	-	136,754
Depreciation of property, plant and equipment	-	10,073	24	10,097
Amortisation of intangible assets	-	9,649	-	9,649
Impairment of investment in associates	-	-	26,400	26,400
Impairment of amount due from associates	-	-	22,719	22,719
Share of loss of associates	1,289	-	-	1,289

2017				
	Mobile satellite services	Internet Data Center Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue (including other income)	-	53,458	51	53,509
Segment Profit/ (loss)	(2,842)	25,502	(57,321)	(34,661)
Finance costs				(7,026)
Loss before tax				(41,687)
Income tax				(431)
Loss for the financial year				(42,118)
Segment assets	50,409	220,893	91,005	362,307
Segment liabilities	-	89,334	26,197	115,531
Other segment items				
Capital expenditure	-	8,800	-	8,800
Depreciation of property, plant and equipment	-	11,283	34	11,317
Amortisation of intangible assets	-	9,649	-	9,649
Impairment of trade receivable	-	-	692	692
Impairment of investment in an associate	34,650	-	-	34,650
Share of loss of associates	2,842	-	-	2,842

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical presence of the customers. Segment capital expenditure and assets are based on the geographical location of the assets. Geographical information about the Group's revenue and assets is as follows:

	12 Months Ended	12 Months Ended
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Revenue (including other income)		
PRC	105,833	53,458
Hong Kong	18	51
	105,851	53,509
Non-current assets		
PRC	220,800	59,627
Hong Kong	151,617	189,032
	372,417	248,659

	12 Months Ended	12 Months Ended
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Provision of IT services		
- Hosting Service	49,977	50,168
- Bandwidth and value-added Service	19,446	-
- Trading of IT equipment	13,674	-
Government grant	22,736	3,217
Other income	18	124
	105,851	53,509

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to the aforesaid section 8 for details.

16. A breakdown of sales

	12 Months Ended	12 Months Ended
	31.3.2018	31.3.2017
	HK\$'000	HK\$'000
Sales reported for first half year	26,825	26,301
Operating profit/ (loss) after tax before deducting non-controlling interests reported for first half year	18,968	(4,407)
Sales reported for second half year	56,272	23,867
Operating loss after tax before deducting non-controlling interests reported for second half year	(55,236)	(37,711)

17. **A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year as follows:-**

S\$000	FY2018	FY2017
Ordinary	-	-
Preference	-	-
Total	-	-

18. **If any person is occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10).**

There is no person occupying a managerial position in the Group who is a relative of a director, chief executive officer, or substantial shareholder of the Company pursuant to Rule 704 (10) of the Catalist Rules.

19. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)**

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer

Chu Yin Ling, Karen
Executive Director

28 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 Catalist. 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.