

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

MATERIAL VARIANCES BETWEEN THE UNAUDITED AND AUDITED FULL YEAR FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The board of directors (the "**Board**") of SinoCloud Group Limited (the "**Company**") refers to the Company's announcement on 28 May 2018 relating to its unaudited full year financial results for the financial year ended 31 March 2018 ("**FY2018**") (the "**Unaudited Financial Statements**"). Further reference is made to the audited financial statements of the Company for FY2018 (the "**Audited Financial Statements**") and the report thereon by the Company's independent auditor included in the Company's annual report for FY2018 which will be issued to shareholders of the Company ("**Shareholders**") and released on the SGXNET in due course.

Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the Board wishes to highlight that subsequent to the release of the Unaudited Financial Statements, the Company's independent auditor has proposed certain adjustments which the management of the Company has adopted accordingly in respect of the statements of financial position, consolidated statement of comprehensive income, and consolidated statement of cash flows in the Audited Financial Statements. Details and explanation of the material variances between the Unaudited Financial Statements and the Audited Financial Statements are set out in the appendices appended to this announcement.

Shareholders are advised to read the Audited Financial Statements in the Company's 2018 annual report, which will be despatched to Shareholders in due course.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer
25 June 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.

Appendix 1

| SINO CLOUD GROUP LIMITED | | | | | | | |
|---|----------------|----------------|--------------|----------------|----------------|------------|-----------|
| STATEMENT OF FINANCIAL POSITION | | | | | | | |
| AS AT 31 MARCH 2018 | | | | | | | |
| (Expressed in Hong Kong thousand dollars) | | | | | | | |
| | The Group | | Variance | The Company | | Variance | Note |
| | (Audited) | (Unaudited) | | (Audited) | (Unaudited) | | |
| ASSETS | | | | | | | |
| Non-current assets | | | | | | | |
| Property, plant and equipment | 220,800 | 220,800 | - | - | - | - | |
| Intangible assets | 151,617 | 151,617 | - | - | - | - | |
| Amount due from subsidiaries (non-trade) | - | - | - | 104,507 | 104,509 | (2) | |
| | 372,417 | 372,417 | - | 104,507 | 104,509 | (2) | |
| Current assets | | | | | | | |
| Trade and other receivables | 169,544 | 162,894 | 6,650 | 31,851 | 31,851 | - | (1) |
| Cash and bank balances | 724 | 724 | - | - | - | - | |
| | 170,268 | 163,618 | 6,650 | 31,851 | 31,851 | - | |
| TOTAL ASSETS | 542,685 | 536,035 | 6,650 | 136,358 | 136,360 | (2) | |
| LIABILITIES | | | | | | | |
| Current liabilities | | | | | | | |
| Trade and other payables | 106,101 | 100,896 | 5,205 | 9,448 | 6,999 | 2,449 | (1) & (3) |
| Short-term borrowing | 49,967 | 49,967 | - | - | - | - | |
| Loan from shareholder | 2,000 | 2,000 | - | - | - | - | |
| Provision for warranty | 1,266 | 1,266 | - | - | - | - | |
| Amount due to subsidiaries (non-trade) | - | - | - | - | 2,449 | (2,449) | (3) |
| | 159,334 | 154,129 | 5,205 | 9,448 | 9,448 | - | |
| Non-current liabilities | | | | | | | |
| Convertible bonds | 13,220 | 13,220 | - | 13,220 | 13,220 | - | |
| Loan from shareholder | 4,074 | 4,074 | - | - | - | - | |
| | 17,294 | 17,294 | - | 13,220 | 13,220 | - | |
| | | | | - | - | | |
| TOTAL LIABILITIES | 176,628 | 171,423 | 5,205 | 22,668 | 22,668 | - | |
| NET ASSETS | 366,057 | 364,612 | 1,445 | 113,690 | 113,692 | (2) | |
| EQUITY | | | | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | | | | |
| Share capital | 14,311 | 14,311 | - | 14,311 | 14,311 | - | |
| Share premium | 473,003 | 473,003 | - | 473,003 | 473,004 | (1) | |
| Contributed surplus | 16,456 | 16,456 | - | 16,456 | 16,456 | - | |
| Translation reserve/ (deficit) | 9,628 | 9,583 | 45 | - | - | - | |
| Statutory reserve | 5,863 | 5,863 | - | - | - | - | |
| Revaluation reserve | 98 | 98 | - | - | - | - | |
| Other reserve | 15,120 | 15,120 | - | - | - | - | |
| Accumulated losses | (252,866) | (253,658) | 792 | (390,080) | (390,079) | (1) | |
| | 281,613 | 280,776 | 837 | 113,690 | 113,692 | (2) | |
| Non-controlling interest | 84,444 | 83,836 | 608 | - | - | - | |
| TOTAL EQUITY | 366,057 | 364,612 | 1,445 | 113,690 | 113,692 | (2) | |

Appendix 2

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | | | | |
|---|------------------|--------------------|-----------------|-------------|
| FOR THE YEAR ENDED 31 MARCH 2018 | | | | |
| (Expressed in Hong Kong thousand dollars) | | | | |
| | The Group | | Variance | Note |
| | (Audited) | (Unaudited) | | |
| Revenue | 89,472 | 83,097 | 6,375 | (1) |
| Other income | 22,754 | 22,754 | - | |
| Employee benefits expense | (10,604) | (10,604) | - | |
| Depreciation of property, plant and equipment | (10,097) | (10,097) | - | |
| Amortisation of intangible assets | (9,649) | (9,649) | - | |
| Impairment of: | | | - | |
| - investment in associates | (26,400) | (26,400) | - | |
| - Amount due from associates | (22,719) | (22,719) | - | |
| Operating lease expenses | (5,504) | (5,503) | (1) | |
| Provision for warranty | (1,201) | (1,201) | - | |
| Subcontracting fee | (27,619) | (22,613) | (5,006) | (1) |
| Bandwidth fee | (10,000) | (10,000) | - | |
| Other expenses | (10,820) | (10,140) | (680) | (4) |
| Foreign exchange adjustment loss | - | (681) | 681 | (4) |
| Finance costs | (3,229) | (3,229) | - | |
| Share of associates' loss | (1,288) | (1,289) | 1 | |
| Loss before tax | (26,904) | (28,274) | 1,370 | |
| Income tax expense | (7,994) | (7,994) | - | |
| Loss for the financial year | (34,898) | (36,268) | 1,370 | (2) |
| | | | | |
| Profit /(Loss) attributable to: | | | | |
| Equity holders of the Company | (49,936) | (50,728) | 792 | (2) |
| Non-controlling interest | 15,038 | 14,460 | 578 | (2) |
| | (34,898) | (36,268) | 1,370 | |

Appendix 3

SINOCLOUD GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 March 2018
(Expressed in Hong Kong thousand dollars)

| | The Group | | Variance | Note |
|--|------------------|--------------------|-----------------|-------------|
| | (Audited) | (Unaudited) | | |
| Operating activities | | | | |
| Loss for financial year | (26,904) | (28,274) | 1,370 | (2) |
| <i>Adjustments:</i> | | | | |
| Depreciation of property, plant and equipment | 10,097 | 10,097 | - | |
| Amortisation of intangible assets | 9,649 | 9,649 | - | |
| Property, plant and equipment written off | 50 | 50 | - | |
| Share of associates' loss | 1,288 | 1,289 | (1) | |
| Impairment of investment in associates | 26,400 | 26,400 | - | |
| Impairment of amount due from associates | 22,719 | 22,719 | - | |
| Provision for warranty | 1,201 | 1,200 | 1 | |
| Interest expense | 3,229 | 3,229 | - | |
| Interest income | (1) | (21) | 20 | |
| Operating profit before working capital changes | 47,728 | 46,338 | 1,390 | |
| Trade and other receivables | (69,966) | (63,661) | (6,305) | (1) |
| Trade and other payables | 39,258 | 34,323 | 4,935 | (1) |
| Cash generated from operations | 17,020 | 17,000 | 20 | |
| Income tax paid | (7,994) | (7,994) | - | |
| Net cash generated from operating activities | 9,026 | 9,006 | 20 | |
| Investing activities | | | | |
| Additions to property, plant and equipment | (156,778) | (18) | (156,760) | (5) |
| Additions to purchase of property, plant and equipment - Construction in progress | - | (156,760) | 156,760 | (5) |
| Interest income received | 1 | 21 | (20) | |
| Net cash used in investing activities | (156,777) | (156,757) | (20) | |
| Financing activities | | | | |
| Repayment of short term borrowing | (2,084) | (2,084) | - | |
| Repayment of lease obligations | (36,233) | (36,233) | - | |
| Repayment of loan from third party | (4,681) | (4,681) | - | |
| Proceeds of loan borrowing | 41,453 | 41,453 | - | |
| Proceeds of loan from director of the Company | 500 | 500 | - | |
| Proceeds of loan from director of a subsidiary | 5,418 | 5,418 | - | |
| Interest paid | (3,229) | (3,229) | - | |
| Proceeds of loan from a shareholder of the Company | 4,074 | 4,074 | - | |
| Proceeds from capital injection by a shareholder of a subsidiary | 136,754 | 136,754 | - | |
| Net cash generated from financing activities | 141,972 | 141,972 | - | |
| Net decrease in cash and cash equivalents | (5,779) | (5,779) | - | |
| Cash and cash equivalents at beginning of the financial year | 1,081 | 1,081 | - | |
| Effect of exchange rate changes in cash and cash equivalents | 5,422 | 5,422 | - | |
| Cash and cash equivalents at end of the financial year | 724 | 724 | - | |

Notes:

- (1) The variances relate to an adjustment in revenue and its corresponding subcontracting fee of Guiyang Zhongdian Gaoxin Digital Technologies Limited, a 60%-owned subsidiary of the Company, due to higher percentage of completion of project-based revenue to be recognised in accordance with IAS 11.
- (2) As a result of the adjustment as discussed in note (1) above, the Group reported a lower loss of HK\$1.4 million for the financial year ended 31 March 2018 to be reported in the Audited Financial Statements, as compared to the Unaudited Financial Statements.
- (3) The variances relate to a reclassification of HK\$2.4 million between amount due to subsidiaries, and trade and other payables.
- (4) Foreign exchange adjustment loss of HK\$0.7 million was reclassified to other expenses.
- (5) Additions to purchase of property, plant and equipment - construction in progress of HK\$156.8 million was reclassified to additions to property, plant and equipment.