

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

**RESPONSE TO SGX QUERIES REGARDING THE COMPANY'S ANNOUNCEMENT ON
INDEPENDENT AUDITOR'S COMMENTS ON FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR ENDED 31 MARCH 2018**

The board of directors (the "**Board**") of SinoCloud Group Limited (the "**Company**") wishes to announce the following in response to queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") with respect to the Company's announcement released on 25 June 2018 titled "Independent Auditor's Comments on Financial Statements For The Financial Year Ended 31 March 2018" (the "**Announcement**").

Unless otherwise defined, all capitalized terms used herein shall bear the same meaning as ascribed to them in the Announcement.

SGX Queries

We note that the Company's independent auditor had included in the Independent Auditor's Report a material uncertainty related to going concern in the Audited Financial Statements. In response, the Board sets out its basis for continued trading as follows:-

The ability of the Group to generate additional positive cash flows in the foreseeable future is largely dependent on the following factors:

- (i) increase in profit contribution to the Group from the IDC business of GYZD;*
- (ii) the expected improvement in the achievement of certain utilisation rate of IDC services by GYZD;*
- (iii) obtain financing by GYZD for its operating and investing activities; and*
- (iv) financial support from a director/shareholder that he will provide continuing financial support to the Group as and when its liabilities fall due.*

Please clarify the following:-

- (a) Has the required financing by GYZD been obtained?**
- (b) Has the undertaking from the director/shareholder for continued financial support been provided? Who is the director/shareholder providing the undertaking?**
- (c) What is the working capital of the Group based on the latest audit report for FY2018?**

Company's response:

- (a) No, GYZD has not secured any financing from financial institutions. In past years, GYZD relied on internal resources through cash generated from its operations, as well as capital injection and borrowings from shareholders and directors.

The Company wishes to highlight that the material uncertainty related to going concern highlighted in the Independent Auditor's Report dated 22 June 2018 was largely in respect of the Group's current liabilities of HK\$159.4 million and capital commitment due in one year amounting to HK\$174.5 million ("**Capital Commitment**") (recorded as an off-balance sheet item in the Audited Financial Statements), considering that the Group's cash and cash equivalents amounted to HK\$0.7 million as at 31 March 2018 and the Group remained in a loss making position in FY2018.

The Capital Commitment was in respect of capital expenditure contracted for at the balance sheet date of 31 March 2018, but not recognised in the financial statements, and relate to the construction of GYZD IDC's phase II development and call centre (the "**Construction**").

In respect of the Construction, due to recent changes in its end-users requirements, GYZD had, on 27 June 2018 and 2 July 2018, entered into respective supplemental agreements with its contractors in respect of the construction of server room infrastructure (contract value of approximately HK\$118.5 million) and the supply of server equipment (contract value of approximately HK\$34.9 million), to reschedule the completion date of the Construction to the second half of 2019, instead of early 2019. As a result of the above, the capital expenditure contracted for of HK\$153.4 million (out of HK\$174.5 million) will only be due in the second half of 2019, i.e. more than one year from 31 March 2018. In addition to the above, GYZD will discuss and enter into similar supplemental agreement with its other contractor in respect of the call centre (an add-on service for phase II with contract value of HK\$17.8 million) to reschedule the completion dates of the Construction to the second half of 2019. The balance Capital Commitment of HK\$3.3 million relates to GYZD's contracted purchase of software.

Further to the above, excluding the entire amount of the off-balance sheet item relating to the Capital Commitment, the Group's financial position remained relatively healthy in FY2018. In particular, based on the Audited Financial Statements, the Group reported the following:

- Net current assets of HK\$10.9 million as at 31 March 2018
 - Net book value (excluding non-controlling interest) of HK\$281.6 million as at 31 March 2018
 - Cash generated from operating activities of HK\$9.0 million in FY2018
 - Loss before tax of HK\$26.9 million in FY2018, and had impairment losses in respect of associates been excluded, net profit before tax of HK\$22.2 million
- (b) Yes, the Company had obtained a letter of continuing financial support from Mr Zhang Dai (Executive Director and Controlling Shareholder of the Company who currently holds an interest of 20.2% in the Company) to the Group as and when it may be required for it to meet its liabilities as at 31 March 2018, and its normal operating expenses to be incurred up to the subsequent year ending 31 March 2019. The aforementioned letter of continuing financial support was obtained by the Board as an additional measure to support the basis for the going concern assumption.
- (c) Based on the Audited Financial Statements, the Group's working capital amounted to approximately HK\$10.9 million as at 31 March 2018.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer
4 July 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.