

**SINOCLOUD GROUP LIMITED**  
**(THE "COMPANY")**

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

**Unaudited Second Quarter and Six Months Financial Statement And Dividend Announcement for the Financial Period Ended 30 September 2016**

**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**

<b>CONSOLIDATED INCOME STATEMENT</b>						
<b>FOR THE PERIOD ENDED 30 SEPTEMBER 2016</b>						
<b>(Expressed in Hong Kong thousand dollars)</b>						
	<b>Three Months Ended</b>			<b>Six Months Ended</b>		
	30.9.2016	30.9.2015	%	30.9.2016	30.9.2015	%
			+ / (-)			+ / (-)
<b>Revenue</b>	13,012	436	NM	26,301	927	NM
Other income	-	756	(100)	467	1,512	(69)
Employee benefits expense	(2,455)	(1,179)	108	(5,243)	(3,199)	64
Depreciation of property, plant and equipment	(2,498)	(48)	NM	(5,006)	(96)	NM
Amortisation of intangible assets	(2,412)	-	-	(4,824)	-	-
Cost of purchases	-	(309)	(100)	-	(702)	(100)
Operating lease expenses	(2,971)	(81)	NM	(6,389)	(167)	NM
Other expenses	(2,303)	(2,204)	4	(4,488)	(6,097)	(26)
Finance costs	(1,515)	(342)	NM	(3,509)	(675)	NM
Fair value gain on derivative financial instrument	-	-	-	-	733	(100)
Share of loss of associates	(1,569)	(148)	NM	(1,716)	(435)	NM
<b>Loss for the financial period</b>	<b>(2,711)</b>	<b>(3,119)</b>	<b>(13)</b>	<b>(4,407)</b>	<b>(8,199)</b>	<b>(46)</b>
<b>Loss attributable to:</b>						
Equity holders of the Company	(3,456)	(3,119)	11	(6,441)	(8,199)	(21)
Non-controlling interest	745	-	-	2,034	-	-
	<b>(2,711)</b>	<b>(3,119)</b>	<b>(13)</b>	<b>(4,407)</b>	<b>(8,199)</b>	<b>(46)</b>

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**

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016  
(Expressed in Hong Kong thousand dollars)**

	Three Months Ended			Six Months Ended		
	30.9.2016	30.9.2015	%	30.9.2016	30.9.2015	%
			+ / (-)			+ / (-)
<b>Loss for the period</b>	<b>(2,711)</b>	<b>(3,119)</b>	(13)	<b>(4,407)</b>	<b>(8,199)</b>	(46)
<b>Other comprehensive income</b>						
Currency translation difference arising from consolidation	4	-	-	346	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(2,707)</u></b>	<b><u>(3,119)</u></b>	(13)	<b><u>(4,061)</u></b>	<b><u>(8,199)</u></b>	(50)
<b>Total comprehensive loss attributable to</b>						
Equity holders of the company	(3,456)	(3,119)	11	(6,441)	(8,199)	(21)
Non-controlling interest	745	-	-	2,034	-	-
<b>Total comprehensive loss for the period</b>	<b><u>(2,711)</u></b>	<b><u>(3,119)</u></b>	(13)	<b><u>(4,407)</u></b>	<b><u>(8,199)</u></b>	(46)

**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**

<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>AS AT 30 SEPTEMBER 2016</b>				
<b>(Expressed in Hong Kong thousand dollars)</b>				
	<b>The Group</b>		<b>The Company</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30.9.2016</b>	<b>31.3.2016</b>	<b>30.9.2016</b>	<b>31.3.2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	58,851	65,899	-	-
Intangible assets	166,091	170,915	-	-
Investment in an associate	107,266	108,980	130,283	132,000
Amount due from subsidiaries (non-trade)	-	-	26,765	33,757
	<u>332,208</u>	<u>345,794</u>	<u>157,048</u>	<u>165,757</u>
<b>Current assets</b>				
Trade and other receivables	80,654	52,794	36,144	36,233
Amount due from an associate (non-trade)	22,720	22,545	-	-
Cash and bank balances	4,156	12,037	-	-
	<u>107,530</u>	<u>87,376</u>	<u>36,144</u>	<u>36,233</u>
<b>TOTAL ASSETS</b>	<u>439,738</u>	<u>433,170</u>	<u>193,192</u>	<u>201,990</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	63,610	40,999	1,392	3,472
Convertible bonds	13,220	-	13,220	-
Lease obligations	13,863	17,260	-	-
	<u>90,693</u>	<u>58,259</u>	<u>14,612</u>	<u>3,472</u>
<b>Non-current liabilities</b>				
Lease obligations	28,441	36,680	-	-
Convertible bonds	-	13,220	-	13,220
	<u>28,441</u>	<u>49,900</u>	<u>-</u>	<u>13,220</u>
<b>TOTAL LIABILITIES</b>	<u>119,134</u>	<u>108,159</u>	<u>14,612</u>	<u>16,692</u>
<b>NET ASSETS</b>	<u>320,604</u>	<u>325,011</u>	<u>178,580</u>	<u>185,298</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	10,918	10,918	10,918	10,918
Share premium	438,396	438,396	438,396	438,396
Contributed surplus	16,456	16,456	16,456	16,456
Translation reserve	(3,683)	(3,683)	-	-
Statutory reserve	5,863	5,863	-	-
Revaluation reserve	98	98	-	-
Other deficit	(49,466)	(49,466)	-	-
Accumulated losses	(160,567)	(154,126)	(287,190)	(280,472)
	<u>258,015</u>	<u>264,456</u>	<u>178,580</u>	<u>185,298</u>
<b>Non-controlling interest</b>	<u>62,589</u>	<u>60,555</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>	<u>320,604</u>	<u>325,011</u>	<u>178,580</u>	<u>185,298</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 30.9.2016 In HK\$'000		As at 31.3.2016 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	13,863	-	17,260
Convertible bonds	-	13,220	-	-
Short term loan from directors of a subsidiary	-	22,315	-	-
Short term loan from an unrelated third party	-	3,488	-	-

### Amount repayable after one year

	As at 30.9.2016 In HK\$'000		As at 31.3.2016 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	28,441	-	36,680
Convertible bonds	-	-	-	13,220

Lease obligations relate to a lease to facilitate equipment purchase for the operation of the internet data centre business in the Group's subsidiary in Guiyang.

The convertible bonds relate to the 12% Convertible Bonds Due May 2017 (defined in section 1(d)(ii) below), for an aggregate amount of S\$2,256,000 (equivalent to HK\$13.2 million), with an interest rate of 12% per annum at a conversion price of S\$0.006 for each Share.

The short term loan from directors of a subsidiary is interest-free, unsecured and repayable on demand on demand, or before 30 June 2017.

The short term loan from an unrelated third party bears an interest rate of 10% per annum and is repayable on demand, on or before 30 June 2017.

### 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**

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>				
<b>FOR THE PERIOD ENDED 30 SEPTEMBER 2016</b>				
(Expressed in Hong Kong thousand dollars)				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>30.09.2016</b>	<b>30.09.2015</b>
<b>Cash flow from operating activities</b>				
Loss for financial period	(2,712)	(3,119)	(4,408)	(8,199)
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	2,498	48	5,006	96
Amortisation of intangible assets	2,412	-	4,824	-
Share of loss of associates	1,570	148	1,717	435
Finance costs	1,515	342	3,509	675
Fair value loss on derivative financial instrument	-	-	-	(733)
Interest income	-	(756)	-	(1,512)
Operating profit/ (loss) before working capital changes	5,283	(3,337)	10,648	(9,238)
(Increase)/ decrease in trade and other receivables	(4,095)	656	(12,566)	2,674
(Decrease) in trade and other payables	(989)	(428)	(4,752)	(10,081)
Cash used in operations	199	(3,109)	(6,670)	(16,645)
Interest paid	(1,363)	(397)	(3,357)	(397)
<b>Net cash used in operating activities</b>	<b>(1,164)</b>	<b>(3,506)</b>	<b>(10,027)</b>	<b>(17,042)</b>
<b>Cash flow from investing activities</b>				
(Repayment)/ receipt from an associate (non-trade)	53	(713)	(175)	(1,406)
<b>Net cash generated from/ (used in) investing activities</b>	<b>53</b>	<b>(713)</b>	<b>(175)</b>	<b>(1,406)</b>
<b>Cash flow from financing activities</b>				
(Repayment)/ receipt of short term loan from a director of a subsidiary	(4,060)	-	24,284	-
Repayment of lease obligations	(3,422)	-	(11,636)	-
Advance payment of lease obligations	-	-	(13,815)	-
Receipt of short term loan from an unrelated third party	3,488	3,000	3,488	3,000
Proceeds from issuance of convertible bond	-	-	-	13,220
<b>Net cash generated from/ (used in) financing activities</b>	<b>(3,994)</b>	<b>3,000</b>	<b>2,321</b>	<b>16,220</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(5,105)</b>	<b>(1,219)</b>	<b>(7,881)</b>	<b>(2,228)</b>
Cash and cash equivalents at beginning of the financial period	9,261	6,905	12,037	7,914
Effect of exchange rate changes in cash and cash equivalents	-	-	-	-
<b>Cash and cash equivalents at end of the financial period</b>	<b>4,156</b>	<b>5,686</b>	<b>4,156</b>	<b>5,686</b>

**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><b>Group</b></i>	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Translation reserve	Statutory reserve	Revaluation reserve	Other deficit	Accumulated 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
<b>Balance as at 1 April 2016</b>	<b>10,918</b>	<b>438,396</b>	<b>16,456</b>	<b>(3,683)</b>	<b>5,863</b>	<b>98</b>	<b>(49,466)</b>	<b>(154,126)</b>	<b>60,555</b>	<b>325,011</b>
Loss for the period from 1.4.2016 to 30.6.2016								(2,985)	1,289	(1,696)
<b>Balance as at 30 June 2016</b>	<b>10,918</b>	<b>438,396</b>	<b>16,456</b>	<b>(3,683)</b>	<b>5,863</b>	<b>98</b>	<b>(49,466)</b>	<b>(157,111)</b>	<b>61,844</b>	<b>323,315</b>
Loss for the period from 1.7.2016 to 30.9.2016								(3,456)	745	(2,711)
<b>Balance as at 30 September 2016</b>	<b>10,918</b>	<b>438,396</b>	<b>16,456</b>	<b>(3,683)</b>	<b>5,863</b>	<b>98</b>	<b>(49,466)</b>	<b>(160,567)</b>	<b>62,589</b>	<b>320,604</b>
Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Translation reserve	Statutory reserve	Revaluation reserve	Other deficit	Accumulated 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
<b>Balance as at 1 April 2015</b>	<b>7,541</b>	<b>393,291</b>	<b>16,456</b>	<b>32,714</b>	<b>5,863</b>	<b>98</b>	<b>(49,466)</b>	<b>(42,511)</b>	-	<b>363,986</b>
Loss for the period from 1.4.2015 to 30.6.2015	-	-	-	-	-	-	-	(5,080)	-	(5,080)
<b>Balance as at 30 June 2015</b>	<b>7,541</b>	<b>393,291</b>	<b>16,456</b>	<b>32,714</b>	<b>5,863</b>	<b>98</b>	<b>(49,466)</b>	<b>(47,591)</b>	-	<b>358,906</b>
Loss for the period from 1.7.2015 to 30.9.2015	-	-	-	-	-	-	-	(3,119)	-	(3,119)
<b>Balance as at 30 September 2015</b>	<b>7,541</b>	<b>393,291</b>	<b>16,456</b>	<b>32,714</b>	<b>5,863</b>	<b>98</b>	<b>(49,466)</b>	<b>(50,710)</b>	-	<b>355,787</b>

<i><b>Company</b></i>	Attributable to equity holders of the Company				
	<b>Share capital</b>	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Balance as at 1 April 2016</b>	<b>10,918</b>	<b>438,396</b>	<b>16,456</b>	<b>(280,472)</b>	<b>185,298</b>
Loss for the period from 1.4.2016 to 30.6.2016	-	-	-	(2,785)	(2,785)
<b>Balance as at 30 June 2016</b>	<b>10,918</b>	<b>438,396</b>	<b>16,456</b>	<b>(283,257)</b>	<b>182,513</b>
Loss for the period from 1.7.2016 to 30.9.2016	-	-	-	(3,933)	(3,933)
<b>Balance as at 30 September 2016</b>	<b>10,918</b>	<b>438,396</b>	<b>16,456</b>	<b>(287,190)</b>	<b>178,580</b>
Attributable to equity holders of the Company					
	<b>Share capital</b>	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Balance as at 1 April 2015</b>	<b>7,541</b>	<b>393,291</b>	<b>16,456</b>	<b>(169,281)</b>	<b>248,007</b>
Loss for the period from 1.4.2015 to 30.6.2015	-	-	-	(1,781)	(1,781)
<b>Balance as at 30 June 2015</b>	<b>7,541</b>	<b>393,291</b>	<b>16,456</b>	<b>(171,062)</b>	<b>246,226</b>
Loss for the period from 1.7.2015 to 30.9.2015	-	-	-	(2,138)	(2,138)
<b>Balance as at 30 September 2015</b>	<b>7,541</b>	<b>393,291</b>	<b>16,456</b>	<b>(173,200)</b>	<b>244,088</b>

**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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

	<b>Issued and fully paid ordinary shares</b>	<b>Share capital HK\$'000</b>
<b>Balance as at 1 July 2016 and 30 September 2016</b>	<b>10,917,813,474</b>	<b>10,918</b>

On 30 April 2015, the Company entered into convertible bond agreements with Mr Lam Cho Ying Terence Joe and Mr Soo Kok Beng Peter, for aggregate subscription amounting to S\$2,256,000 of convertible bonds ("**12% Convertible Bonds Due 2017**") at a conversion price of S\$0.006 for each Share ("**Bond Issuance**"), and upon conversion, 376,000,000 new Shares will have to be allotted and issued thereof. As at 30 September 2016 and as at the date of this announcement, no conversion has taken place.

Save for the 12% Convertible Bonds Due 2017, there were no outstanding convertibles as at 30 September 2016 and 30 September 2015.

There were no treasury shares as at 30 September 2016 and 30 September 2015.

**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 September 2016 was 10,917,813,474 (31 March 2016: 10,917,813,474).

There were no treasury shares as at 30 September 2016 and 31 March 2016.

**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 the financial period ended 30 September 2016, the Company does not have any sales, transfers, disposals, cancellation, and/or use of treasury shares.

**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 2016. 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 2016 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**

	<b>3 Months Ended 30.9.2016</b>	<b>3 Months Ended 30.9.2015</b>	<b>6 Months Ended 30.9.2016</b>	<b>6 Months Ended 30.9.2015</b>
Loss attributable to equity holders of the Company (HK\$'000)	3,456	3,119	6,441	8,199
Weighted average number of shares in issue	10,917,813,474	7,540,813,474	10,917,813,474	7,540,813,474
<b>Loss per ordinary share (HK cents)</b> - Based on weighted average number of ordinary shares in issue	<b>0.03</b>	<b>0.04</b>	<b>0.06</b>	<b>0.11</b>
- On a fully diluted basis (Please see note below)	<b>0.03</b>	<b>0.04</b>	<b>0.06</b>	<b>0.11</b>

**Note:**

The 12% Convertible Bond Due May 2017 has no dilutive effect for the 3 months ended 30 September 2015 and 3 months ended 30 September 2016 as its 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**

	<b>As at 30.9.2016</b>	<b>As at 31.3.2016</b>
Net asset value of the Company per ordinary share	<b>HK\$0.016</b>	<b>HK\$ 0.017</b>
Net asset value of the Group per ordinary share	<b>HK\$0.024</b>	<b>HK\$ 0.024</b>

**Note:**

Net asset value of the Company and the Group per ordinary share are calculated based on 10,917,813,474 shares in issue as at 30 September 2016 (31 March 2016: 10,917,813,474 shares in issue).

**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 and its subsidiaries (collectively, the "**S01 Group**", which comprises SinoCloud 01 (HK) Limited, SinoCloud Data (Guiyang) Limited and Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**GYZD**")) 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 as at 1 October 2015. The remaining stake of 37% in SinoCloud 01 Limited not held by the Group will be treated as non-controlling interest and will be reported separately in the Group's financial statements.

**(A) REVIEW OF FINANCIAL RESULTS**

**Revenue**

The Group's revenue generated in the three months ended ("**3M**") 30 September 2016 increased by approximately HK\$12.6 million, from HK\$0.4 million in the 3M 30 September 2015 to HK\$13.0 million in the 3M 30 September 2016. Further, revenue increased by HK\$25.4 million, from HK\$0.9 million in the six months ended ("**6M**") 30 September 2015 to HK\$26.3 million in the 6M 30 September 2016. The increase in revenue was attributable to the IDC business in Guiyang, China, after the acquisition of SinoCloud 01 Limited in October 2015. Revenue generated in the 3M 30 September 2015 and 6M 30 September 2015 were primarily generated from the trading of IT equipment under the Group's discontinued business whereas revenue generated in the 3M 30 September 2016 and 6M 30 September 2016 were primarily generated from the IDC business.

**Other income**

Other income were negligible in the 3M 30 September 2016. Other income in the 3M 30 September 2015 amounted to HK\$0.8 million and it relates to interest income in respect of the convertible loan receivable by the Group of HK\$72.0 million.

Other income in the 6M 30 September 2016 amounted to HK\$0.5 million which relates to government subsidy received by GYZD. Other income in the 6M 30 September 2015 amounted to HK\$1.5 million which relates to interest income in respect of the convertible loan receivable by the Group of HK\$72.0 million.

### **Operating expenses**

Employee benefits expenses increased by HK\$1.3 million, from HK\$1.2 million in the 3M 30 September 2015 to HK\$2.5 million in the 3M 30 September 2016. Such expenses also increased by HK\$2.0 million, from HK\$3.2 million in the 6M 30 September 2015 to HK\$5.2 million in the 6M 30 September 2016. The increase was mainly due to the increase in headcount arising from the acquisition of SinoCloud 01 Limited in October 2015.

Depreciation of property, plant and equipment amounted to HK\$2.5 million and HK\$0.1 million in the 3M 30 September 2016 and 3M 30 September 2015 respectively. Further, depreciation of property, plant and equipment increased by HK\$5.0 million, from HK\$0.1 million in the 6M 30 September 2015 to HK\$5.0 million in the 6M 30 September 2016. The increase in depreciation expenses arose was due to the acquisition of SinoCloud 01 Limited in October 2015.

Amortisation of intangible assets amounted to HK\$2.4 million in the 3M 30 September 2016 and HK\$4.8 million in the 6M September 2016. The amortisation of intangible assets related to customer contracts and favorable leases arising from the acquisition of SinoCloud 01 Limited in October 2015. As such, no amortisation charge were recorded in the 3M 30 September 2015 and 6M 30 September 2015 which were prior to the aforementioned acquisition.

Cost of purchases amounted to HK\$0.3 million in the 3M 30 September 2015, and HK\$0.7 million in the 6M 30 September 2015. No cost of purchases were recorded in 3M 30 September 2016 and 6M 30 September 2016 as the Group's business of trading of IT equipment had been discontinued during these periods.

Operating lease expenses increased by HK\$2.9 million, from HK\$0.1 million in the 3M 30 September 2015 to HK\$3.0 million in the 3M 30 September 2016. Such expenses also increased by HK\$6.2 million, from HK\$0.2 million in the 6M 30 September 2015 to HK\$6.4 million in the 6M 30 September 2016. The increase was mainly due to the increase in rental expenses during the respective periods, resulting from the acquisition of SinoCloud 01 Limited in October 2015.

Other expenses, comprising primarily office overhead and legal and professional fees, remained relatively stable at HK\$2.3 million in 3M 30 September 2016 and HK\$2.2 million in 3M 30 September 2015. Other expenses decreased by HK\$1.6 million, from HK\$6.1 million in the 6M 30 September 2015 to HK\$4.5 million in the 6M 30 September 2016, mainly due to decreases in legal and professional fees, travelling and entertainment expenses incurred in the Group's discontinued business.

Finance costs increased by HK\$1.2 million, from HK\$0.3 million in the 3M 30 September 2015 to HK\$1.5 million in the 3M 30 September 2016, and increased by HK\$2.8 million, from HK\$0.7 million in the 6M 30 September 2015 to HK\$3.5 million in the 6M 30 September 2016. The increase in finance costs was due to finance lease of SinoCloud 01 Limited (which the Group acquired in October 2015) in 3M 30 September 2016 and 6M 30 September 2016, which were nil in the respective corresponding periods in the previous year.

Fair value gain on derivative financial instrument of HK\$0.7 million in 6M 30 September 2015 resulted from the change in fair value of derivative financial instrument in relation to

the 12% Convertible Bond Due 2017. There was no fair value gain on derivative financial instrument in 3M 30 September 2016, 3M 30 September 2015 and 6M 30 September 2016.

Share of loss of associates increased by HK\$1.5 million, from HK\$0.1 million in the 3M 30 September 2015 to HK\$1.6 million in the 3M 30 September 2016, and increased by HK\$1.3 million, from HK\$0.4 million in the 6M 30 September 2015 to HK\$1.7 million in the 6M 30 September 2016. The share of loss of associates in the 3M 30 September 2016 and 6M 30 September 2016 were in respect of China Satellite Mobile Communications Group Limited (“**CSMCG**”), whereas share of loss of associates in the 3M 30 September 2015 and 6M 30 September 2015 were in respect of CSMCG and Fesco E-HR which was disposed in December 2015.

### **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% (3M 30 September 2015: 16.5%). No provision for Hong Kong profits tax was made, as there was no assessable profit derived from Hong Kong during 3M 30 September 2016.

The Group’s subsidiaries in the PRC, SinoCloud Data (Guiyang) Limited (“**SCDG**”) and GYZD are subject to PRC income tax of 25% and withholding tax of 5%. Notwithstanding that GYZD generated net profits in July to September 2016, no tax provision was made, as SCDG and GYZD have been recording accumulated losses since their incorporation as setup costs had been incurred with no revenue generated during the initial stage of the project.

No Singapore income tax was payable in respect of the Group’s operations in Singapore, as our Singapore operations sustained losses for tax purposes in 2016 and 2015.

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 equity holders of the Company in the 3M 30 September 2016 was HK\$3.5 million, representing an increase of HK\$0.4 million as compared to a net loss after taxation attributable to equity holders of the Company amounting to HK\$3.1 million in the 3M 30 September 2015.

The Group’s net loss after taxation attributable to equity holders of the Company in the 6M 30 September 2016 amounted to HK\$6.4 million, reflecting a decrease of HK\$1.8 million as compared the net loss after taxation attributable to equity holders of the Company of HK\$8.2 million in the 6M 30 September 2015.

## **(B) REVIEW OF FINANCIAL POSITION**

### **Non-current Assets**

Non-current assets decreased by HK\$13.6 million, from HK\$345.8 million as at 31 March 2016 to HK\$332.2 million as at 30 September 2016. Non-current assets comprised (i) property, plant and equipment; (ii) intangible assets; and (iii) investment in an associate.

(i) Property, plant and equipment

The net book value of property, plant and equipment decreased by HK\$7.0 million, from HK\$65.9 million as at 31 March 2016 to HK\$58.9 million as at 30 September 2016. The decrease was due to depreciation charge of HK\$5.0 million during the period and exchange difference of HK\$2.0 million arising from translation of RMB to HK\$.

(ii) Intangible assets

Intangible assets decreased by HK\$4.8 million, from HK\$170.9 million as at 31 March 2016 to HK\$166.1 million as at 30 September 2016, being the amortisation charge during the period. The intangible assets relate to the business combination of SinoCloud 01 Limited and comprised (i) goodwill of HK\$124.1 million, representing the excess of the total purchase consideration over the fair value of the net identifiable assets; (ii) customer contract of HK\$27.5 million; and (iii) favorable lease of HK\$14.5 million as at 30 September 2016.

(iii) Investment in an associate

Investment in an associate – CSMCG, decreased by HK\$1.7 million, from HK\$109.0 million as at 31 March 2016 to HK\$107.3 million as at 30 September 2016. The decrease was attributable to share of losses of HK\$1.7 million incurred by CSMCG in the 6M 30 September 2016. The carrying amount of the investment in CSMCG included the loan and deposit of HK\$43.8 million (pledged against 25.19% of the total issued shares in CSMCG in favour of the Company (the “**Share Pledge**”)) which had been provided to the CSMCG vendors but reclassified to investment in an associate as at 31 March 2016, as the underlying interest and reason for providing such loan and deposit was for further investment in CSMCG.

Notwithstanding the aforementioned accounting treatment and reclassification, the proposed settlement of HK\$43.8 million due and owing to the Company by the vendors of CSMCG, via the acquisition of the Share Pledge (as announced by the Company 9 December 2015, 12 January 2016 and 6 May 2016) will be subject to the approval of the Company’s shareholders at a special general meeting to be convened in due course.

The Company is currently in negotiation and discussion with the CSMCG vendors to explore its options including but not limited to acquire the Share Pledge as repayment of the outstanding loan of HK\$43.8 million, pending the execution of an agreement to be entered into between CSMCG and Thuraya Telecommunications Co, as well as the roll-out performance of the new data communication services in addition to the traditional voice communication services. The Company will update shareholders from time to time should there be any development.

### Current Assets

Current assets increased by HK\$20.1 million, from HK\$87.4 million as at 31 March 2016 to HK\$107.5 million as at 30 September 2016. Current assets comprised (i) trade and other receivables; (ii) amount due from an associate (non-trade); and (iii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables increased by HK\$27.9 million, from HK\$52.8 million as at 31 March 2016 to HK\$80.7 million as at 30 September 2016.

Trade and other receivables as at 30 September 2016 comprised (i) trade receivables of HK\$27.7 million; (ii) other receivables and prepayment of HK\$16.2 million; (iii) convertible loan receivables of HK\$36.0 million; and (iv) amount due from a director of a subsidiary of HK\$0.8 million.

Trade receivable increased by HK\$17.5 million, from HK\$10.2 million as at 31 March 2016 to HK\$27.7 million as at 30 September 2016. The increase was in line with the increase in revenue in 6M 30 September 2016, contributed by the IDC business acquired by the Company in October 2015.

Other receivables increased by HK\$10.4 million, from HK\$5.8 million as at 31 March 2016 to HK\$16.2 million as at 30 September 2016, which comprised (i) an early settlement of HK\$13.7 million to the finance lease provider, pending documentation to offset against the finance lease obligations, and (ii) aggregate deposits and prepayments of HK\$2.5 million made in relation to the IDC business.

Convertible loan receivables amounted to HK\$36.0 million as at 31 March 2016 and 30 September 2016. These amounts were due from Mr Lu Zhen Dong (“**Mr Lu**”). As set out in the Company’s annual report for the financial year ended 31 March 2016, the Company had entered into a binding memorandum of understanding on 14 June 2016 with Mr Lu for the proposed settlement of HK\$36.0 million. The Company is currently in the process of finalising the terms of a definitive agreement to be entered into with Mr Lu for the aforementioned settlement, which will be subject to approval from the Company’s shareholders in a general meeting to be convened. The Company will update its shareholders in due course.

Amount due from a director of a subsidiary amounted to HK\$0.8 million as at 31 March 2016 and 30 September 2016.

(ii) Amount due from an associate (non-trade)

Amount due from an associate (non-trade) increased by HK\$0.2 million, from HK\$22.5 million as at 31 March 2016 to HK\$22.7 million as at 30 September 2016. The increase was due to the Company’s payment on behalf of CSMCG for operational expenses of HK\$0.2 million in the 3M 30 September 2016.

(iii) Cash and bank balances

Cash and cash equivalents decreased by HK\$7.8 million, from HK\$12.0 million as at 31 March 2016 to HK\$4.2 million as at 30 September 2016. Please refer to “Cashflows” on the movement in cash and cash equivalents.

**Current Liabilities**

Current liabilities increased by HK\$32.4 million, from HK\$58.3 million as at 31 March 2016 to HK\$90.7 million as at 30 September 2016. Current liabilities comprised (i) trade and other payables; (ii) convertible bonds; and (iii) lease obligations.

(i) Trade and other payables

Trade and other payables increased by HK\$22.6 million, from HK\$41.0 million as at 31 March 2016 to HK\$63.6 million as at 30 September 2016. Trade and other payables as at 30 September 2016 comprised (i) trade payables of HK\$18.3 million; (ii) other payables of HK\$23.0 million; and (iii) short term loan from directors of a subsidiary of HK\$22.3 million.

Trade payables increased by HK\$3.5 million, from HK\$14.8 million as at 31 March 2016 to HK\$18.3 million as at 30 September 2016, mainly due to unpaid rental expenses and utility expenses for GYZD.

Other payables decreased by HK\$2.3 million, from HK\$25.3 million as at 31 March 2016 to HK\$23.0 million as at 30 September 2016, mainly due to settlement of leasehold improvement and operating expenses for GYZD.

Short term loan from directors of a subsidiary increased from HK\$0.8 million as at 31 March 2016 to HK\$22.3 million as at 30 September 2016. This relates to a loan from a company in the PRC, whose ultimate shareholders are the directors of GYZD. The loan is interest-free, unsecured and repayable on demand on or before 30 June 2017. The loan is used for the payment of finance lease as described in sub-paragraph (iii) below, and settlement of payables under GYZD. Such arrangement reduces interest expenses incurred by GYZD as a whole.

(ii) Convertible bonds – current portion

The convertible bonds relates to the 12% Convertible Bonds Due May 2017 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. It had been reclassified from non-current liabilities as at 31 March 2016 to current liabilities as at 30 September 2016 as the liabilities fall due within 12 months from 30 September 2016.

(iii) Lease obligations – current portion

The current portion of the finance lease obligations decreased by HK\$3.4 million, from HK\$17.3 million as at 31 March 2016 to HK\$13.9 million as at 30 September 2016. This was attributable to a partial repayment of current portion of finance lease obligations. The lease obligations represent a lease to facilitate the equipment purchase for an operation of the IDC business. An early settlement of HK\$13.7 million to the finance lease provider was made during 6M 30 September 2016, which is currently pending documentation to offset against the finance lease obligations.

### **Non-current Liabilities**

Non-current liabilities decreased by HK\$21.5 million, from HK\$49.9 million as at 31 March 2016 to HK\$28.4 million as at 30 September 2016. Non-current liabilities comprised (i) convertible bonds; and (ii) obligations under finance lease.

(i) Convertible bonds – non-current portion

As discussed above under “Convertible Bonds – Current Portion”, the convertible bonds relate to the 12% Convertible Bonds Due 2017. It had been reclassified from non-current liabilities as at 31 March 2016 to current liabilities as at 30 September 2016 as the liabilities fall due within 12 months from 30 September 2016.

(ii) Lease obligations – non-current portion

The non-current portion of the finance lease obligations decreased by HK\$8.3 million, from HK\$36.7 million as at 31 March 2016 to HK\$28.4 million as at 30 September 2016 due to repayment of finance lease obligations in 6M 30 September 2016. As discussed above under “Lease Obligations – Current Portion”, the lease obligations represent a lease to facilitate the equipment purchase for the operation of the IDC business.

## **Non-controlling interest**

Non-controlling interest increased by HK\$2.0 million, from HK\$60.6 million as at 31 March 2016 to HK\$62.6 million as at 30 September 2016. This represents the 37% minority interest in the net assets of SinoCloud 01 Limited and its subsidiaries, which the Group owns 67% thereof.

## **(C) CASH FLOWS**

### **(a) 3M 30 September 2016**

Net cash used in operating activities for the 3M 30 September 2016 amounted to HK\$1.2 million. This was due to (i) an operating profit before changes in working capital of HK\$5.3 million; and (ii) working capital changes of HK\$6.4 million due to an increase in trade and other receivables and decrease in trade and other payables.

Net cash flow generated from investing activities amounted to HK\$0.1 million in the 3M 30 September 2016, which relates to the amount due from an associate.

Net cash flow used in financing activities amounted to HK\$4.0 million in the 3M 30 September 2016, which relates to short term loan from unrelated third party of HK\$3.5 million and partially offset by (i) repayment of short term loan from directors of a subsidiary of HK\$4.1 million; and (ii) repayment of lease obligations of HK\$3.4 million.

As a whole, the Group used HK\$5.1 million in the 3M 30 September 2016. The cash and cash equivalents as at 30 September 2016 amounted to HK\$4.2 million.

### **(b) 6M 30 September 2016**

Net cash used in operating activities for the 6M 30 September 2016 amounted to HK\$10.0 million. This was due to (i) an operating profit before changes in working capital of HK\$10.6 million; and (ii) working capital changes of HK\$20.7 million due to an increase in trade and other receivables and decrease in trade and other payables.

Net cash flow used in investing activities amounted to HK\$0.2 million in the 6M 30 September 2016, which relates to the amount due from an associate.

Net cash flow used in financing activities amounted to HK\$2.3 million in the 6M 30 September 2016, which relates to short term loan from unrelated third party of HK\$3.5 million and a short term loan from directors of a subsidiary of HK\$24.3 million and partially offset by (i) repayment of lease obligation of HK\$11.6 million; and (ii) an early settlement of HK\$13.8 million of finance lease.

As a whole, the Group used HK\$7.9 million in the 9M 30 September 2016.

## **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**

Following the completion of the acquisition of 63% equity interest in SinoCloud 01 Limited on 1 October 2015 (through a VIE arrangement to invest in GYZD, a Tier 4 data centre located in the city of Guiyang, the PRC), the Group was able to expand into the internet data centre, cloud computing and big data service industry in the PRC. The Group's revenue is now primarily contributed by GYZD, which had been generating positive returns to the Group since early 2016. GYZD reported revenue and net profit after interest, taxes and depreciation, on 100% basis, of HK\$32.1 million and HK\$10.0 million respectively from 1 October 2015 to 30 September 2016. The net profit after interest, taxes and depreciation attributable to the Group is HK\$6.3 million. These figures are unaudited and prepared in accordance with International Financial Reporting Standards. The Company will continue to look for other promising investment and management opportunities in IDC assets.

The performance of the Group's associate company – CSMCG, which is operating satellite telecommunication services in the PRC, is highly dependent on the roll-out performance of the new data communication services in addition to the traditional voice communication services. The Company is currently in negotiation and discussion with the CSMCG vendors to explore its options including but not limited to acquire the Share Pledge as repayment of the outstanding loan of HK\$43.8 million, pending the execution of new service provider agreement with Thuraya Telecommunications Co.

The Company had entered into a binding memorandum of understanding on 14 June 2016 with Mr Lu for the proposed settlement of the convertible loan of HK\$36.0 million. The Company is currently in the process of finalising the terms of a definitive agreement to be entered into with Mr Lu for the aforementioned settlement, which and it will be subject to approval from the Company's shareholders in a general meeting to be convened. The Company will update its 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 (6M30 September 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 September 2016.

**14. Use of proceeds**

Pursuant to a placement exercise in October 2015, the Company raised net proceeds of approximately HK\$26.7 million from the issuance of 1,377,000,000 new shares in the capital of the Company. With reference to the announcements dated 16 October 2015, 3 February 2016, 26 May 2016 and annual report for FY2016, the Company had utilised HK\$21.7 million in total. There are no further updates on the abovementioned use of proceeds. The Company will make announcements via SGXNET as and when there are material disbursement of such net proceeds.

**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 6 months ended 30 September 2016 to be false or misleading in any material aspect.

**16. 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**

**Luk Chung Po, Terence**  
**Executive Director**

14 November 2016

*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.*