

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

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

**Unaudited First Quarter and Three Months Financial Statement And Dividend Announcement for the Financial Period Ended 30 June 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 JUNE 2016</b>					
<b>(Expressed in Hong Kong thousand dollars)</b>					
	<b>Three Months Ended</b>		<b>Three Months Ended</b>		
	30.6.2016		30.6.2015		%
					+ / (-)
<b>Revenue</b>	13,289		491		NM
Other income	467		756		(38)
Employee benefits expense	(2,788)		(2,020)		38
Depreciation of property, plant and equipment	(2,508)		(48)		NM
Amortisation of intangible assets	(2,412)		-		NM
Cost of purchases	-		(393)		(100)
Operating lease expenses	(3,418)		(86)		NM
Other expenses	(2,185)		(3,893)		(44)
Finance costs	(1,994)		(333)		NM
Fair value gain on derivative financial instrument	-		733		(100)
Share of loss of associates	(147)		(287)		(49)
<b>Loss before tax</b>	<b>(1,696)</b>		<b>(5,080)</b>		<b>(67)</b>
Income tax	-		-		NM
<b>Loss for the financial period</b>	<b>(1,696)</b>		<b>(5,080)</b>		<b>(67)</b>
<b>Profit/(Loss) attributable to:</b>					
Equity holders of the Company	(2,985)		(5,080)		(41)
Non-controlling interest	1,289		-		NM
	<b>(1,696)</b>		<b>(5,080)</b>		<b>(67)</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**

**SINOCLOUD GROUP LIMITED**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2016**  
**(Expressed in Hong Kong thousand dollars)**

	Three Months Ended 30.6.2016	Three Months Ended 30.6.2015	%
			+ / (-)
<b>Loss for the period</b>	<b>(1,696)</b>	<b>(5,080)</b>	(67)
<b>Other comprehensive income</b>			
Currency translation difference arising from consolidation	<u>(319)</u>	<u>-</u>	NM
<b>Total comprehensive loss for the year</b>	<b><u>(2,015)</u></b>	<b><u>(5,080)</u></b>	(60)
<b>Total comprehensive loss attributable to</b>			
Equity holders of the company	(2,985)	(5,080)	(41)
Non-controlling interest	<u>1,289</u>	<u>-</u>	NM
<b>Total comprehensive loss for the period</b>	<b><u>(1,696)</u></b>	<b><u>(5,080)</u></b>	(67)

**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>SINOCLOUD GROUP LIMITED</b>				
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>AS AT 30 JUNE 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>30.6.2016</b>	<b>31.3.2016</b>	<b>30.6.2016</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	61,635	65,899	-	-
Intangible assets	168,503	170,915	-	-
Investment in associates	108,835	108,980	132,000	132,000
Amount due from subsidiaries (non-trade)	-	-	29,748	33,757
	<u>338,973</u>	<u>345,794</u>	<u>161,748</u>	<u>165,757</u>
<b>Current assets</b>				
Trade and other receivables	76,425	52,794	36,109	36,233
Amount due from associates (non-trade)	22,773	22,545	-	-
Cash and bank balances	9,261	12,037	-	-
	<u>108,459</u>	<u>87,376</u>	<u>36,109</u>	<u>36,233</u>
<b>TOTAL ASSETS</b>	<u>447,432</u>	<u>433,170</u>	<u>197,857</u>	<u>201,990</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	65,171	40,999	2,124	3,472
Convertible bonds	13,220	-	13,220	-
Lease obligations	13,540	17,260	-	-
	<u>91,931</u>	<u>58,259</u>	<u>15,344</u>	<u>3,472</u>
<b>Non Current liabilities</b>				
Lease obligations	32,186	36,680	-	-
Convertible bonds	-	13,220	-	13,220
	<u>32,186</u>	<u>49,900</u>	<u>-</u>	<u>13,220</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>124,117</u>	<u>108,159</u>	<u>15,344</u>	<u>16,692</u>
<b>NET ASSETS</b>	<u>323,315</u>	<u>325,011</u>	<u>182,513</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	(157,111)	(154,126)	(283,257)	(280,472)
	<u>261,471</u>	<u>264,456</u>	<u>182,513</u>	<u>185,298</u>
<b>Non- Controlling interest</b>	<u>61,844</u>	<u>60,555</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>	<u>323,315</u>	<u>325,011</u>	<u>182,513</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 30.6.2016 In HK\$'000		As at 31.3.2016 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	13,540	-	17,260
Convertible bonds	-	13,220	-	-
Short term loan	-	28,817	-	-

### Amount repayable after one year

	As at 30.6.2016 In HK\$'000		As at 31.3.2016 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	32,186	-	36,680
Convertible bonds	-	-	-	13,220

### Details of any collateral

The lease obligations amounting to HK\$13.5 million and HK\$32.2 million under current liabilities and non-current liabilities respectively, represents a lease to facilitate equipment purchase. The finance lease was used to purchase relevant equipment for the operation of internet data centre business in the Group's subsidiary, Guiyang Zhongdian Gaoxin Digital Technologies Limited.

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 amounting to HK\$28.8 million (RMB 24.7 million) under trade and other payables relate to a short term loan from a PRC company, whose ultimate shareholders are the directors of the Group's subsidiary in Guiyang, PRC. The loan is interest-free, unsecured and repayable on or before 31 March 2017.

**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>SINOCLOUD GROUP LIMITED</b>			
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<b>FOR THE PERIOD ENDED 30 June 2016</b>			
(Expressed in Hong Kong thousand dollars)			
	<b>Three Months Ended</b>	<b>Three Months Ended</b>	
	<b>30.6.2016</b>	<b>30.6.2015</b>	
<b>Cash flow from operating activities</b>			
Loss for financial period	(1,696)	(5,080)	
<i>Adjustments:</i>			
Depreciation of property, plant and equipment	2,508	48	
Amortisation of intangible assets	2,412	-	
Share of loss of associates	147	287	
Finance costs	1,994	333	
Fair value loss on derivative financial instrument	-	(733)	
Interest income	-	(756)	
Operating profit/ (loss) before working capital changes	5,365	(5,901)	
Trade and other receivables	(8,471)	2,018	
Trade and other payables	(3,763)	(9,653)	
Cash used in operations	(6,869)	(13,536)	
Interest paid	(1,994)	-	
<b>Net cash used in operating activities</b>	<b>(8,863)</b>	<b>(13,536)</b>	
<b>Cash flow from investing activities</b>			
Amount due from an associate (non-trade)	(228)	(693)	
<b>Net cash used in investing activities</b>	<b>(228)</b>	<b>(693)</b>	
<b>Cash flow from financing activities</b>			
Short term loan	28,344	-	
Repayment of lease obligations	(8,214)	-	
Advance payment of lease obligations	(13,815)	-	
Convertible bonds	-	13,220	
<b>Net cash generated from financing activities</b>	<b>6,315</b>	<b>13,220</b>	
<b>Net decrease in cash and cash equivalents</b>	<b>(2,776)</b>	<b>(1,009)</b>	
Cash and cash equivalents at beginning of the financial year	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>9,261</b>	<b>6,905</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**

2017										
<i>Group</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
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 period from 1.4.2016 to 30.6.2016								(2,985)	1,289	(1,696)
Balance as at 30 June 2016	10,918	438,396	16,456	(3,683)	5,863	98	(49,466)	(157,111)	61,844	323,315
2016										
<i>Group</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
Balance as at 1 April 2015	7,541	393,291	16,456	32,714	5,863	98	(49,466)	(42,511)	-	363,986
Loss for the period from 1.4.2015 to 30.6.2015	-	-	-	-	-	-	-	(5,080)	-	(5,080)
Balance as at 30 June 2015	7,541	393,291	16,456	32,714	5,863	98	(49,466)	(47,591)	-	358,906

2017						
<b>Company</b>	Attributable to equity holders of the Company					
	<b>Share</b>	<b>Share</b>	<b>Contributed</b>	<b>Accumulated</b>	<b>Total</b>	
	<b>capital</b>	<b>premium</b>	<b>surplus</b>	<b>losses</b>	<b>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>	
2016						
<b>Company</b>	Attributable to equity holders of the Company					
	<b>Share</b>	<b>Share</b>	<b>Contributed</b>	<b>Accumulated</b>	<b>Total</b>	
	<b>capital</b>	<b>premium</b>	<b>surplus</b>	<b>losses</b>	<b>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>	

**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 April 2016 and 30 June 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 June 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 June 2016 and 30 June 2015.

There were no treasury shares as at 30 June 2016 and 30 June 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 June 2016 was 10,917,813,474 (31 March 2016: 10,917,813,474).

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

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

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

There were no treasury shares as at 30 June 2016.

**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**

**The Group**

	<b>3 Months Ended 30.6.2016</b>	<b>3 Months Ended 30.6.2015</b>
Loss attributable to equity shareholders of the Company (HK\$'000)	2,985	5,080
Weighted average number of shares in issue	10,917,813,474	7,540,813,474
<b>Loss per ordinary share (after deducting any provision for preference dividends) (HK cents)</b>		
- Based on weighted average number of ordinary shares in issue	<b>0.03</b>	<b>0.07</b>
- On a fully diluted basis (Please see note below)	<b>0.03</b>	<b>0.07</b>

**Note:**

The 12% Convertible Bond Due May 2017 has no dilutive effect for the 3M 30 June 2015 and 3M 30 June 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 30.6.2016</b>	<b>As at 31.3.2016</b>
Net asset value of the Company per ordinary share	<b>HK\$0.017</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>

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 acquisition of the 63% interest in SinoCloud 01 Limited on 1 October 2015, SinoCloud 01 Limited and its subsidiaries (including SinoCloud 01 (HK) Limited, SinoCloud Data (Guiyang) Limited and Guiyang Zhongdian Gaoxin Digital Technologies Limited ("GYZD")), operating internet data centre ("IDC") business, are treated as subsidiaries of the Group (being the Company and its subsidiaries). The Group has consolidated the profit or loss and financial position of SinoCloud 01 Limited and its subsidiaries 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 3M 30 June 2016 increased by approximately HK\$12.8 million, from HK\$0.5 million in the 3M 30 June 2015 to HK\$13.3 million in the 3M 30 June 2016. The increase in revenue was mainly attributable to the IDC business in Guiyang, China after the acquisition of SinoCloud 01 Limited.

### **Other income**

Other income amounted to HK\$0.5 million in the 3M 30 June 2016, which is attributable to the government subsidy for GYZD. Other income amounted to HK\$0.8 million in the 3M 30 June 2015, which is attributable to interest income in respect of the convertible loan receivable by the Group of HK\$72.0 million.

### **Cost of purchases**

Cost of purchases decreased to nil amount in 3M 30 June 2016, from approximately HK\$0.4 million in the 3M 30 June 2015. This was because there was no revenue from trading of IT equipment in 3M 30 June 2016.

### **Operating expenses**

Employee benefits expenses increased by HK\$0.8 million, from HK\$2.0 million in the 3M 30 June 2015 to HK\$2.8 million in the 3M 30 June 2016, due to the increase in headcount from the acquisition of SinoCloud 01 Limited.

Depreciation of property, plant and equipment amounted to HK\$2.5 million and HK\$48 thousand in the 3M 30 June 2016 and 3M 30 June 2015 respectively. The increase in depreciation expense in the 3M 30 June 2016 arose from the acquisition of SinoCloud 01 Limited.

Amortisation of intangible assets amounted to HK\$2.4 million and nil amount in the 3M June 2016 and 3M 30 June 2015 respectively. The amortisation in the 3M 30 June 2016 represents the amortisation of intangible assets of customer contract and favorable lease arising from the acquisition of SinoCloud 01 Limited.

Operating lease expenses increased by HK\$3.3 million from HK\$86 thousand in the 3M 30 June 2015 to HK\$3.4 million in the 3M 30 June 2016. This was mainly due to increase in rental expenses during the period, resulting from the acquisition of SinoCloud 01 Limited.

Finance costs increased by HK\$1.7 million, from HK\$0.3 million in the 3M 30 June 2015 to HK\$2.0 million in the 3M 30 June 2016. The increase in finance cost in the 3M 30 June 2016 was in relation to a finance lease of SinoCloud 01 Limited and interest payable on the 12% Convertible Bond Due 2017.

Fair value gain on derivative financial instrument of HK\$0.7 million in 3M 30 June 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 June 2016.

Share of loss of associates in the 3M 30 June 2016 of HK\$0.1 million was solely due to the share of loss of associate in China Satellite Mobile Communications Group Limited (“**CSMCG**”) as Fesco E-HR had been disposed during 3M 31 December 2015. Share of loss of associates of HK\$0.3 million in the 3M 30 June 2015 represented (i) the share of loss of associate in Fesco E-HR of HK\$80 thousand; and (ii) the share of loss of associate in CSMCG of HK\$0.2 million.

Other expenses decreased by HK\$1.7 million, from HK\$3.9 million in the 3M 30 June 2015 to HK\$2.2 million in the 3M 30 June 2016, mainly due to decreases in professional fees, travelling and entertainment expenses.

### **Income tax**

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

The Group’s profits derived from Hong Kong are subject to Hong Kong profits tax at 16.5% (3M 30 June 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 June 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 April to June 2016, no tax provision was made, as SCDG and GYZD have been recording accumulated losses since their incorporation as setup costs are incurred without 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 shareholders of the Group in the 3M 30 June 2016 was HK\$3.0 million, representing an improvement of HK\$2.1 million as compared to a net loss after taxation attributable to shareholders of the Group amounting to HK\$5.1 million in the 3M 30 June 2015.

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

### **Non-Current Assets**

Non-current assets decreased by HK\$6.8 million, from HK\$345.8 million as at 31 March 2016 to HK\$339.0 million as at 30 June 2016. Non-current assets comprised (i) plant and equipment; (ii) intangible assets; and (iii) investment in associated companies.

#### **(i) Property, plant and equipment**

The net book value of property, plant and equipment decreased by HK\$4.3 million, from HK\$65.9 million as at 31 March 2016 to HK\$61.6 million as at 30 June 2016. The decrease was due to the depreciation charge of HK\$2.5 million during the period and exchange difference of HK\$1.8 million arising from translation of RMB to HK\$.

#### **(ii) Intangible assets**

Intangible assets decreased by HK\$2.4 million from HK\$170.9 million as at 31 March 2016 to HK\$168.5 million as at 30 June 2016, due to 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\$29.7 million; and (iii) favorable lease of HK\$14.7 million as at 30 June 2016.

#### **(iii) Investment in associates**

Interest in associate – CSMCG, decreased by HK\$0.1 million, from HK\$109.0 million as at 31 March 2016 to HK\$108.8 million as at 30 June 2016. The decrease is attributable to share of losses of HK\$0.1 million incurred by CSMCG in the 3M 30 June 2016. The carrying amount of the investment in CSMCG included a HK\$43.8 million loan and deposit which was provided to the CSMCG vendors but reclassified to investment in associate as at 31 March 2016, as the underlying interest and reason for providing the 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 in respect of the aforementioned loans and deposits, via the acquisition of pledged shares in CSMCG amounting to 25.19% of the total issued shares in CSMCG, is subject to the approval of the Company's shareholders at a special general meeting to be convened in due course. Please refer to the Company's announcement dated 9 Dec 2015, 12 Jan 2016 and 6 May 2016 for further details on the aforementioned loan to vendors of CSMCG.

### **Current Assets**

Current assets increased by HK\$21.1 million, from HK\$87.4 million as at 31 March 2016 to HK\$108.5 million as at 30 June 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\$23.6 million, from HK\$52.8 million as at 31 March 2016 to HK\$76.4 million as at 30 June 2016.

The trade and other receivables as at 30 June 2016 comprised (i) trade receivables of HK\$16.0 million; (ii) other receivables and prepayment of HK\$23.6 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\$5.8 million, from HK\$10.2 million as at 31 March 2016 to HK\$16.0 million as at 30 June 2016. The increase is mainly due to the increase in revenue during 3M 30 June 2016.

Other receivables increased by HK\$17.8 million, from HK\$5.8 million as at 31 March 2016 to HK\$23.6 million as at 30 June 2016. The increase 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\$4.1 million made in relation to GYZD's operations.

No change is reported in convertible loan receivables of HK\$36.0 million as at 31 March 2016 and 30 June 2016. The Company has entered into a binding memorandum of understanding on 14 June 2016 with Mr Lu for the settlement of HK\$36.0 million. A definitive agreement will be entered into 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.

No change is reported in the amount due from a director of a subsidiary of HK\$0.8 million as at 31 March 2016 and 30 June 2016.

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

Amount due from an associate (non-trade) increased by HK\$0.3 million, from HK\$22.5 million as at 31 March 2016 to HK\$22.8 million as at 30 June 2016. The increase was due to the Company's payment on behalf of CSMCG for operational expenses incurred of HK\$0.3 million in the 3M 30 June 2016.

(iii) Cash and bank balances

Cash and cash equivalents decreased by HK\$2.7 million, from HK\$12.0 million as at 31 March 2016 to HK\$9.3 million as at 30 June 2016. Please refer to "Cashflows" on the movement in cash and cash equivalents.

**Current Liabilities**

Current liabilities increased by HK\$33.6 million, from HK\$58.3 million as at 31 March 2016 to HK\$91.9 million as at 30 June 2016. Current liabilities comprised mainly (i) trade and other payables; (ii) convertible bonds; and (iii) payable obligations under finance lease.

(i) Trade and other payables

Trade and other payables increased by HK\$24.2 million, from HK\$41.0 million as at 31 March 2016 to HK\$65.2 million as at 30 June 2016 and comprised (i) trade payables of HK\$16.5 million; (ii) other payables of HK\$19.9 million; and (iii) short term loan from directors of a subsidiary of HK\$28.8 million as at 30 June 2016.

Trade payables increased by HK\$1.7 million, from HK\$14.8 million as at 31 March 2016 to HK\$16.5 million as at 30 June 2016, mainly due to rental expenses and utility expenses.

Other payables decreased by HK\$5.4 million, from HK\$25.3 million as at 31 March 2016 to HK\$19.9 million as at 30 June 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\$28.8 million as at 30 June 2016. This relates to a loan from a company in PRC, whose ultimate shareholders are the directors of the Group's subsidiary in Guiyang, PRC. The loan is interest-free, unsecured and repayable on or before 31 March 2017. The loan is used to repay the finance lease provider as described in sub-paragraph (iii) below, and to settle the payables under GYZD. This arrangement reduces interest expenses incurred by GYZD as a whole.

(ii) Convertible bonds

The convertible bond amounting to HK\$13.2 million as at 30 June 2016 relates to the 12% Convertible Bonds Due May 2017, for 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 was reclassified from non-current liabilities as at 31 March 2016 to current liabilities as at 30 June 2016 as the liabilities fall due within 12 months.

(iii) Lease obligations – current portion

The current portion of the finance lease obligations decreased by HK\$3.8 million, from HK\$17.3 million as at 31 March 2016 to HK\$13.5 million as at 30 June 2016. This was due to a repayment of some of the current portion of our finance lease obligations. The lease obligations represent a lease to facilitate the equipment purchase for an operation of IDC business in GYZD. An early settlement of HK\$13.7 million to the finance lease provider was made during 3M 30 June 2016, which is pending documentation to offset against the finance lease obligations in due course.

**Non-current Liabilities**

Non-current liabilities decreased by HK\$17.7 million, from HK\$49.9 million as at 31 March 2016 to HK\$32.2 million as at 30 June 2016. Non-current liabilities comprised (i) convertible bonds; and (ii) obligations under finance lease.

(i) Convertible bonds

The convertible bond amounting to HK\$13.2 million as at 31 March 2016 relates to the 12% Convertible Bonds Due 2017. It was reclassified from non-current liabilities as at 31 March 2016 to current liabilities as at 30 June 2016 as the liabilities fall due within 12 months.

(ii) Lease obligations – non-current portion

The non-current portion of the finance lease obligations decreased by HK\$4.5 million, from HK\$36.7 million as at 31 March 2016 to HK\$32.2 million as at 30 June 2016 due to repayment of finance lease obligations in 3M 30 June 2016. The lease obligations represent a lease to facilitate the equipment purchase for an operation of IDC business in GYZD.

**Non-controlling interest**

Non-controlling interest increased by HK\$1.2 million, from HK\$60.6 million as at 31 March 2016 to HK\$61.8 million as at 30 June 2016. This represents the 37% minority interest attributable in the net assets of SinoCloud 01 Limited and its subsidiaries.

## **(C) CASH FLOWS**

Net cash used in operating activities for the 3M 30 June 2016 amounted to HK\$8.9 million. This was due to (i) an operating profit before changes in working capital of HK\$5.4 million; and (ii) working capital changes of HK\$14.2 million mainly due to an increase in trade and other receivables and decrease in trade and other payables.

Net cash flow used in investing activities was HK\$0.2 million in the 3M 30 June 2016, which relates to increase in amount due from an associate.

Net cash flow generated from financing activities was HK\$6.3 million in the 3M 30 June 2016, which relates to short term loan from directors of a subsidiary of HK\$28.3 million and partially offset by (i) repayment of lease obligation of HK\$8.2 million; and (ii) an early settlement of HK\$13.8 million to the finance lease provider.

As a whole, the Group used HK\$2.8 million in the 3M 30 June 2016. The cash and bank balances amounted to HK\$9.3 million as at 30 June 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 Company will continue to look for investment opportunity in IDC assets.

### **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 (3M30 June 2015: nil).

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

Not applicable.

#### **(d) The date the dividend is payable**

Not applicable.

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

Not applicable.

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

No dividend is declared/recommended.

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

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

11 August 2016



*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Soo Hsin Yu, Partner, SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, telephone (65) 6221 5590.*