

SINOCLOUD GROUP LIMITED
(THE "COMPANY")

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

Unaudited Third Quarter and Nine Months Financial Statements And Dividend Announcement for the Financial Period Ended 31 December 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

CONSOLIDATED INCOME STATEMENT							
FOR THE PERIOD ENDED 31 DECEMBER 2016							
(Expressed in Hong Kong thousand dollars)							
	Three Months Ended			%	Nine Months Ended		
	31.12.2016	31.12.2015	+ / (-)		31.12.2016	31.12.2015	+ / (-)
Revenue	12,446	5,280	NM	37,638	6,207	NM	
Other income	2,667	1,472	81	3,113	2,984	4	
Employee benefits expense	(3,019)	(2,957)	2	(8,240)	(7,325)	12	
Depreciation of property, plant and equipment	(4,102)	(1,768)	NM	(8,897)	(1,864)	NM	
Amortisation of intangible assets	(2,412)	(2,828)	(15)	(7,237)	(2,828)	NM	
Cost of purchases	-	(2,030)	(100)	-	(2,732)	(100)	
Operating lease expenses	(3,265)	(310)	NM	(9,417)	(477)	NM	
Other expenses	(3,318)	(3,754)	(12)	(7,704)	(8,682)	(11)	
Finance costs	(1,562)	(1,701)	(8)	(4,955)	(2,376)	NM	
Loss on disposal of subsidiaries	-	(540)	(100)	-	(540)	(100)	
Fair value gain on derivative financial instrument	-	-	-	-	733	(100)	
Share of loss of associates	(379)	203	NM	(2,095)	(232)	NM	
Loss before tax	(2,944)	(8,933)	(67)	(7,794)	(17,132)	(55)	
Income tax expense	-	(29)	(100)	-	(29)	(100)	
Loss for the financial period	(2,944)	(8,962)	(67)	(7,794)	(17,161)	(55)	
Loss attributable to:							
Equity holders of the Company	(3,442)	(7,816)	(56)	(10,178)	(16,015)	(36)	
Non-controlling interest	498	(1,146)	NM	2,384	(1,146)	NM	
	(2,944)	(8,962)	(67)	(7,794)	(17,161)	(55)	

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 31 DECEMBER 2016
(Expressed in Hong Kong thousand dollars)**

	Three Months Ended		%	Nine Months Ended		%
	31.12.2016	31.12.2015		31.12.2016	31.12.2015	
			+ / (-)			+ / (-)
Loss for the period	(2,944)	(8,962)	(67)	(7,794)	(17,161)	(55)
Other comprehensive income						
Currency translation difference arising from consolidation	301	245	23	626	245	NM
Total comprehensive loss for the year	<u>(2,643)</u>	<u>(8,717)</u>	(70)	<u>(7,168)</u>	<u>(16,916)</u>	(58)
Total comprehensive loss attributable to						
Equity holders of the company	(3,442)	(7,571)	(55)	(10,178)	(15,770)	(35)
Non-controlling interest	498	(1,146)	NM	2,384	(1,146)	NM
Total comprehensive loss for the period	<u>(2,944)</u>	<u>(8,717)</u>	(66)	<u>(7,794)</u>	<u>(16,916)</u>	(54)

NM: Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

SINOCLOUD GROUP LIMITED				
STATEMENT OF FINANCIAL POSITION				
AS AT 31 DECEMBER 2016				
(Expressed in Hong Kong thousand dollars)				
	The Group		The Company	
	As at 31.12.2016 (Unaudited)	As at 31.3.2016 (Audited)	As at 31.12.2016 (Unaudited)	As at 31.3.2016 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	57,599	65,899	-	-
Intangible assets	163,679	170,915	-	-
Investment in an associate	106,887	108,980	129,905	132,000
Amount due from subsidiaries (non-trade)	-	-	24,383	33,757
	<u>328,165</u>	<u>345,794</u>	<u>154,288</u>	<u>165,757</u>
Current assets				
Trade and other receivables	72,050	52,794	36,302	36,233
Amount due from an associate (non-trade)	22,719	22,545	-	-
Cash and bank balances	18,725	12,037	-	-
	<u>113,494</u>	<u>87,376</u>	<u>36,302</u>	<u>36,233</u>
TOTAL ASSETS	<u>441,659</u>	<u>433,170</u>	<u>190,590</u>	<u>201,990</u>
LIABILITIES				
Current liabilities				
Trade and other payables	73,360	40,999	1,728	3,472
Convertible bonds	13,220	-	13,220	-
Lease obligations	14,854	17,260	-	-
	<u>101,434</u>	<u>58,259</u>	<u>14,948</u>	<u>3,472</u>
Non-current liabilities				
Lease obligations	22,565	36,680	-	-
Convertible bonds	-	13,220	-	13,220
	<u>22,565</u>	<u>49,900</u>	<u>-</u>	<u>13,220</u>
TOTAL LIABILITIES	<u>123,999</u>	<u>108,159</u>	<u>14,948</u>	<u>16,692</u>
NET ASSETS	<u>317,660</u>	<u>325,011</u>	<u>175,642</u>	<u>185,298</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
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	(164,009)	(154,126)	(290,128)	(280,472)
	<u>254,573</u>	<u>264,456</u>	<u>175,642</u>	<u>185,298</u>
Non-controlling interest	<u>63,087</u>	<u>60,555</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY	<u>317,660</u>	<u>325,011</u>	<u>175,642</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 31.12.2016 In HK\$'000		As at 31.3.2016 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	14,854	-	17,260
Convertible bonds	-	13,220	-	-
Short term loan from directors of a subsidiary	-	6,244	-	-
Short term loan from an unrelated third party	-	17,319	-	-

Amount repayable after one year

	As at 31.12.2016 In HK\$'000		As at 31.3.2016 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	22,565	-	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 of the Group's subsidiary in Guiyang, the People's Republic of China ("PRC").

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 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

SINOCLOUD GROUP LIMITED				
CONSOLIDATED STATEMENT OF CASH FLOWS				
FOR THE PERIOD ENDED 31 DECEMBER 2016				
(Expressed in Hong Kong thousand dollars)				
	Three Months Ended		Nine Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Cash flow from operating activities				
Loss for financial period	(2,944)	(8,933)	(7,794)	(17,132)
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	4,102	1,768	8,897	1,864
Amortisation of intangible assets	2,412	2,828	7,237	2,828
Share of loss of associates	379	(203)	2,095	232
Loss on disposal of ATS entity	-	540	-	540
Finance costs	1,562	1,701	4,955	2,376
Fair value loss on derivative financial instrument	-	-	-	(733)
Interest income	-	(1,472)	-	(2,984)
Operating profit/ (loss) before working capital changes	5,511	(3,771)	15,390	(13,009)
(Increase)/ decrease in trade and other receivables	5,602	(5,530)	(6,522)	(4,765)
Increase/ (decrease) in trade and other payables	6,067	3,828	1,642	(3,604)
Cash generated from/ (used in) operations	17,180	(5,473)	10,510	(21,378)
Interest paid	(1,410)	(397)	(4,767)	(794)
Net cash generated from/ (used in) operating activities	15,770	(5,870)	5,743	(22,172)
Cash flow from investing activities				
Disposal of subsidiary	-	740	-	-
Amount due from an associate (non-trade)	1	(181)	(174)	(1,587)
Net cash generated from/ (used in) investing activities	1	559	(174)	(1,587)
Cash flow from financing activities				
Proceeds from issuance of ordinary share	-	24,694	-	24,694
(Repayment)/ receipt of short term loan from director of subsidiary	(15,173)	(9,266)	9,111	(9,266)
Repayment of lease obligations	-	-	(11,636)	-
Advance payment of lease obligations	-	-	(13,815)	-
Receipt of short term loan from unrelated third party	13,971	-	17,459	3,000
Proceeds from issuance of convertible bond	-	-	-	13,220
Net cash (used in)/ generated from financing activities	(1,202)	15,428	1,119	31,648
Net increase in cash and cash equivalents	14,569	10,117	6,688	7,889
Cash and cash equivalents at beginning of the financial period	4,156	5,686	12,037	7,914
Cash and cash equivalents at end of the financial period	18,725	15,803	18,725	15,803

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

Group	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Revaluation reserve HK\$'000	Other deficit HK\$'000	Accumulated losses HK\$'000	Non-controlling interest HK\$'000	Total equity 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
Loss for the period from 1.7.2016 to 30.9.2016	-	-	-	-	-	-	-	(3,456)	745	(2,711)
Balance as at 30 September 2016	10,918	438,396	16,456	(3,683)	5,863	98	(49,466)	(160,567)	62,589	320,604
Loss for the period from 1.10.2016 to 31.12.2016	-	-	-	-	-	-	-	(3,442)	498	(2,944)
Balance as at 31 December 2016	10,918	438,396	16,456	(3,683)	5,863	98	(49,466)	(164,009)	63,087	317,660

Group	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Revaluation reserve HK\$'000	Other deficit HK\$'000	Accumulated losses HK\$'000	Non-controlling Interest HK\$'000	Total equity 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
Loss for the period from 1.7.2015 to 30.9.2015	-	-	-	-	-	-	-	(3,119)	-	(3,119)
Balance as at 30 September 2015	7,541	393,291	16,456	32,714	5,863	98	(49,466)	(50,710)	-	355,787
Issuance of shares	3,377	45,281	-	-	-	-	-	-	-	48,658
Share issue expense	-	(175)	-	-	-	-	-	-	-	(175)
Loss for the period from 1.10.2015 to 31.12.2015	-	-	-	-	-	-	-	(7,816)	-	(7,816)
Balance as at 31 December 2015	10,918	438,397	16,456	32,714	5,863	98	(49,466)	(58,526)	-	396,454

<i>Company</i>	Attributable to equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance as at 1 April 2016	10,918	438,396	16,456	(280,472)	185,298
Loss for the period from 1.4.2016 to 30.6.2016	-	-	-	(2,785)	(2,785)
Balance as at 30 June 2016	10,918	438,396	16,456	(283,257)	182,513
Loss for the period from 1.7.2016 to 30.9.2016	-	-	-	(3,933)	(3,933)
Balance as at 30 September 2016	10,918	438,396	16,456	(287,190)	178,580
Loss for the period from 1.10.2016 to 31.12.2016	-	-	-	(2,938)	(2,938)
Balance as at 31 December 2016	10,918	438,396	16,456	(290,128)	175,642

<i>Company</i>	Attributable to equity holders of the Company				
	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Accum. Losses HK\$'000	Total Equity HK\$'000
Balance as at 1 April 2016	7,541	393,291	16,456	(169,281)	248,007
Loss for the period from 1.4.2015 to 30.6.2015	-	-	-	(1,781)	(1,781)
Balance as at 30 June 2015	7,541	393,291	16,456	(171,062)	246,226
Loss for the period from 1.7.2015 to 30.9.2015	-	-	-	(6,710)	(6,710)
Balance as at 30 September 2015	7,541	393,291	16,456	(177,772)	239,516
Issuance of shares	3,377	-	-	-	3,377
Share issue expense	-	45,106	-	-	45,106
Loss for the period from 1.10.2015 to 31.12.2015	-	-	-	(1,879)	(1,879)
Balance as at 31 December 2015	10,918	438,397	16,456	(179,651)	286,120

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.

	Issued and fully paid-up ordinary shares	Share capital HK\$'000
Balance as at 1 October 2016 and 31 December 2016	10,917,813,474	10,918

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 an aggregate subscription amounting to S\$2,256,000 of convertible bonds ("**12% Convertible Bonds Due May 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 31 December 2016 and as at the date of this announcement, no conversion has taken place.

Save for the 12% Convertible Bonds Due May 2017, there were no outstanding convertibles as at 31 December 2016 and 31 December 2015.

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

There were no treasury shares as at 31 December 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 three months ended 31 December 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

	3 Months Ended 31.12.2016	3 Months Ended 31.12.2015	9 Months Ended 31.12.2016	9 Months Ended 31.12.2015
Loss attributable to equity holders of the Company (HK\$'000)	3,442	7,816	10,178	16,015
Weighted average number of ordinary shares in issue	10,917,813,474	10,423,889,561	10,917,813,474	8,505,333,474
Loss per ordinary share (HK cents) - Based on weighted average number of ordinary shares in issue	0.03	0.07	0.09	0.19
- On a fully diluted basis (Please see note below)	0.03	0.07	0.09	0.19

Note:

The 12% Convertible Bond Due May 2017 has no dilutive effect for the three months ended 31 December 2016 and 31 December 2015, as well as the nine months ended 31 December 2016 and 31 December 2015 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

	As at 31.12.2016	As at 31.3.2016
Net asset value of the Company per ordinary share	HK\$0.016	HK\$0.017
Net asset value of the Group per ordinary share	HK\$0.023	HK\$0.024

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 31 December 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 Limited, 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. As such, the consolidated financial statements of the Group for the three months ended ("**3M**") 31 December 2016 and 31 December 2015 included that of the S01 Group. As for the Group's consolidated financial statements for nine months ended ("**9M**") 31 December, the 9M 31 December 2016 included that of the S01 Group for the full nine (9) months (i.e. 1 April 2016 to 31 December 2016), whereas the 9M 31 December 2015 included that of the S01 Group for only 3 months (i.e. 1 October 2015 to 31 December 2015).

(A) REVIEW OF FINANCIAL RESULTS

Revenue

The Group's revenue generated in the 3M 31 December 2016 increased by HK\$7.1 million, from HK\$5.3 million in the 3M 31 December 2015 to HK\$12.4 million in the 3M 31 December 2016. The increase in revenue was attributable to more internet data centre ("**IDC**") contracts received by GYZD in the 3M 31 December 2016 as compared to the 3M 31 December 2015.

The Group's revenue increased by HK\$31.4 million, from HK\$6.2 million in the 9M 31 December 2015 to HK\$37.6 million in the 9M 31 December 2016. The increase in revenue was attributable to the increase in revenue contribution from the S01 Group for the full nine

months in 9M 31 December 2016, as compared to that for only three months in the 9M 31 December 2015.

Other income

Other income in the 3M 31 December 2016 amounting to HK\$2.7 million related to a government subsidy received by GYZD. Other income in the 3M 31 December 2015 amounted to HK\$1.5 million, comprising HK\$0.8 million interest income in respect of the HK\$72.0 million convertible loan receivable and HK\$0.7 million government subsidy received by GYZD.

Other income in the 9M 31 December 2016 amounting to HK\$3.1 million related to a government subsidy received by GYZD. Other income in the 9M 31 December 2015 amounted to HK\$3.0 million, comprising HK\$2.3 million interest income in respect of the HK\$72.0 million convertible loan receivable and HK\$0.7 million government subsidy received by GYZD.

Operating expenses

Employee benefits expenses remained relatively stable at HK\$3.0 million in the 3M 31 December 2016 and 3M 31 December 2015. Such expenses increased by HK\$0.9 million, from HK\$7.3 million in the 9M 31 December 2015 to HK\$8.2 million in the 9M 31 December 2016. The increase was mainly due to employee benefits expenses incurred by the S01 Group for the full 9M 31 December 2016 as compared to only three months in the 9M 31 December 2015.

Depreciation of property, plant and equipment increased by HK\$2.3 million, from HK\$4.1 million in the 3M 31 December 2016 to HK\$1.8 million in the 3M 31 December 2015. Further, depreciation of property, plant and equipment increased by HK\$7.0 million, from HK\$1.9 million in the 9M 31 December 2015 to HK\$8.9 million in the 9M 31 December 2016. The increases in depreciation expenses were due to the increase in property, plant and equipment of the S01 Group in the 3M 31 December 2016.

Amortisation of intangible assets relate to customer contracts and favorable leases of SinoCloud 01 Limited. Amortisation of intangible assets decreased by HK\$0.4 million, from HK\$2.8 million in the 3M 31 December 2015 to HK\$2.4 million in the 3M 31 December 2016. Amortisation of intangible assets increased by HK\$4.4 million, from HK\$2.8 million in the 9M 31 December 2015 to HK\$7.2 million in the 9M 31 December 2016. The increase was mainly due to amortisation charge incurred from the S01 Group for the full 9M 31 December 2016 as compared to only three months in the 9M 31 December 2015.

Cost of purchases amounted to HK\$2.0 million in the 3M 31 December 2015, and HK\$2.7 million in the 9M 31 December 2015. No such costs were incurred in the 3M 31 December 2016 and the 9M 31 December 2016 as the Group did not receive any new orders from trading of IT equipment since 1 October 2015.

Operating lease expenses increased by HK\$3.0 million, from HK\$0.3 million in the 3M 31 December 2015 to HK\$3.3 million in the 3M 31 December 2016. The increase was mainly due to rental expenses incurred by the S01 Group in the 3M 31 December 2016 (3M 31 December 2015: Nil). Operating lease expenses also increased by HK\$8.9 million, from HK\$0.5 million in the 9M 31 December 2015 to HK\$9.4 million in the 9M 31 December 2016. The increase was mainly due to rental expenses incurred by the S01 Group for the full 9M 31 December 2016 (9M 31 December 2015: Nil).

Other expenses, comprising primarily office overhead as well as legal and professional fees, decreased by HK\$0.5 million, from HK\$3.8 million in the 3M 31 December 2015 to HK\$3.3 million in the 3M 31 December 2016. This was due to a decrease in legal and professional

services during the period. Other expenses decreased by HK\$1.0 million, from HK\$8.7 million in the 9M 31 December 2015 to HK\$7.7 million in the 9M 31 December 2016, mainly due to decreases in legal and professional fees, travelling and entertainment expenses.

Finance costs decreased marginally by HK\$0.1 million, from HK\$1.7 million in the 3M 31 December 2015 to HK\$1.6 million in the 3M 31 December 2016. Finance costs increased by HK\$2.6 million, from HK\$2.4 million in the 9M 31 December 2015 to HK\$5.0 million in the 9M 31 December 2016. This increase was mainly due to finance costs incurred by the S01 Group for the full 9M 31 December 2016 as compared to only three months in the 9M 31 December 2015.

Fair value gain on derivative financial instrument of HK\$0.7 million in 9M 31 December 2015 resulted from the change in fair value of derivative financial instrument in relation to the 12% Convertible Bonds Due May 2017. There was no fair value gain or loss on derivative financial instrument in 3M 31 December 2016, 3M 31 December 2015 and 9M 31 December 2016.

Share of loss of associates increased by HK\$0.6 million, from a share of gain of HK\$0.2 million in the 3M 31 December 2015 to a share of loss of HK\$0.4 million in the 3M 31 December 2016, and increased by HK\$1.9 million, from HK\$0.2 million in the 9M 31 December 2015 to HK\$2.1 million in the 9M 31 December 2016. The share of loss of associates in the 3M 31 December 2016 and 9M 31 December 2016 were in respect of China Satellite Mobile Communications Group Limited (“**CSMCG**”), whereas share of loss of associates in the 3M 31 December 2015 and 9M 31 December 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 31 December 2015: 16.5%). No provision for Hong Kong profits tax was made, as there was no assessable profit derived from Hong Kong during 3M 31 December 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 9M 31 December 2016, no tax provision was made, as SCDG and GYZD have been recording accumulated losses since their incorporation due to setup costs being incurred and no revenue was 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 31 December 2016 was HK\$3.4 million, which was a decrease of HK\$4.4 million as compared to a net loss after taxation attributable to equity holders of the Company amounting to HK\$7.8 million in the 3M 31 December 2015.

The Group's net loss after taxation attributable to equity holders of the Company in the 9M 31 December 2016 amounted to HK\$10.2 million, which was a decrease of HK\$5.8 million as compared to the net loss after taxation attributable to equity holders of the Company amounting to HK\$16.0 million in the 9M 31 December 2015.

(B) REVIEW OF FINANCIAL POSITION

Non-current Assets

Non-current assets decreased by HK\$17.6 million, from HK\$345.8 million as at 31 March 2016 to HK\$328.2 million as at 31 December 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\$8.3 million, from HK\$65.9 million as at 31 March 2016 to HK\$57.6 million as at 31 December 2016. The decrease was due to depreciation charge of HK\$8.9 million during the period, increase in leasehold improvement of HK\$3.4 million and negative exchange difference of HK\$2.8 million arising from translation of RMB to HK\$.

(ii) Intangible assets

Intangible assets decreased by HK\$7.2 million, from HK\$170.9 million as at 31 March 2016 to HK\$163.7 million as at 31 December 2016, being the amortisation charge during the period. The intangible assets relate to the business combination of SinoCloud 01 Limited, which comprised (i) goodwill of HK\$124.1 million, representing the excess value of total purchase consideration over the fair value of the net identifiable assets; (ii) customer contract of HK\$25.3 million; and (iii) favorable lease of HK\$14.3 million as at 31 December 2016.

(iii) Investment in an associate

Investment in an associate – CSMCG, decreased by HK\$2.1 million, from HK\$109.0 million as at 31 March 2016 to HK\$106.9 million as at 31 December 2016. The decrease was attributable to share of losses of HK\$2.1 million incurred by CSMCG in the 9M 31 December 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 on 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, which is subject to 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 its shareholders from time to time should there be any material development.

Current Assets

Current assets increased by HK\$26.1 million, from HK\$87.4 million as at 31 March 2016 to HK\$113.5 million as at 31 December 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\$19.3 million, from HK\$52.8 million as at 31 March 2016 to HK\$72.1 million as at 31 December 2016.

Trade and other receivables as at 31 December 2016 comprised (i) trade receivables of HK\$26.0 million; (ii) other receivables and prepayment of HK\$9.3 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\$15.8 million, from HK\$10.2 million as at 31 March 2016 to HK\$26.0 million as at 31 December 2016. The increase was in line with the increase in revenue in 9M 31 December 2016, which was contributed by the IDC business.

Other receivables and prepayment increased by HK\$3.1 million, from HK\$6.2 million as at 31 March 2016 to HK\$9.3 million as at 31 December 2016, comprising (i) an early settlement of HK\$6.7 million to the finance lease provider, pending documentation to offset against the finance lease obligations; and (ii) aggregate deposits and prepayments of HK\$3.0 million in relation to the IDC business.

Convertible loan receivables amounted to HK\$36.0 million as at 31 March 2016 and 31 December 2016. These amounts were due from Mr Lu Zhen Dong (“**Mr Lu**”). The Company had entered into a settlement agreement on 12 December 2016 with Mr Lu for the proposed settlement of the convertible loan of HK\$36.0 million (the “**Proposed Settlement**”). The Proposed Settlement was approved by the Company’s shareholders in a special general meeting on 6 January 2017. As announced by the Company on 9 February 2017, Mr Lu had, through the Trustee, disposed of 100% equity interest of the Zhuhai Entity to an unrelated individual third party (the “**Disposal of Zhuhai Entity**”). Please refer to the Company’s announcement dated 9 February 2017.

Amount due from a director of a subsidiary amounted to HK\$0.8 million as at 31 March 2016 and 31 December 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 31 December 2016. The increase was due to the Company’s payment on behalf of CSMCG for operational expenses of HK\$0.2 million in the 9M 31 December 2016.

(iii) Cash and bank balances

Cash and cash equivalents increased by HK\$6.7 million, from HK\$12.0 million as at 31 March 2016 to HK\$18.7 million as at 31 December 2016. Please refer to “Cashflows” on the movement in cash and cash equivalents.

Current Liabilities

Current liabilities increased by HK\$43.1 million, from HK\$58.3 million as at 31 March 2016 to HK\$101.4 million as at 31 December 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\$32.4 million, from HK\$41.0 million as at 31 March 2016 to HK\$73.4 million as at 31 December 2016. Trade and other payables as at 31 December 2016 comprised (i) trade payables of HK\$19.3 million; (ii) other payables of HK\$24.2 million; (iii) customer deposits of HK\$6.4 million; (iv) short term loan from directors of a subsidiary of HK\$6.2 million; and (v) short term loan from unrelated third parties of HK\$17.3 million.

Trade payables increased by HK\$4.5 million, from HK\$14.8 million as at 31 March 2016 to HK\$19.3 million as at 31 December 2016, mainly due to unsettled rental and utility expenses incurred by GYZD, and other operating expenses incurred by the Company's subsidiary in Hong Kong.

Other payables increased by HK\$3.5 million, from HK\$20.7 million as at 31 March 2016 to HK\$24.2 million as at 31 December 2016, mainly due to leasehold improvement and operating expenses incurred by GYZD.

Customer deposits increased by HK\$2.3 million, from HK\$4.1 million as at 31 March 2016 to HK\$6.4 million as at 31 December 2016, mainly due to prepayment received from customers of GYZD, where the service has yet been provided.

Short term loan from directors of a subsidiary increased by HK\$5.4 million, from HK\$0.8 million as at 31 March 2016 to HK\$6.2 million as at 31 December 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 repayment of finance lease as described in sub-paragraph (iii) below, and settlement of payables under GYZD.

Short term loan from unrelated third parties amounted to HK\$17.3 million as at 31 December 2016. The loan is interest-bearing at 10% per annum, unsecured and repayable on demand on or before 30 June 2017. The loan is used for the repayment of finance lease as described in sub-paragraph (iii) below, and settlement of payables under GYZD.

(ii) Convertible bonds – current portion

The convertible bonds relate 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 31 December 2016 as the liabilities fall due within 12 months from 31 December 2016.

(iii) Lease obligations – current portion

The current portion of the finance lease obligations decreased by HK\$2.4 million, from HK\$17.3 million as at 31 March 2016 to HK\$14.9 million as at 31 December 2016. This was attributable to a partial repayment of the current portion of the finance lease obligations. The lease obligations represent a lease to facilitate the equipment purchase for the operation of the IDC business. An early settlement of HK\$6.7 million to the

finance lease provider was made during 9M 31 December 2016, which is currently pending documentation to offset against the finance lease obligations.

Non-current Liabilities

Non-current liabilities decreased by HK\$27.3 million, from HK\$49.9 million as at 31 March 2016 to HK\$22.6 million as at 31 December 2016. Non-current liabilities comprised (i) convertible bonds; and (ii) lease obligations.

(i) Convertible bonds – non-current portion

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

(ii) Lease obligations – non-current portion

The non-current portion of the finance lease obligations decreased by HK\$14.1 million, from HK\$36.7 million as at 31 March 2016 to HK\$22.6 million as at 31 December 2016 due to repayment of finance lease obligations in 9M 31 December 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\$2.5 million, from HK\$60.6 million as at 31 March 2016 to HK\$63.1 million as at 31 December 2016. This represents the 37% minority interest in the net assets of S01 Group, which the Group owns 67% thereof.

(C) CASH FLOWS

(a) 3M 31 December 2016

Net cash generated from operating activities for the 3M 31 December 2016 amounted to HK\$15.8 million. This was due to (i) an operating profit before changes in working capital of HK\$5.5 million; (ii) positive working capital changes of HK\$11.7 million due to a decrease in trade and other receivables and an increase in trade and other payables; and (iii) interest paid of HK\$1.4 million.

Net cash generated from investing activities amounted to HK\$1,000 in the 3M 31 December 2016, which related to the amount due from an associate (non-trade).

Net cash used in financing activities amounted to HK\$1.2 million in the 3M 31 December 2016, which related to repayment of short term loan from directors of a subsidiary of HK\$15.2 million, partially offset by receipt of short term loan from unrelated third party of HK\$14.0 million.

As a whole, the Group generated HK\$14.6 million in the 3M 31 December 2016. The cash and cash equivalents as at 31 December 2016 amounted to HK\$18.7 million.

(b) 9M 31 December 2016

Net cash generated from operating activities for the 9M 31 December 2016 amounted to HK\$5.7 million. This was due to (i) an operating profit before changes in working capital of HK\$15.4 million; (ii) negative working capital changes of HK\$4.9 million due to an increase

in trade and other receivables and an increase in trade and other payables; and (iii) interest paid of HK\$4.8 million.

Net cash used in investing activities amounted to HK\$0.2 million in the 9M 31 December 2016, which related to the amount due from an associate (non-trade).

Net cash generated from financing activities amounted to HK\$1.1 million in the 9M 31 December 2016, which related to receipts of short term loan from unrelated third party of HK\$17.4 million and a short term loan from directors of a subsidiary of HK\$9.1 million, partially offset by (i) repayment of lease obligations of HK\$11.6 million; and (ii) an early settlement of HK\$13.8 million of finance lease obligations.

As a whole, the Group generated HK\$6.7 million in the 9M 31 December 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 IDC, cloud computing and big data service industry in the PRC. The Group generates its revenue primarily from GYZD, which has been generating positive returns to the Group since early 2016. For the nine months ended 31 December 2016, GYZD reported revenue and net profit after interest, taxes and depreciation, on 100% basis, of HK\$40.8 million and HK\$13.1 million respectively. The net profit after interest, taxes and depreciation attributable to the Group for the nine months ended 31 December 2016 is HK\$8.2 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 options for the settlement of the outstanding loan due to Company of HK\$43.8 million, including but not limited to acquiring the Share Pledge and/or other possible available options which are in the best interests of the Company. In the consideration of the above, the Company will consider factors, including but not limited to, the execution of a new service provider agreement between CSMCG and Thuraya Telecommunications Co, as well as the business development and industry prospects of CSMCG.

The Company had entered into a settlement agreement on 12 December 2016 with Mr Lu for the Proposed Settlement, approved by the Company's shareholders in a special general meeting on 6 January 2017. As announced by the Company on 9 February 2017, Mr Lu had, through the Trustee, disposed of 100% equity interest of the Zhuhai Entity to an unrelated individual third party. Please refer to the Company's announcement dated 9 February 2017. The Company will update its shareholders and make appropriate announcements in the event that there are any further material developments regarding the aforesaid matter, including but not limited to, the completion of the Proposed Settlement, within six (6) months from 6 January 2017, being the date of approval by Shareholders for the Proposed Settlement.

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 (3M 31 December 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 has been declared/recommendeded.

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 entered into during 3M 31 December 2016.

14. 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 of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial statements for the three months and nine months ended 31 December 2016 to be false or misleading in any material aspect.

15. 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

13 February 2017

*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 Catalyst. 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.