

SINOCLOUD GROUP LIMITED

Unaudited Third Quarter and Nine Months Financial Statement And Dividend Announcement for the Financial Period Ended 31 December 2015

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 2015						
(Expressed in Hong Kong thousand dollars)						
	Three Months Ended			Nine Months Ended		
	31.12.2015	31.12.2014	%	31.12.2015	31.12.2014	%
			+ / (-)			+ / (-)
Revenue	5,280	2,833	86	6,207	10,846	(43)
Other income	1,472	5	NM	2,984	21	NM
Staff costs	(2,957)	(2,540)	16	(7,325)	(7,850)	(7)
Depreciation	(1,768)	(92)	NM	(1,864)	(274)	NM
Amortisation of intangible assets	(2,828)	(186)	NM	(2,828)	(558)	NM
Impairment of intangible assets	-	(2,232)	NM	-	(2,232)	NM
Cost of purchases	(2,030)	(2,360)	(14)	(2,732)	(8,718)	(69)
Subcontracting fees	-	(82)	NM	-	(465)	NM
Other expenses	(4,309)	(7,431)	(42)	(9,404)	(22,629)	(58)
Finance costs	(1,701)	(1)	NM	(2,376)	(3)	NM
Loss on disposal of subsidiaries	(540)	-	NM	(540)	-	NM
Fair value gain on derivative financial instrument	-	-	NM	733	-	NM
P/L on exchange	245	-	NM	245	-	NM
Share of profit/(loss) of associates	203	(858)	NM	(232)	(4,245)	(95)
Loss before tax	(8,933)	(12,944)	(31)	(17,132)	(36,107)	(53)
Income tax	(29)	(6)	NM	(29)	(22)	32
Loss for the year	(8,962)	(12,950)	(31)	(17,161)	(36,129)	(53)
Attributable to:						
Equity shareholders of the Company	(7,816)	(12,950)	(40)	(16,015)	(36,129)	(56)
Non-controlling interest	(1,146)	-	NM	(1,146)	-	NM
Loss for the year	(8,962)	(12,950)	(31)	(17,161)	(36,129)	(53)

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 31 December 2015
(Expressed in Hong Kong thousand dollars)

	Three Months Ended			Nine Months Ended		
	31.12.2015	31.12.2014	%	31.12.2015	31.12.2014	%
			+ / (-)			+ / (-)
Loss for the period	(8,962)	(12,950)	(31)	(17,161)	(36,129)	(53)
Other comprehensive income	-	-		-	-	
Currency translation difference arising from consolidation	245	-	NM	245	-	NM
Total comprehensive loss for the year	<u>(8,717)</u>	<u>(12,950)</u>	(33)	<u>(16,916)</u>	<u>(36,129)</u>	(53)
Total comprehensive loss attributable to						
Equity shareholders of the Company	(7,571)	(12,950)	(42)	(15,770)	(36,129)	(56)
Non-controlling interest	(1,146)	-	NM	(1,146)	-	NM
Total comprehensive loss for the year	<u>(8,717)</u>	<u>(12,950)</u>	(33)	<u>(16,916)</u>	<u>(36,129)</u>	(53)

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 2015				
(Expressed in Hong Kong thousand dollars)				
	The Group		The Company	
	As at	As at	As at	As at
	31.12.2015	31.3.2015	31.12.2015	31.3.2015
	(unaudited)	(audited)	(unaudited)	(audited)
Non-current assets				
Interest in an associate - CSMCG	152,224	152,817	169,432	169,432
Interest in an associate - Fesco E-HR	-	11,291	-	-
Plant and equipment	66,717	589	-	-
Intangible assets	54,763	-	-	-
Goodwill	78,682	-	-	-
Deposit to vendors of Guiyang IDC	-	82,000	-	-
Other assets	-	1,003	-	-
	352,386	247,700	169,432	169,432
Current assets				
Trade and other receivables	133,519	128,754	124,274	119,143
Cash and cash equivalents	15,803	7,914	-	-
Due from a subsidiary (non-trade)	-	-	8,041	-
Due from an associate	17,047	15,460	-	11,700
	166,369	152,128	132,315	130,843
Total assets	518,755	399,828	301,747	300,275
Current liabilities				
Obligations under finance lease	13,077	-	-	-
Trade and other payables	36,974	22,984	3,140	17,452
Due to a subsidiary (non-trade)	-	-	-	28,816
Due to an associate	-	695	-	-
Short-term loan	-	6,000	-	6,000
Derivative Financial Instrument	17	-	17	-
Income tax payable	37	2,911	-	-
	50,105	32,590	3,157	52,268
Non-current liability				
Obligations under finance lease	39,980	-	-	-
Convertible bonds	12,470	-	12,470	-
Deferred tax liabilities	-	3,252	-	-
	52,450	3,252	12,470	-
Total liabilities	102,555	35,842	15,627	52,268
Net Assets	416,200	363,986	286,120	248,007
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital	10,918	7,541	10,918	7,541
Reserves	385,536	356,445	275,202	240,466
	396,454	363,986	286,120	248,007
Non-controlling interest	19,746	-	-	-
Total Equity	416,200	363,986	286,120	248,007

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 31.12.2015 In HK\$'000		As at 31.3.2015 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Short-term loan and derivative financial instrument	-	17	-	6,000

Amount repayable after one year

	As at 31.12.2015 In HK\$'000		As at 31.3.2015 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Convertible bonds	-	12,470	-	-

Details of any collateral

The convertible bonds relate to the 12% Convertible Bonds Due 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.

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 2015				
(Expressed in Hong Kong thousand dollars)				
	Three Months Ended		Nine Months Ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash flows from operating activities				
Loss before tax	(8,933)	(12,944)	(17,132)	(36,107)
Adjustment for :				
Interest income / (expense)	(1,472)	(6)	(2,984)	(21)
Share of losses/ (profits) of associates	(203)	858	232	4,245
Finance costs	1,701	1	2,376	3
Depreciation of plant and equipment	1,768	92	1,864	274
Amortisation of intangible assets	2,828	186	2,828	558
Loss on disposal	540	-	540	-
Impairment of intangible assets	-	2,232	-	2,232
Fair value loss on derivative financial instrument	-	-	(733)	-
Operating loss before working capital changes	(3,771)	(9,581)	(13,009)	(28,816)
(Increase) / Decrease in trade and other receivables	(5,530)	8,938	(4,765)	18,929
(Decrease) / Increase in other payables and accruals	3,828	10	(3,604)	(1,491)
(Increase) in amount due from an associate	(181)	(507)	(1,587)	(3,488)
Cash used in operations	(5,654)	(1,140)	(22,965)	(14,866)
Interest income received	-	6	-	21
Interest paid	-	(1)	-	(3)
Net cash used in operating activities	(5,654)	(1,135)	(22,965)	(14,848)
Cash flows from investing activities				
Disposal of subsidiaries	740	-	-	-
Convertible loan granted to a third party	-	-	-	(33,950)
Short term advances to the vendors of CSMCG	-	-	-	(19,100)
Net cash used in investing activities	740	-	-	(53,050)
Cash flows from financing activities				
Repayment of finance lease obligations	-	(22)	-	(66)
Convertible bonds	-	-	13,220	-
Convertible bonds interest paid	(397)	-	(794)	-
Net proceeds from issuance of new shares, net of issue costs	24,694	-	24,694	63,000
Repayment of short term loan	(9,266)	-	(9,266)	-
Short term loan from unrelated third party	-	-	3,000	-
Net cash generated from financing activities	15,031	(22)	30,854	62,934
Net increase/(decrease) in cash and cash equivalents	10,117	(1,157)	7,889	(4,964)
Cash and cash equivalents at beginning of the period	5,686	6,375	7,914	10,178
Effect of exchange rate fluctuations in cash and cash equivalent	-	(26)	-	(22)
Cash and cash equivalents at end of the period	15,803	5,192	15,803	5,192
An analysis of cash and cash equivalents as follows :				
Cash at bank and in hand	15,803	5,192	15,803	5,192

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>The Group</i>				Foreign	PRC	Re-	Share-			
	Share	Share	Contributed	Exchange	Statutory	Valuation	Based	Other	Accum.	Total
	Capital	Premium	Surplus	Translation	Reserve	Reserve	Capital	Deficit	Losses	Equity
	HK\$'000	HK\$'000	HK\$'000	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
At 1 April 2015	7,541	393,291	16,456	32,714	5,863	98	-	(49,466)	(42,511)	363,986
Net loss for the period from 1.4.2015 to 30.6.2015	-	-	-	-	-	-	-	-	(5,080)	(5,080)
At 30 June 2015	7,541	393,291	16,456	32,714	5,863	98	-	(49,466)	(47,591)	358,906
Net loss for the period from 1.7.2015 to 30.9.2015	-	-	-	-	-	-	-	-	(3,119)	(3,119)
At 30 September 2015	7,541	393,291	16,456	32,714	5,863	98	-	(49,466)	(50,710)	355,787
Issuance of 2,000,000,000 new consideration shares	2,000	19,669	-	-	-	-	-	-	-	21,669
Issuance of 1,377,000,000 new ordinary shares for placement	1,377	25,612	-	-	-	-	-	-	-	26,989
Share issue expenses	-	(175)	-	-	-	-	-	-	-	(175)
Net loss for the period from 1.10.2015 to 31.12.2015	-	-	-	-	-	-	-	-	(7,816)	(7,816)
At 31 December 2015	10,918	438,397	16,456	32,714	5,863	98	-	(49,466)	(58,526)	396,454
<i>The Group</i>				Foreign	PRC	Re-	Share-			
	Share	Share	Contributed	Exchange	Statutory	Valuation	Based	Other	Accum.	Total
	Capital	Premium	Surplus	Translation	Reserve	Reserve	Capital	Deficit	Losses	Equity
	HK\$'000	HK\$'000	HK\$'000	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
At 1 April 2014	191,476	337,117	43,348	32,838	5,863	98	9,028	(49,466)	(285,098)	285,204
Net loss for the period from 1.4.2014 to 30.6.2014	-	-	-	-	-	-	-	-	(13,352)	(13,352)
At 30 June 2014	191,476	337,117	43,348	32,838	5,863	98	9,028	(49,466)	(298,450)	271,852
Issuance of 1,440,000,000 new ordinary shares for placement	72,000	-	-	-	-	-	-	-	-	72,000
Share issue expense	-	(9,000)	-	-	-	-	-	-	-	(9,000)
Net loss for the period from 1.7.2015 to 30.9.2014	-	-	-	-	-	-	-	-	(9,827)	(9,827)
At 30 September 2014	263,476	328,117	43,348	32,838	5,863	98	9,028	(49,466)	(308,277)	325,025
PAR (nominal value of share) reduction	(258,206)	-	258,206	-	-	-	-	-	-	-
Capital reorganisation	-	-	(301,554)	-	-	-	-	-	301,554	-
Net loss for the period from 1.10.2014 to 31.12.2014	-	-	-	-	-	-	-	-	(12,950)	(12,950)
At 31 December 2014	5,270	328,117	-	32,838	5,863	98	9,028	(49,466)	(19,673)	312,075

<i>The Company</i>						
	Share Capital	Share Premium	Share-Based Capital Reserve	Contributed Surplus	Accum. Losses	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	7,541	393,291	-	16,456	(169,281)	248,007
Net loss for the period from 1.4.2015 to 30.6.2015	-	-	-	-	(1,781)	(1,781)
At 30 June 2015	7,541	393,291	-	16,456	(171,062)	246,226
Net loss for the period from 1.7.2015 to 30.9.2015	-	-	-	-	(6,710)	(6,710)
At 30 September 2015	7,541	393,291	-	16,456	(177,772)	239,516
Issuance of 2,000,000,000 consideration shares	2,000	19,669	-	-	-	21,669
Issuance of 1,377,000,000 ordinary shares for	1,377	25,612	-	-	-	26,989
Share issue expenses	-	(175)	-	-	-	(175)
Net loss for the period from 1.10.2015 to 31.12.2015	-	-	-	-	(1,879)	(1,879)
At 31 December 2015	10,918	438,397	-	16,456	(179,651)	286,120
<i>The Company</i>						
	Share Capital	Share Premium	Share-Based Capital Reserve	Contributed Surplus	Accum. Losses	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	191,476	337,117	9,028	43,348	(379,901)	201,068
Net loss for the period from 1.4.2014 to 30.6.2014	-	-	-	-	(3,582)	(3,582)
At 30 June 2014	191,476	337,117	9,028	43,348	(383,483)	197,486
Issuance of 1,440,000,000 ordinary shares for	72,000	-	-	-	-	72,000
Share issuance expense	-	(9,000)	-	-	-	(9,000)
Net loss for the period from 1.7.2014 to 30.9.2014	-	-	-	-	(2,832)	(2,832)
At 30 September 2014	263,476	328,117	9,028	43,348	(386,315)	257,654
PAR (nominal value of share) reduction	(258,206)	-	-	258,206	-	-
Capital reorganisation	-	-	-	(301,554)	301,554	-
Net loss for the period from 1.10.2014 to 31.12.2014	-	-	-	-	(1,262)	(1,262)
At 31 December 2014	5,270	328,117	9,028	-	(86,023)	256,392

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 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 ordinary shares	Share capital HK\$'000
Balance as at 30 September 2015	7,540,813,474	7,541
Add:		
Issuance of 2,000,000,000 new Shares on 1 October 2015, pursuant to the Acquisition (defined below) (Note 1)	2,000,000,000	2,000
Issuance of 1,377,000,000 new Shares on 3 November 2015, pursuant to the Placement (defined below) (Note 2)	1,377,000,000	1,377
Balance as at 31 December 2015	10,917,813,474	10,918

Note 1: The Company entered into a sale and purchase agreement on 13 March 2015 and two supplemental sale and purchase agreements on 14 July 2015 and 29 July 2015 respectively, with Zhang Dai, Xu Yong, Bi Wei Na and Xu Yu Chi (each a “**Vendor**” and collectively, the “**Vendors**”) for the proposed acquisition of up to 63% of the equity interest in SinoCloud 01 Limited (the “**Acquisition**”). The Acquisition was completed on 1 October 2015 and 2,000,000,000 new ordinary shares in the capital of the Company (“**Shares**”) were allotted and issued to the Vendors as part of the purchase consideration for the Acquisition.

Note 2: On 16 October 2015, the Company entered into a placement agreement (the “**Placement Agreement**”) with Huang Min, Cou Tzi Meng, Chui Keung Wah, Alexander and Alternus Capital Holdings Limited for the placement of an aggregate of 1,377,000,000 new Shares (the “**Placement Shares**”) at an issue price of S\$0.0035 for each Placement Share.

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 31 December 2015 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 31 December 2015 (31 December 2014: 150,000,000 performance shares granted under the Armarda Group Limited Performance Share Plan (“**PSP**”), and subsequently in February 2015, 150,000,000 new Shares were allotted and issued thereof).

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 2015 was 10,917,813,474 (31 March 2015: 7,540,813,474).

There were no treasury shares as at 31 December 2015 and 31 March 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 the financial period ended 31 December 2015, the Company does not have any sales, transfers, disposals, cancellation, and/or use of treasury shares.

There were no treasury shares as at 31 December 2015.

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 2015. 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 2015 does not result in substantial changes to the Group.

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

	3 Months Ended 31.12.2015	3 Months Ended 31.12.2014	9 Months Ended 31.12.2015	9 Months Ended 31.12.2014
Loss attributable to equity shareholders of the Company (HK\$'000)	7,816	12,950	16,015	36,129
Weighted average number of shares in issue	10,423,889,561	5,269,523,474	8,505,333,474	4,669,523,474
Loss per ordinary share (after deducting any provision for preference dividends) (HK cents)				
- Based on weighted average number of ordinary shares in issue	0.07	0.25	0.19	0.77
- On a fully diluted basis (Please see note below)	0.07	0.25	0.19	0.77

Note:

The 12% Convertible Bond Due 2017 has no dilutive effect for the 9 months ended 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.

The conditional share awards of 150,000,000 PSP shares as at 31 December 2014 have no dilutive effect for the respective periods as their 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 31.12.2015	As at 31.3.2015
Net asset value of the Company per ordinary share based on existing issued share capital	HK\$ 0.026	HK\$ 0.033
Net asset value of the Group per ordinary share based on existing issued share capital	HK\$ 0.038	HK\$ 0.048

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")) 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 in SinoCloud 01 Limited of 37% 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

Revenue generated in the three months ended ("3M") 31 December 2015 increased by HK\$2.5 million, from HK\$2.8 million in the 3M 31 December 2014 to HK\$5.3 million in 3M 31 December 2015. The increase was mainly attributable to the data centre related business of SinoCloud 01 Limited in Guiyang, China. Revenue generated in the nine months ended ("9M") 31 December 2014 decreased by HK\$4.6 million, from HK\$10.8 million in the 9M 31 December 2014 to HK\$6.2 million in the 9M 31 December 2015, mainly due to lower sales in IT equipment.

Cost of purchases

Cost of purchases decreased by HK\$0.4 million, from HK\$2.4 million in the 3M 31 December 2014 to HK\$2 million in the 3M 31 December 2015, and decreased by HK\$6.0 million from HK\$8.7 million in the 9M 31 December 2014 to HK\$2.7 million in the 9M 31 December 2015. The decrease was primarily due to the corresponding lower revenue from the sale of IT equipment.

Subcontracting fees

No subcontracting fee was incurred in the 3M and 9M 31 December 2015 as there were no subcontract service income during these periods, whereas HK\$82 thousand and HK\$465 thousand were incurred in the 3M 31 December 2014 and 9M 31 December 2014 respectively.

Other income

Other income amounted to HK\$1.5 million in the 3M 31 December 2015, which comprises HK\$0.8 million of interest income in respect of the convertible loan receivable by the Group of HK\$72 million and HK\$0.7 million of government subsidy for GYZD. Other income amounted to HK\$3.0 million in the 9M 31 December 2015, which comprises HK\$2.3 million of interest income and HK\$0.7 million of government subsidy for GYZD. Other income was negligible in the 3M 31 December 2014 and 9M 31 December 2014.

Operating expenses

Staff costs increased by HK\$0.5 million, from HK\$2.5 million in the 3M 31 December 2014 to HK\$3 million in the 3M 31 December 2015, mainly due to the establishment of a subsidiary, namely SinoCloud Asset Management Limited in China. Staff costs decreased by HK\$1.7 million, from

HK\$7.9 million in the 9M 31 December 2014 to HK\$6.2 million in the 9M 31 December 2015, as a result of a reduction in head count of the Group.

Amortisation of intangible assets increased by HK\$2.6 million, from HK\$0.2 million in the 3M 31 December 2014 to HK\$2.8 million in the 3M 31 December 2015, and increased by HK\$2.2 million from HK\$0.6 million in the 9M 31 December 2014 to HK\$2.8 million in the 9M 31 December 2015. The increases were due to amortisation of customer contract and favorable lease arising from the Acquisition of SinoCloud 01 Limited.

No impairment of intangible assets was incurred in the 3M and 9M 31 December 2015, whereas HK\$2.2 million was provided in the 3M 31 December 2014 and 9M 31 December 2014 due to further decline in the customer base and order receipt where the carrying amount is uncertain.

Finance costs amounted to HK\$1.7 million in the 3M 31 December 2015 and HK\$2.4 million in the 9M 31 December 2015. Finance costs were negligible in the 3M 31 December 2014 and 9M 31 December 2014. The finance cost in the 3M 31 December 2015 were in relation to a finance lease of SinoCloud 01 Limited and the 12% Convertible Bond Due 2017 secured by the Group on 30 April 2015.

The Group incurred a loss on disposal of subsidiaries of HK\$0.5 million in the 3M 31 December 2015, in connection with the disposal of Armarda Technology Services Limited (“ATSL”) to an unrelated third party for a cash consideration of HK\$3.54 million. Please refer to the Company’s announcement dated 24 December 2015 for further details on the aforementioned disposal.

The Group recorded a fair value gain on derivative financial instrument of HK\$0.7 million in the 9M 31 December 2015, relating to convertible bonds and derivative financial instrument, details as provided below.

Share of profits of associates in the 3M 31 December 2015 amounted to HK\$203 thousand, comprising the share of profit of associate in Fesco E-HR Service (Beijing) Co., Ltd (“Fesco E-HR”) of HK\$521 thousand and share of loss of associate in China Satellite Mobile Communication Group Ltd (“CSMCG”) of HK\$318 thousand. Share of losses of associates in the 9M 31 December 2015 amounted to HK\$232 thousand, comprising the share of profit in Fesco E-HR of HK\$361 thousand and the share of loss of CSMCG of HK\$593 thousand. The Group’s interest in Fesco E-HR (held through ATSL) was subsequently disposed by the Group in the 3M 31 December 2015.

Other expenses decreased by HK\$3.1 million, from HK\$7.4 million in the 3M 31 December 2014 to HK\$4.3 million in the 3M 31 December 2015, which was mainly attributable to a decrease in legal and professional fees. Other expenses decreased by HK\$12 million, from HK\$22.6 million in the 9M 31 December 2014 to HK\$10.6 million in the 9M 31 December 2015, which was mainly attributable to a decrease in legal and professional fees.

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% (FY2015: 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 2015.

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%. No tax provision was made, as SCDG and GYZD have been recording accumulated losses since the respective acquisition dates till date.

No Singapore income tax was payable in respect of the Group's operations in Singapore, as such operations sustained losses for tax purposes in 2015 and 2014.

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 Company in the 3M 31 December 2015 amounted to HK\$7.8 million, reflecting a decrease of HK\$5.2 million as compared the net loss after taxation attributable to shareholders of the Company of HK\$13.0 million in the 3M 31 December 2014.

The Group's net loss after taxation attributable to shareholders of the Company in the 9M 31 December 2015 amounted to HK\$16.0 million, reflecting a decrease of HK\$20.1 million as compared the net loss after taxation attributable to shareholders of the Company of HK\$36.1 million in the 9M 31 December 2014.

(B) REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets increased by HK\$104.7 million, from HK\$247.7 million as at 31 March 2015 to HK\$352.4 million as at 31 December 2015. Non-current assets comprised (i) interest in an associate – CSMCG; (ii) interest in an associate - Fesco E-HR; (iii) plant and equipment; (iv) intangible assets arising from the acquisition of SinoCloud 01 Limited; (v) goodwill arising from the acquisition of SinoCloud 01 Limited; (vi) deposits to vendors of GYZD; and (vii) other assets.

(i) Interest in an associate – CSMCG

Interest in an associate - CSMCG decreased by HK\$0.6 million, from HK\$152.8 million as at 31 March 2015 to HK\$152.2 million as at 31 December 2015. The decrease was attributable to losses incurred by CSMCG in the 9M 31 December 2015.

(ii) Interest in an associate – Fesco E-HR

Interest in an associate – Fesco E-HR decreased from HK\$11.3 million as at 31 March 2015 to nil as at 31 December 2015, as the Group's interest in Fesco E-HR (held through ATSL) was disposed by the Group in the 3M 31 December 2015.

(iii) Plant and equipment

The net book value of plant and equipment increased by HK\$66.1 million, from HK\$0.6 million as at 31 March 2015 to HK\$66.8 million as at 31 December 2015. The increase was due to the Acquisition of SinoCloud 01 Limited.

(iv) Intangible assets

Intangible assets amounted to HK\$54.8 million as at 31 December 2015 (nil as at 31 March 2015). This was in respect of the business combination of SinoCloud 01 Limited, representing the customer contract of HK\$43 million and favorable lease of HK\$14.6 million, which are the value on the date of Acquisition, after deducting the accumulated amortisation of HK\$2.8 million in the 3M 31 December 2015.

(v) Goodwill

Goodwill amounted to HK\$78.7 million as at 31 December 2015 (nil as at 31 March 2015). This was in respect of the business combination of SinoCloud 01 Limited, representing the excess of the total purchase consideration over the fair value of the net identifiable assets.

(vi) Deposit to Vendors of Guiyang IDC

The Company paid a deposit of HK\$82.0 million (of which HK\$45.0 million was satisfied by cash and the remaining HK\$37.0 million was satisfied by assignment of receivables in favour of the Vendors) for the Acquisition of 63% equity interest in SinoCloud 01 Limited before 31 March 2015. The Acquisition was completed on 1 October 2015 and the deposit had been accounted as part of the Company's cost of investment in the subsidiary.

(vii) Other assets

Other assets of HK\$1.0 million as at 31 March 2015 represent a transferable life golf club membership owned by Armarda Technology (Zhuhai) Limited which was disposed by the Group in the 3M 31 December 2015.

Current Assets

Current assets increased by HK\$14.3 million, from HK\$152.1 million as at 31 March 2015 to HK\$166.4 million as at 31 December 2015. Current assets comprised (i) trade and other receivables; (ii) cash and cash equivalents; and (iii) amount due from an associate.

(i) Trade and other receivables

Trade and other receivables increased by HK\$4.7 million, from HK\$128.8 million as at 31 March 2015 to HK\$133.5 million as at 31 December 2015. The increase was mainly due to (i) an increase of HK\$2.2 million in interest receivable from the HK\$72 million convertible loan; and (ii) an increase of HK\$2.8 million in deposits arising from the acquisition of SinoCloud 01 Limited. The increase was partly offset by a decrease in trade receivables as a result of collection in the 3M 31 December 2015.

(ii) Cash and cash equivalents

Cash and cash equivalents increased by HK\$7.9 million, from HK\$7.9 million as at 31 March 2015 to HK\$15.8 million as at 31 December 2015. Please refer to "Cashflows" on the movement in cash and cash equivalents.

(iii) Amount due from an associate

Amount due from an associate increased by HK\$1.6 million, from HK\$15.5 million as at 31 March 2015 to HK\$17.0 million as at 31 December 2015. The increase was due to the Company's

payment on behalf of CSMCG for professional fees incurred by CSMCG in the 3M 31 December 2015.

Current Liabilities

Current liabilities increased by HK\$17.5 million, from HK\$32.6 million as at 31 March 2015 to HK\$50.1 million as at 31 December 2015. Current liabilities comprised mainly (i) obligations under finance lease; (ii) trade and other payables; (iii) amount due to an associate; (iv) short term loan; and (v) income tax payable.

(i) Obligations under finance lease – current portion

The current portion of the obligations under finance lease of HK\$13.1 million as at 31 December 2015 represented a lease to facilitate the equipment purchase by GYZD. The finance lease was used to purchase relevant equipment for the internet data centre business of GYZD.

(ii) Trade and other payables

Trade and other payables increased by HK\$14.0 million, from HK\$23.0 million as at 31 March 2015 to HK\$37.0 million as at 31 December 2015. The increase was mainly due to increase in trade and other payables of HK\$32.3 million resulting from the Acquisition of SinoCloud 01 Limited (mainly comprising trade payable of HK\$8.4 million and other payable of HK\$23.9 million), partly offset by (a) decrease in other payables due to settlement of financial liability amounting to HK\$11.7 million in respect of the financial guarantee provided by the Group to the Service Provider of CSMCG; and (b) settlement of other payables of HK\$7.3 million in the 3M 31 December 2015.

(iii) Amount due to an associate

Amount due to an associate was nil as at 31 December 2015 (HK\$0.7 million as at 31 March 2015) pursuant to Group's disposal of ATSL in the 3M 31 December 2015.

(iv) Short-term loan

The short term loan of HK\$6 million was fully repaid in 3M 31 December 2015.

(v) Income tax payable

Income tax payable decreased by HK\$2.9 million, from HK\$2.9 million as at 31 March 2015 to HK\$37 thousand as at 31 December 2015. This was mainly due to a decrease in the accrued income tax payable by Armarda Technology (Zhuhai) Limited (held through ATSL), which was disposed by the Group in the 3M 31 December 2015.

Non-current Liabilities

Non-current liabilities increased by HK\$49.2 million, from HK\$3.3 million as at 31 March 2015 to HK\$52.5 million as at 31 December 2015. Non-current liabilities comprised (i) obligations under finance lease; (ii) convertible bonds; and (iii) deferred tax liabilities.

(i) Obligations under finance lease – non-current portion

The non-current portion of the obligations under finance lease of HK\$40.0 million as at 31 December 2015 represented a lease to facilitate the equipment purchase by GYZD. The finance lease was used to purchase relevant equipment for the internet data centre business of GYZD.

(ii) Convertible bonds and derivative financial instrument

The value of the derivative financial instrument (current portion) and the convertible bonds (non-current portion) amounted to HK\$17 thousand and HK\$12.5 million as at 31 December 2015 respectively (nil as at 31 March 2015). These relate to the 12% Convertible Bonds Due 2017, for an aggregate amount of S\$2,256,000 (equivalent to HK\$13.2 million), which bear interest rate at 12% per annum at a conversion price at S\$0.006 for each Share.

(iii) Deferred tax liabilities

Deferred tax liabilities of HK\$3.3 million as at 31 March 2015 were derived from the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts report for taxation purposes of ATSL. The amount was nil as at 31 December 2015 as ATSL was disposed by the Group in the 3M 31 December 2015.

Non-controlling interest

Non-controlling interest of approximately HK\$19.7 million represents the 37% minority interest in the assets of SinoCloud 01 Limited and its subsidiaries as at 31 December 2015.

Cashflows

(a) 3M 31 December 2015

Net cash used in operating activities for the 3M 31 December 2015 amounted to HK\$5.7 million. This was due to (i) an operating loss before changes in working capital of HK\$3.8 million; and (ii) working capital changes of HK\$1.9 million due to a increase in other payables and accruals, and an increase in amount due from an associate, partially offset by a increase in trade and other receivables.

Net cash flow generated from investing activities was HK\$0.7 million in the 3M 31 December 2015, which relates to the Group's disposal of ATSL.

Net cash flow generated from financing activities was HK\$15.0 million in the 3M 31 December 2015, which relates to (i) net proceeds from the issuance of 1,377,000,000 new Shares of HK\$24.7 million; and (ii) repayment of short term loans of HK\$9.3 million.

As a whole, the Group generated HK\$10.1 million in the 3M 31 December 2015. The cash and cash equivalents as at 31 December 2015 stood at HK\$15.8 million.

(b) 9M 31 December 2015

Net cash used in operating activities for the 9M 31 December 2015 amounted to HK\$23 million. This was due to (i) an operating loss before changes in working capital of HK\$17.1 million; and (ii) working capital changes of HK\$10 million due to a decrease in other payables and accruals, an increase in amount due from an associate, and an increase in trade and other receivables.

There was no cash used for investing activities for the 9M 31 December 2015.

Net cash flow generated from financing activities was HK\$30.9 million in the 9M 31 December 2015. This was due to (i) net proceeds from the issuance of the 12% Convertible Bonds Due 2017 of HK\$13.2 million; (ii) short term loan of HK\$3.0 million; (iii) net proceeds from the issuance of 1,377,000,000 new Shares of HK\$24.7 million; and (iv) repayment of short term loans of HK\$9.3 million.

As a whole, the Group generated HK\$7.9 million for the 9M 31 December 2015.

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 overall market condition of the PRC IT industry remains difficult. The management will continue to explore and develop the existing and new business initiatives.

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 (9M 31 December 2014: 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 31 December 2015.

14. Use of proceeds

Pursuant to the Placement completed in October 2015, the Company raised net proceeds of approximately HK\$26.7 million. As announced by the Company on 3 February 2016, the Company had utilised approximately HK\$14 million of such net proceeds for working capital purposes (including repayment of a short-term loan, operating expenses which included but not limited to professional fees, marketing fees and office overhead expenses). The Company will make further announcements via SGXNET as and when the balance of such net proceeds are materially disbursed.

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 9 months ended 31 December 2015 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 in the format set out in Appendix 7H of the Catalist Rules. As of the date of the announcement, the Company do not have any executive officers.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer

Luk Chung Po, Terence
Executive Director

5 February 2016

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), 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. Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.