

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

CORRIGENDUM TO ANNUAL REPORT

The board of directors (the "**Board**") of the Company and together with its subsidiaries (the "**Group**") refers to its annual report which was despatched to shareholders on 5 July 2016. The Board wishes to announce that, subsequent to the release of the audited financial statements, correction was made due to an inadvertent error relating to inter-companies' balance written off of HK\$8,760,000 for the financial year ended 31 March 2016 ("**FY2016**"), which should have been eliminated at the Group level. These entries were shown as gross amounts (a) in "other expenses" under "continuing operations" and (b) correspondingly in "other income" under "profit from discontinued operation, net of tax". Subsequent to the despatch of the annual report, in view of its materiality and to comply with the relevant IFRS, the inter-companies' balance written off above have been eliminated. Accordingly, the loss after tax from continuing operations as well as the profit from discontinued operation, net of tax for FY2016 have been amended. This adjustment does not have any financial impact on the Group's net loss and total comprehensive loss for FY2016 and the net assets of the Group and the Company as at 31 March 2016.

For the ease of reference of shareholders, the Company hereby attaches the revised pages of the Independent Auditor's Report with this announcement. The relevant pages in the annual report with the marked up corrections will be despatched to shareholders in due course and will also be made available at the Company's upcoming Annual General Meeting on 28 July 2016.

The revised Annual Report will be uploaded on the website of the Singapore Exchange Securities Trading Limited at <http://www.sgx.com>.

BY ORDER OF THE BOARD

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINOCLOUD GROUP LIMITED
(Formerly Known As ARMARDA GROUP LIMITED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

Report on the Financial Statements

We have audited the accompanying financial statements of SinoCloud Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the ~~consolidated balance sheets~~ consolidated balance sheets of the Group and the ~~balance sheet of the Company~~ as at 31 March 2016, and the consolidated statement of comprehensive income, ~~the consolidated statement of changes in equity and consolidated statement of cash flows~~ of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of ~~the financial statements~~ that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINO CLOUD GROUP LIMITED
(Formerly Known As ARMARDA GROUP LIMITED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

Report on the Financial Statements (Continued)

Emphasis of ~~matter~~Matter

1) Going concern assumption

We draw attention to Note 2 to the financial statements, which states that the Group registered a net loss of \$112,521,000 (2015: \$42,511,000) and incurred negative operating cash flows of \$16,653,000 (2015: \$43,120,000) for the financial year ended 31 March 2016. The Group had scaled down its core business and continued its business restructuring exercise to invest in other business opportunities.

As disclosed in Note 7 to the financial statements, the Group's associate, China Satellite Mobile Communications Group Limited and its subsidiaries (collectively "China Satellite Group") which was acquired during 2013, recorded revenue of \$8,560,000 (2015: \$7,306,000) and incurred operating losses of \$14,387,000 (2015: \$14,168,000) for the financial year ended 31 March 2016.

In order to improve the Group's financial performance, the Group continues to diversify its business opportunities in various IT related areas, especially in the areas of internet data centre ("IDC") services and business in the People's Republic of China ("PRC"). On 1 October 2015, the Group acquired a 63% equity interest in SinoCloud 01 Limited and its subsidiaries for a purchase consideration of \$103.7 million as disclosed in Note 37 to the financial statements so as to provide a gateway for future expansion into the IDC industry. This acquisition has resulted in the Group having an interest in Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech"), a Tier 4 data center located in Guiyang, the PRC with an expected full capacity of 5,000 racks.

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

- (i) increase in profit contribution to the Group from the IDC business of Guiyang Tech;
- (ii) the expected improvement in the achievement of certain utilisation rate of IDC services by Guiyang Tech; and
- (iii) increase in positive future contribution by China Satellite Group.

2) Impairment of associates - China Satellite Mobile Communications Group Limited ("CSMCG Group")

We draw attention to Note 7 to the financial statements. The valuation of 100% equity interest of CSMCG Group, which was performed by a professional independent valuer, was estimated to be \$196,000,000. The key basis and assumptions used for the valuation were the new business model with Thuraya Telecommunications Company ("Thuraya") for the provision of services including voice, data and sales of equipment in the PRC, which the Group has obtained distributorship with Thuraya. Management explained that the value in use of CSMCG Group was assessed using the discounted cash flow method based on income approach. As at the date of this report, management informed that the key business terms and conditions of the new agreement with Thuraya although have been confirmed, is still pending the final internal clearance of both parties.

As management is confident that the key business terms and conditions of the new agreement with Thuraya will be finalised in due course, the Group's share of its 45% equity interest in the investment in CSMCG Group has been impaired up to the Group's 45% proportional share of its investment value of \$196,000,000 as determined by the professional independent valuer, which is \$88,200,000. Accordingly, the carrying amount of the investment in CSMCG Group has been reduced to \$88,200,000, after an impairment loss of \$81,232,000 was recognized in profit or loss for the financial year.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINO CLOUD GROUP LIMITED
(Formerly Known As ARMARDA GROUP LIMITED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

Report on the Financial Statements (Continued)

Emphasis of ~~matter~~Matter (continued)

2) Impairment of associates - China Satellite Mobile Communications Group Limited ("CSMCG Group") (Continued)

In the event that the new agreement with Thuraya is not finalised, further impairment of the investment in CSMCG Group may be required.

3) Recoverability of convertible loan receivable

We draw attention to Note 10(ii) to the financial statements. In assessing the recoverability of the convertible loan receivables of \$78,084,000 from Mr Lu (comprising ~~the~~ principal amount of \$72,000,000 plus interest charge of \$6,084,000), management had proposed a settlement of \$36,000,000 and had agreed to waive the remaining amount of \$42,084,000. This was due to the view that the Company expected the waived amount to be unrecoverable and had deemed the convertible loan receivable as an investment loss. Accordingly, an impairment loss of \$42,084,000 on the convertible loan receivables was recognized in profit or loss during the financial year.

~~On~~Subsequent to the end of the financial year, on 14 June 2016, the Company entered into a binding Memorandum of Understanding with Mr Lu for the settlement of the remaining \$36,000,000 via the following arrangement:

- a) A first installment of \$25,000,000 shall be paid to the Company within six months from the date the Company has obtained approval from its shareholders for the Proposed Settlement ~~(Note 10)(iii)~~ at a special general meeting ("SGM") to be convened in due course; and
- b) The remaining \$11,000,000 shall be paid on or before 31 March 2017.

Management expects the SGM will be convened no later than 30 September 2016. In the event the above arrangement is not approved at the SGM, there may be a possibility of further impairment of the convertible loan receivable of up to \$36,000,000.

4) Recoverability of interest free advances and earnest deposits

We draw attention to Note 7 to the financial statements. On ~~12~~9 December 2015, the Company announced that it has reached an agreement with the Pledging Parties and the Transferring Parties to settle the aggregate amount of \$43,800,000 due and owing to the Company in respect of the interest free advances of \$24,700,000 and the earnest deposits of \$19,100,000 ("Proposed Settlement") in the following manner:

- (a) Pursuant to an agreement dated 9 December 2015 and entered into between the Company and the Pledging Parties, (i) the Transferring Parties agreed to transfer the earnest deposits to the Pledging Parties; and (ii) the Pledging Parties agreed and undertook to accept and assume the liabilities and obligations of the Transferring Parties to repay, the earnest deposits. As a result, the aggregate amount due and owing by the Pledging Parties to the Company increased from \$24,700,000 to \$43,800,000, being the aggregate amount of the interest free advances and the earnest deposits (the "Outstanding Amount").
- (b) Pursuant to an agreement dated 9 December 2015 and entered into between the Company and the Pledging Parties, the Pledging Parties agreed to transfer, and the Company agreed to accept, the Pledged Shares in full settlement and satisfaction of the Outstanding Amount.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINOCLOUD GROUP LIMITED
(Formerly Known As ARMARDA GROUP LIMITED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

Report on the Financial Statements (Continued)

Emphasis of ~~matter~~Matter (continued)

4) Recoverability of interest free advances and earnest deposits (Continued)

Following the completion of the Proposed Settlement ("Completion"), CSMCG, which is currently a 45% associate of the Company, will become a 70.19% subsidiary of the Company.

However, this Proposed Settlement is subject to shareholders' approval in a ~~special general meeting~~SGM to be convened in due course.

As these interest-free advances and earnest deposits totaling \$43,800,000 are not intended to be repayable given that management intends to offset them against the Completion, accordingly, these interest-free advances and earnest deposits had been reclassified to investment in associate to form part of the investment.

In the event the above mentioned Proposed Settlement is not being approved by shareholders in the SGM, management will need to assess the recoverability of these interest free advances and earnest deposits. Accordingly, there may be a need for impairment for these advances and earnest deposits.

Our opinion is not ~~qualified~~modified in respect of these matters.

Other Matter

The financial statements for the financial year ended 31 March 2015 were audited by another independent auditor whose report dated 19 June 2015 expressed an unmodified opinion on those financial statements.

RT LLP

Public Accountants and
Chartered Accountants

Singapore, 20 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000")

	Note	2016 \$'000	2015 \$'000 (Re-presented) (Note 41)
Continuing operations			
Revenue	26	19,267	10,250
Other income	27	9,096	3,389
Employee benefits expense	28	(10,021)	(3,502)
Depreciation of property, plant and equipment	4	(5,227)	-
Amortisation of intangible assets	5	(4,825)	(558)
Impairment of:			
- intangible assets	5	-	(2,232)
- investment in associate	7	(81,232)	-
- convertible loan	10	(42,084)	-
Cost of purchases		-	(8,294)
Operating lease expenses		(5,216)	(7)
Subcontracting fees		-	(515)
Other expenses	29	(21,035)	(16,337)
Finance costs		(4,628)	(720)
Loss on liquidation of subsidiaries		(5,933)	-
Share of loss of associates	7	(6,474)	(6,376)
Loss before tax from continuing operations	30	<u>(158,312)</u>	<u>(24,895)</u>
Income tax expense	31	(29)	-
Loss after tax from continuing operations		<u>(158,341)</u>	<u>(24,895)</u>
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	32	<u>45,820</u>	<u>(17,616)</u>
Loss for the financial year		<u>(112,521)</u>	<u>(42,511)</u>
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Currency translation difference arising from consolidation			
- Gains/(losses)	20	1,757	(193)
- Reclassification adjustment, net of tax	20	(37,563)	-
Share of translation reserve of associates	20	-	69
Other comprehensive loss for the financial year, net of tax		<u>(35,806)</u>	<u>(124)</u>
Total comprehensive loss for the financial year		<u>(148,327)</u>	<u>(42,635)</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000")

	Note	2016 \$'000	2015 \$'000 (Re-presented)
Loss attributable to:			
Equity holders of the Company		(111,615)	(42,511)
Non-controlling interest		(906)	-
		<u>(112,521)</u>	<u>(42,511)</u>
Loss attributable to equity holders of the Company related to:			
Loss from continuing operations		(157,435) 148,675	(24,895)
Profit/(loss) from discontinued operations	32	<u>45,820 37,060</u>	(17,616)
		<u>(111,615)</u>	<u>(42,511)</u>
Loss attributable to non-controlling interest of the Company related to:			
Loss from continuing operations	32	<u>(906)</u>	-
		<u>(906)</u>	-
Total comprehensive loss attributable to:			
Equity holders of the Company		(148,012)	(42,635)
Non-controlling interest		(315)	-
		<u>(148,327)</u>	<u>(42,635)</u>
(Loss) /Earnings per share for (loss)/profit from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic (loss)/earnings per share			
From continuing operations	33 (i)	(1.7363)	(0.49)
From discontinued operations	33 (i)	<u>0.5041</u>	(0.35)
Diluted (loss)/earnings per share			
From continuing operations	33 (ii)	(1.7363)	(0.49)
From discontinued operations	33 (ii)	<u>0.5041</u>	(0.35)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016
(Amounts in thousands Hong Kong dollar "\$'000")

	Note	2016 \$'000	2015 \$'000 (Re-presented) (Note 41)
Cash flow from operating activities			
Loss from continuing operations before tax		(158,312)	(24,895)
Profit/(Loss/loss) from discontinued operation before tax		<u>37,060</u>	(17,616)
Loss for the financial year		(112,492)	(42,511)
Adjustments:			
Depreciation of property, plant and equipment	4	5,227	364
Amortisation of intangible assets	5	4,825	558
Share of loss of associates	7	6,474	8,039
Impairment loss on convertible loan	10	42,084	-
Impairment of investment in associates	7	81,232	3,245
Impairment loss of intangible asset	5	-	2,232
Gain on disposal of subsidiaries	32	(37,361)	-
Loss on disposal of property, plant and equipment		-	121
Interest expense		4,629	739
Interest income		(1)	(3,067)
Property, plant and equipment written off		-	26
Operating loss before working capital changes		(5,383)	(30,254)
Trade and other receivables		1,149	(10,368)
Trade and other payables		(4,878)	(2,486)
Cash used in operations		(9,112)	(43,108)
Income tax paid		(2,913)	-
Interest paid		(4,629)	(19)
Interest income received		1	7
Net cash used in operating activities		(16,653)	(43,120)
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment		-	379
Purchase of property, plant and equipment		(5,744)	(44)
Net cash inflow on acquisition of subsidiaries (Note A)		221	-
Disposal of subsidiaries (Note B)		3,475	-
Amount due from an associate (non-trade)		(7,780)	(2,188)
Deposit paid for a proposed acquisition (Note A)		-	(45,000)
Refund of deposit for acquisition of equipment		-	9,614
Refund of prepayment for software development costs		-	9,186
Earnest deposits to shareholders of an associate (unsecured)	10	-	(1,000)
Net cash used in investing activities		(9,828)	(29,053)

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

7. INVESTMENT IN ASSOCIATES (Continued)

Impairment testing for Fesco E-HR

In the financial year ended 31 March 2015, the recoverable amount of the investment in Fesco E-HR has been determined using value-in-use calculations based on a 5-year cash flow projection from financial budgets approved by management. A terminal value, which is the present value of all future cash flows, assuming a perpetual constant growth rate, is also applied in the fifth year. The pre-tax discount rate applied to the cash flow projection is 14% and the forecasted growth rate used to extrapolate cash flow projections beyond the 5-year period is 5%. In the financial year ended 31 March 2015, an impairment loss of \$3,245,000 is recognised in profit or loss and included in "Provision of IT services" segment as the recoverable amount is below the carrying amount of the investment.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the investment:

Revenue growth rate: Revenue growth rate in the 5-year budgets are based on future increase in management fees income of 10% - 15% for every 3 years, as agreed by the majority shareholder of Fesco E-HR.

Discount rate: Discount rate reflects the weighted average cost of capital of Fesco E-HR, representing the current market assessment of the risks specific to Fesco E-HR.

If Fesco E-HR's revenue growth rate and discount rate adopted in the cash flow projection is to deviate by 1% respectively, the Group's loss for the financial year will increase / (decrease) by:

	Effect of +1% change to profit and loss	Effect of -1% change to profit and loss
	\$'000	\$'000
2015		
Change in revenue growth rate	(1,315)	1,422
Change in discount rate	1,115	(1,265)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	China Satellite Group		Fesco E-HR	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current assets	8,652	11,724	-	27,663
Non-current assets	-	1,017	-	9,932
Current liabilities	36,066	24,754	-	5,293
Non-current liabilities	-	5,166	-	-
Revenue	8,560	7,306	31,482	41,704
Net profit/ (loss) for the financial year	(14,387) ^(a)	(14,168)	279	(3,696) ^(a)
Other comprehensive income	-	-	-	153
Total comprehensive income/ (loss)	(14,387)	(14,168)	279	(3,543)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

7. INVESTMENT IN ASSOCIATES (Continued)

~~(a) Include in China Satellite Group's net loss for the financial year is an impairment loss of investment in China Satellite Group of \$81,232,000 due to their recoverable amount being lower than its carrying amount of investment in China Satellite Group as at financial year 31 March 2016.~~

~~(b) Included in Fesco E-HR's net loss for the financial year is an impairment loss of Fesco E-HR's investments in associates of \$3,245,000 due to their continuing loss-making positions.~~

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

	Group	
	2016	2015
	\$'000	\$'000
<u>China Satellite Group</u>		
Net assets	(27,414)	(17,179)
Proportion of the Group's ownership interest	45%	45%
Share of net assets	(12,336)	(7,731)
Goodwill on acquisition	158,748	160,548
Impairment loss	(81,232)	-
	<u>65,180</u>	<u>152,817</u>
<u>Fesco E-HR</u>		
Net assets	-	32,302
Proportion of the Group's ownership interest	-	45%
Share of net assets	-	14,536
Goodwill on acquisition	-	2,923
Impairment loss	-	(6,168)
	<u>-</u>	<u>11,291</u>
Total carrying amount	<u>65,180</u>	<u>164,108</u>

8. AMOUNT DUE FROM SUBSIDIARIES (NON-TRADE)

	Company	
	2016	2015
	\$'000	\$'000
Due from subsidiaries	126,819	343,051
Less: Impairment loss	(93,062)	(343,051)
	<u>33,757</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

8. AMOUNT DUE FROM SUBSIDIARIES (NON-TRADE) (Continued)

The movement in accumulated impairment loss is as follows:

	Company	
	2016	2015
	\$'000	\$'000
At beginning of the financial year	343,051	284,545
Impairment loss (written back off) /charged to profit or loss	(249,989)	58,506
At end of the financial year	<u>93,062</u>	<u>343,051</u>

Amounts due from subsidiaries are unsecured with no fixed terms of repayment. The Company expects that these amounts will not be repaid within one year. All balances due from subsidiaries are interest-free.

Impairment loss written off during the financial year was due to disposed and winding up of subsidiaries during the financial year.

Some of the subsidiaries remained dormant or continued to sustain losses during the financial year. Accordingly, those amounts due from these subsidiaries were fully impaired.

9. OTHER ASSETS

	Group	
	2016	2015
	\$'000	\$'000
Golf club membership	-	1,003
Deposit for a proposed acquisition ⁽ⁱ⁾	-	82,000
	<u>-</u>	<u>83,003</u>

⁽ⁱ⁾ Deposit for a proposed acquisition

On 13 March 2015, the Group entered into a sale and purchase agreement with 4 individual vendors (the "Vendors") to acquire 90% equity interest in SinoCloud 01 Limited, with the intention to hold 63% effective interest in Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech") through a variable interest entity ("VIE") arrangement (the "Proposed Acquisition"). Guiyang Tech is principally involved in a business of internet data centre, cloud computing and big data services. The total purchase consideration for the Proposed Acquisition is capped at approximately \$103,669,000 (the "Consideration"), but is subject to a downward adjustment of not more than 20% of the Consideration based on a valuation by an independent valuer to be engaged by the Group. The Consideration is to be satisfied by a combination of 2,000,000,000 new ordinary shares of the Company at an agreed price of S\$0.005 (equivalent to \$0.028) each and non-share consideration of \$82,000,000 [Note 17 (iii) and 18 (i)].

As at 31 March 2015, the Group paid a deposit of \$82,000,000 ("the Deposit") to the Vendors, of which \$45,000,000 was satisfied by cash payment, and the remaining \$37,000,000 was satisfied by an assignment of receivables in favour of the Vendors ("Debt Assignment"), comprising other receivable of \$25,000,000 (Note 10⁽ⁱⁱ⁾) and convertible loan of \$12,000,000 (Note 10⁽ⁱⁱ⁾). In accordance with a deposit arrangement agreement entered into by the Group and the Vendors on 13 March 2015, the Deposit is secured by a right to purchase 38.5% effective interest in Guiyang Tech owned by the Vendors. The right can be exercised by the Group in the event that the Deposit is not refunded within 3 days of termination of the Proposed Acquisition and/or occurrence of other breaches on the part of the Vendors.

On 1 October 2015, the Group completed the acquisition of its 63% equity interests in Guiyang Tech.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

27. OTHER INCOME

	Group	
	2016	2015
	\$'000	\$'000
	(Re-presented)	
Foreign exchange gain, net	4,689	329
Interest income on convertible loan	3,024	3,060
Government grant	733	-
Others	650	-
	<u>9,096</u>	<u>3,389</u>

28. EMPLOYEE BENEFIT EXPENSE

	Group	
	2016	2015
	\$'000	\$'000
	(Re-presented)	
Salaries and allowances	9,789	3,484
Contributions to defined contribution retirement plans	177	-
Other welfare and benefits	55	18
	<u>10,021</u>	<u>3,502</u>

Employee benefit expense include directors' remuneration as disclosed in Notes 30 and 34.

29. OTHER EXPENSES

	Group	
	2016	2015
	\$'000	\$'000
	(Re-presented)	
Building management fees	104	-
Compensation	328	-
Entertainment expenses	1,238	6
Inter-companies' balance written off⁽⁴⁾	8,760	-
Marketing expenses	207	362
Purchase of equipment	143	-
Professional fees paid / payable by cash ⁽⁴⁾	4,700	13,011
Travelling expenses	1,057	321
Audit fees	1,583	1,221
Others	2,915	1,409
	<u>21,035</u>	<u>16,337</u>
	<u>12,275</u>	<u>330</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

29. OTHER EXPENSES (Continued)

~~(i) Inter-companies' balance written off~~

~~Inter-companies' balance written off related to write off of inter-company balance between the Group and ATS Group when it was disposed on 31 December 2015.~~

~~These write off of inter-company balance are approved by the Board of Director on 1 May 2016.~~

(ii) Professional fees paid / payable by cash

Included in the professional fees are the following:-

- consultancy fees amounting to \$43,000 (2015: \$10,379,000) paid or payable to third parties to coordinate the process to obtain PRC regulatory approvals / licenses and to perform business development, for the mobile satellite communication business in PRC for China Satellite Group.
- professional fees amounting to \$1,418,000 and \$750,000 paid or payable to third parties for the purpose of acquisition of SinoCloud 01 Limited and its subsidiaries and legal advice on group restructuring respectively.

30. LOSS BEFORE TAX

This is determined after charging the following:

	Group	
	2016	2015
	\$'000	\$'000
	(Re-presented)	
Directors' remuneration		
- directors of the Company	2,196	1,020
- directors of subsidiaries	1,048	1,655
Directors' fees		
- directors of the Company	1,080	866
Audit fees		
- auditors of the Company	1,198	1,206
- other auditors	460	-
Non-audit fees	-	15

31. INCOME TAX EXPENSE

Major components of income tax expense for the financial year ended were:

	Group	
	2016	2015
	\$'000	\$'000
Deferred Current income tax (Note 16)		
- current year	29	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

31. INCOME TAX EXPENSE (Continued)

The reconciliation of the income tax expense and the product of accounting loss multiplied by the applicable rate is as follows:

	Group	
	2016 \$'000	2015 \$'000 (Re-presented)
Profit/(Loss) before taxation from:		
- continuing operations	(158,312,149,552)	(24,895)
- Discontinued discontinued operations (Note 32)	45,820,37,060	(17,616)
	<u>(112,492)</u>	<u>(42,511)</u>
Tax at the applicable tax rate of 16.5% (2015: 16.5%)	(18,561)	(7,014)
Tax effect of		
- different tax rates in other countries	1,579	(1,237)
- losses incurred in tax free jurisdiction	12,997	2,582
- expenses not deducted for tax purposes	18,910	1,300
- non-taxable income	(16,184)	-
- unutilised tax losses not recognised	1,288	3,043
- share of loss of associate	-	1,326
Tax expense	<u>29</u>	<u>-</u>

The Company was incorporated under the laws of Bermuda. It has received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966. This Act 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, at least until year 2035.

Hong Kong

The Group's profits derived in Hong Kong are subject to Hong Kong statutory tax at 16.5% (2015: 16.5%). No tax provision for Hong Kong profits was made, as there was no assessable profit derived in Hong Kong in the current and preceding years.

PRC

The subsidiary is subject to PRC income tax of 25% (2015: 25%) and withholding tax of 5% (2015: 5%) respectively.

Singapore

No Singapore income tax was payable in respect of the Group's operations in Singapore, as such operations sustained losses for tax purposes during the current and preceding years.

BVI

Subsidiaries incorporated under the laws of BVI are exempted from income tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

32. DISCONTINUED OPERATION

On 24 December 2015, the Company disposed 100% equity interest of ATS Group to a third party for an aggregate consideration of \$3,540,000. The principal business activities of ATS Group is that of provision of IT consulting and IT support services as well as trading of IT Equipment.

The sale was completed on 28 December 2015.

	Group	
	2016	2015
	\$'000	\$'000
		(Re-presented)
Revenue	944	2,800
Cost of sales	(777)	(2,452)
Other income	<u>10,737</u>	9
Expenses	(2,571)	(16,310)
Share of associate's profit/ (loss)	126	(1,663)
Gain on disposal of subsidiaries	37,361	-
Profit/(loss) before taxation from discontinued operations	<u>45,820</u>	(17,616)
Taxation	-	-
Profit/(loss) after taxation from discontinued operations	<u>45,820</u>	<u>(17,616)</u>
Profit/(loss) attributable to equity holders of the Company relates to:		
- Loss from continuing operations	<u>(157,435)</u>	(24,895)
- Profit/(loss) from discontinued operations	<u>45,820</u>	(17,616)
Total	<u>(111,615)</u>	<u>(42,511)</u>
Non-controlling interest:		
- Loss from continuing operations	(906)	-
Total	<u>(906)</u>	-

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2016	2015
	\$'000	\$'000
Operating activities	(16,653)	(43,120)
Investing activities	(9,828)	(29,053)
Financing activities	30,608	69,906
Net cash inflow/(outflows)	<u>4,127</u>	<u>(2,267)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

32. DISCONTINUED OPERATION (Continued)

Details of assets disposed of in relation to discontinued operations are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Sales proceeds from disposal	3,540	-
Carrying amount of net assets disposed of	(3,883)	-
Reclassification of translation reserve arising from disposal of subsidiaries	37,704	-
Gain on disposal	<u>37,361</u>	<u>-</u>

33. (LOSS)/ EARNINGS PER SHARE

(i) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year (Note 17):

	Group	
	2016	2015
	\$'000	\$'000
From continuing operations		
Net loss attributable to equity holders of the Company	(157,435) <u>148,675</u>	(24,895)
Weighted average number of ordinary shares outstanding for basic loss per share	9,105,158	5,083,401
Basic loss per share (cents)	<u>(1.7363)</u>	<u>(0.49)</u>

	Group	
	2016	2015
	\$'000	\$'000
From discontinued operations		
Net profit/ (loss) attributable to equity holders of the Company	45,820 <u>37,060</u>	(17,616)
Weighted average number of ordinary shares outstanding for basic profit/(loss) per share	9,105,158	5,083,401
Basic profit/ (loss) per share (cents)	<u>0.5041</u>	<u>(0.35)</u>

(ii) Diluted loss per share

For the purpose of calculating diluted loss per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. There are no dilutive potential ordinary shares issued and/or granted at current financial year end.

There have been no transactions involving ordinary shares or potential ordinary shares subsequent to balance sheet date and before the authorisation of these financial statements that would have changed significantly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

36. SEGMENT INFORMATION (Continued)

Business segments

2016	Mobile satellite services	Internet Data Centre Services	All other segments	Provision of IT services	Trading of IT equipment	Subtotal for Discontinued Operations	Adjustment	Continuing Operations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue (including other income)	-	20,000	8,363	-	49,092	49,092	(49,092)	28,363
Segment loss	(6,516)	878	(148,046)	-	45,820	45,820	(45,820)	(153,684)
Finance costs			(139,286)		37,060	37,060	(37,060)	(144,924)
								(4,628)
Loss before tax						45,820	(45,820)	(158,312)
Income tax						37,060	(37,060)	(149,552)
								(29)
Loss for the financial year						45,820	(45,820)	(158,341)
						37,060	(37,060)	(149,581)
Segment assets	131,526	250,150	51,494	-	-	-	-	433,170

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2015	Mobile satellite services	Internet Data Centre Services	All other segments	Provision of IT services	Trading of IT equipment	Subtotal for Discontinued Operations	Adjustment	Continuing Operations
	\$'000 (Re-presented)	\$'000 (Re-presented)	\$'000 (Re-presented)	\$'000 (Re-presented)	\$'000 (Re-presented)	\$'000 (Re-presented)	\$'000 (Re-presented)	\$'000 (Re-presented)
Revenue (including other income)	-	-	3,398	775	12,275	2,809	(2,809)	13,639
Segment loss	(16,593)	-	(11,839)	(6,873)	(6,467)	(17,597)	17,597	(24,175)
Finance costs	-	-	-	-	-	-	-	(720)
Loss before tax	-	-	-	-	-	(17,597)	17,597	(24,895)
Income tax	-	-	-	-	-	-	-	-
Loss for the financial year	-	-	-	-	-	(17,597)	17,597	(24,895)
Segment assets	217,587	-	167,487	4	14,750	-	-	399,828
Segment liabilities	12,395	-	16,778	-	506	-	-	29,679
Unallocated liabilities	-	-	-	-	-	-	-	-
- Income tax payable	-	-	-	-	-	-	-	2,911
- Deferred tax liabilities	-	-	-	-	-	-	-	3,252
Consolidated total liabilities	-	-	-	-	-	-	-	6,163
	-	-	-	-	-	-	-	35,842
Other segment items								
Capital expenditure	-	-	7	-	36	36	(36)	7
Depreciation of plant and equipment	-	-	-	-	232	232	(232)	-
Amortisation of intangible assets	-	-	558	-	-	-	-	(558)
Impairment of investment in an associate	-	-	-	2,232	-	-	-	2,232
Impairment of convertible loan	-	-	-	3,245	-	3,245	(3,245)	-
Share of loss of associates	6,376	-	-	1,663	-	1,663	(1,663)	6,376

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

The Group has neither balances nor transactions between segments for the financial year ended 31 March 2016 and 2015.

Reconciliations of reportable segment revenues

	Continued operations	Discontinued operations	Adjustment	Continuing operations
	\$'000	\$'000	\$'000	\$'000
2016				
Total revenue for reportable segments	28,363	40,385 40,282	(40,385)40,282	28,363
Less: Income from all other segments included as other income (Note 28)	(9,096)	(48,441)39,338	48,441)39,338	(9,096)
Consolidated revenue	<u>19,267</u>	<u>944</u>	<u>(944)</u>	<u>19,267</u>
2015				
Total revenue for reportable segments	13,639	2,809	(2,809)	13,639
Less: Income from all other segments included as other income (Note 28)	(3,389)	(9)	9	(3,389)
Consolidated revenue	<u>10,250</u>	<u>2,800</u>	<u>(2,800)</u>	<u>10,250</u>

Revenues of approximately NIL (2015: \$4,650,000) are derived from a single external customer, which are attributable to "Provision of IT services" and "Trading of IT equipment" segment.

Revenues of approximately NIL (2015: \$5,600,400) are derived from a single external customer, which is attributable to "Trading of IT equipment" segment.

Revenues of approximately NIL (2015: \$2,791,000) are derived from a single external customer, which is attributable to "Trading of IT equipment" segment.

Revenues of approximately \$1,345,000 (2015: NIL) are derived from a single external customer, which is attributable to "Internet data centre services" segment.

Revenues of approximately \$1,345,000 (2015: NIL) are derived from a single external customer, which is attributable to "Internet data centre services" segment.

Revenues of approximately \$15,371,000 (2015: NIL) are derived from a single external customer, which is attributable to "Internet data centre services" segment.

Non-current assets information presented above consist of plant and equipment, intangible assets, investments in associates and other assets excluding financial instruments as presented in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

36. SEGMENT INFORMATION (Continued)

Geographical information

The Group's two business segments operate in two main geographic areas:

- Hong Kong and People's Republic of China ("PRC") - The operations in this area are principally the provision of IT services and trading of IT equipment.
- Singapore - The operations in this area include investment holding, treasury functions and provision of administrative and management services.
- PRC – The operations in this area are the provision of Internet Data Centre services and provision of mobile satellite communication services and distribution of satellite phones.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue (including other income)			
	Continued operations	Discontinued operations	Adjustment	Continuing operations
	\$'000	\$'000	\$'000	\$'000
2016				
Hong Kong	8,363	49,042	(49,042)	8,363
PRC	20,000	-	-	20,000
	<u>28,363</u>	<u>49,042</u>	<u>(49,042)</u>	<u>28,363</u>
2015				
Hong Kong	3,389	2,809	(2,809)	3,389
PRC	10,250	-	-	10,250
	<u>13,639</u>	<u>2,809</u>	<u>(2,809)</u>	<u>13,639</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

36. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

2016	Non-current assets			Continuing operations \$'000
	Continued operations \$'000	Discontinued operations \$'000	Adjustment \$'000	
Hong Kong	280,008	-	-	280,008
PRC	65,787	-	-	65,787
	<u>345,795</u>	<u>-</u>	<u>-</u>	<u>345,795</u>
2015	Non-current assets			Continuing operations \$'000
	Continued operations \$'000	Discontinued operations \$'000	Adjustment \$'000	
Hong Kong	1,044	-	-	1,044
PRC	246,656	-	-	246,656
	<u>247,700</u>	<u>-</u>	<u>-</u>	<u>247,700</u>

Revenue from major products and services

Revenues from external customers are mainly derived from internet data centre services. Breakdown of the revenue are as follows:

2016	Continued operations	Discontinued operations	Adjustment	Continuing operations
	\$'000	\$'000	\$'000	\$'000
Provision of IT services	-	-	-	-
Trading of IT equipment:				
- IT equipment	-	944	(944)	-
- RFID chips	-	-	-	-
Internet data centre services	19,267	-	-	19,267
Government grant	733	-	-	733
Interest income	3,674	-	-	3,674
Other income	4,689	48,008,339,338	(48,008,339,338)	4,689
	<u>28,363</u>	<u>49,042,40,282</u>	<u>(49,042,40,282)</u>	<u>28,363</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

(Amounts in thousands Hong Kong dollar "\$'000" unless otherwise stated)

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations mainly in China and Singapore. The Group's net investments in China and Singapore are not hedged as currency position in Chinese Renminbi and Singapore dollar are considered to be long term in nature.

Group 2016	Hong Kong dollar \$'000	Chinese Renminbi \$'000	Singapore dollar \$'000	United States dollar \$'000	Total \$'000
Financial assets					
Trade and other receivables	37,118	15,676	-	-	52,794
Amount due from an associate (non-trade)	22,545	-	-	-	22,545
Cash and bank balances	11,821	207	3	6	12,037
Intra-group receivables	131,884	719	-	-	132,603
	<u>203,368</u>	<u>16,602</u>	<u>3</u>	<u>6</u>	<u>219,979</u>
Financial liabilities					
Trade and other payables	3,330	21,708	643	15,318	40,999
Convertible bond	-	-	13,220	-	13,220
Finance lease obligation	67	53,873	-	-	53,940
Intra-group payables	130,685	1,918	-	-	132,603
	<u>134,082</u>	<u>77,499</u>	<u>13,863</u>	<u>15,318</u>	<u>240,762</u>
Net financial assets / (liabilities)	69,286	(60,897)	(13,860)	(15,312)	(20,783)
Less: Net financial (assets)/ liabilities denominated in the respective entities functional currencies	(69,500)	58,163	49	-	(11,287)
Foreign currency exposure	<u>(214)</u>	<u>(2,734)</u>	<u>(13,811)</u>	<u>(15,312)</u>	<u>(32,071)</u>