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

Unaudited Third Quarter and Nine Months Financial Statement And Dividend Announcement for the Financial Period Ended 31 December 2018

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 2018
(Expressed in Hong Kong thousand dollars)

	Three Months Ended			Nine Months Ended		
	Group	Group		Group	Group	
	31.12.2018	31.12.2017	%	31.12.2018	31.12.2017	%
	(Unaudited)	(Unaudited)	+/(-)	(Unaudited)	(Unaudited)	+/(-)
Revenue	14,061	25,329	(44)	40,977	52,770	(22)
Other income	5,569	-	NM	7,576	22,669	(67)
Employee benefits expense	(2,473)	(2,927)	(16)	(8,071)	(7,912)	2
Depreciation of property, plant and equipment	(2,287)	(2,884)	(21)	(6,809)	(8,660)	(21)
Amortisation of intangible assets	(2,412)	(2,412)	0	(7,237)	(7,237)	0
Operating lease expenses	(131)	(1,825)	(93)	(2,780)	(5,477)	(49)
Subcontracting fee	-	(7,371)	(100)	-	(9,466)	(100)
Bandwidth fee	(4,632)	(4,533)	2	(13,796)	(7,375)	87
Other expenses	(2,755)	(3,854)	(29)	(9,293)	(8,530)	9
Foreign exchange adjustment (loss)/ gain	(62)	2,524	NM	906	2,293	(60)
Finance costs	(631)	(656)	(4)	(2,661)	(2,070)	29
Share of associates' loss	-	(327)	(100)	-	(973)	(100)
Profit/ (Loss) before tax	4,247	1,064	NM	(1,188)	20,032	NM
Income tax expense	(3,400)	(8,099)	(58)	(4,281)	(8,099)	(47)
Profit/ (Loss) for the financial year	847	(7,035)	NM	(5,469)	11,933	NM
Profit/ (Loss) attributable to:						
Equity holders of the Company	(1,650)	(6,135)	(73)	(9,965)	1,691	NM
Non-controlling interest	2,497	(900)	NM	4,496	10,242	(56)
	847	(7,035)	NM	(5,469)	11,933	NM

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 2018
(Expressed in Hong Kong thousand dollars)

	Three Months Ended			Nine Months Ended		
	31.12.2018	31.12.2017	%	31.12.2018	31.12.2017	%
	(Unaudited)	**(Unaudited)**	+/(-)	**(Unaudited)**	**(Unaudited)**	+/(-)
Profit/ (Loss) for the period	**847**	**(7,035)**	NM	**(5,469)**	**11,933**	NM
Other comprehensive (loss)/ income						
Currency translation differernce arising from consolidation	(191)	2,524	NM	(19,489)	2,293	NM
Total comprehensive profit/ (loss) for the year	**656**	**(4,511)**	NM	**(24,958)**	**14,226**	NM
Total comprehensive profit/ (loss) attributable to						
Equity holders of the Company	(1,765)	(3,611)	(51)	(21,657)	3,984	NM
Non-controlling interest	2,421	(900)	NM	(3,301)	10,242	NM
Total comprehensive profit/ (loss) for the period	**656**	**(4,511)**	NM	**(24,958)**	**14,226**	NM

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 2018
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	As at 31.12.2018 (Unaudited)	As at 31.3.2018 (Audited)	As at 31.12.2018 (Unaudited)	As at 31.3.2018 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	194,670	220,800	-	-
Intangible assets	144,380	151,617	-	-
Amount due from subsidiaries (non-trade)	-	-	115,731	104,507
	339,050	372,417	115,731	104,507
Current assets				
Trade and other receivables	108,191	169,544	15,138	31,851
Cash and bank balances	389	724	-	-
	108,580	170,268	15,138	31,851
TOTAL ASSETS	447,630	542,685	130,869	136,358
LIABILITIES				
Current liabilities				
Trade and other payables	52,165	106,101	10,819	9,448
Short term borrowing	5,692	49,967	-	-
Loans from shareholder	6,074	2,000	-	-
Convertible bonds	13,220	-	-	-
Provision for warranty	839	1,266	-	-
	77,990	159,334	10,819	9,448
Non-current liabilities				
Convertible bonds	-	13,220	13,220	13,220
Loans from shareholder	1,500	4,074	-	-
Trade payables	27,043	-	-	-
	28,543	17,294	13,220	13,220
			-	-
TOTAL LIABILITIES	106,533	176,628	24,039	22,668
NET ASSETS	341,097	366,057	106,830	113,690
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	14,311	14,311	14,311	14,311
Share premium	473,003	473,003	473,003	473,003
Contributed surplus	16,456	16,456	16,456	16,456
Translation reserve/ (deficit)	(2,065)	9,628	-	-
Statutory reserve	5,863	5,863	-	-
Revaluation reserve	98	98	-	-
Other reserve	15,120	15,120	-	-
Accumulated losses	(262,832)	(252,866)	(396,940)	(390,080)
	259,954	281,613	106,830	113,690
Non-controlling interest	81,143	84,444	-	-
TOTAL EQUITY	341,097	366,057	106,830	113,690

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

Amount repayable in one year or less, or on demand

	As at 31.12.2018 In HK$'000		As at 31.3.2018 In HK$'000	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Short term loan from bank	-	5,692	-	6,246
Amount due to director of the Company	-	1,220	-	1,020
Loan from related party	-	-	-	7,445
Short term loan from a financial institution	-	-	-	43,721
Loans from a shareholder of the Company	-	6,074	-	2,000
Convertible bonds	-	13,220	-	-

Amount repayable after one year

	As at 31.12.2018 In HK$'000		As at 31.3.2018 In HK$'000	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Loans from a shareholder of the Company	-	1,500	-	4,074
Convertible bonds	-	-	-	13,220

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 2018 (Expressed in Hong Kong thousand dollars)				
	Three Months Ended		Nine Months Ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Cash flow from operating activities				
Profit/(Loss) for financial period	847	(7,035)	(5,469)	11,933
Adjustments:				
Depreciation of property, plant and equipment	2,287	2,884	6,809	8,660
Amortisation of intangible assets	2,412	2,412	7,237	7,237
Share of loss of associates	-	327	-	973
Other income arising from provision for warranty	(314)	-	(314)	-
Other income arising from termination of finance lease arrangement	-	-	-	(18,719)
Finance costs	631	656	2,661	2,070
Operating profit/ (loss) before working capital changes	5,863	(756)	10,924	12,154
Trade and other receivables	15,790	(9,112)	17,515	(12,603)
Trade and other payables	(9,086)	17,182	(26,434)	9,959
Net cash generated from operating activities	12,567	7,314	2,005	9,510
Cash flow from investing activities				
Proceeds from refundable deposit for a potential acquisition	-	-	39,823	-
Receipt of repayment from vendors of CSMCG	-	-	16,764	1,500
Prepayment for software development	(12,749)	-	(12,749)	-
Prepayment of system integration fees for Guiyang IDC phase 2 development	-	(1,200)	-	(144,641)
Net cash (used in)/ generated from investing activities	(12,749)	(1,200)	43,838	(143,141)
Cash flow from financing activities				
Proceeds from GY Fund capital injection	-	-	-	138,052
Proceeds of loan from a shareholder of the Company	500	1,344	1,500	4,074
Proceeds of loan from director of the Company	200	500	200	500
Repayment of loan/ borrowing from director of a subsidiary	(1,240)	-	(6,825)	-
Repayment of loan/ borrowing from a financial institution	-	-	(39,880)	-
Interest paid	(122)	(174)	(1,173)	(1,413)
Net cash (used in)/ generated from financing activities	(662)	1,670	(46,178)	141,213
Net (decrease)/ increase in cash and cash equivalents	(844)	7,784	(335)	7,582
Cash and cash equivalents at beginning of the financial period	1,233	879	724	1,081
Cash and cash equivalents at end of the financial period	389	8,663	389	8,663

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	**Share premium**	**Contributed surplus**	**Translation reserve**	**Statutory reserve**	**Revaluation reserve**	**Other reserve**	**Accumulated losses**	**Non-controlling Interest**	**Total equity**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Balance as at 1 April 2018	**14,311**	**473,003**	**16,456**	**9,628**	**5,863**	**98**	**15,120**	**(252,866)**	**84,444**	**366,057**
Loss for the period from 1.4.2018 to 30.6.2018	-	-	-	-	-	-	-	(3,467)	1,128	(2,339)
Other comprehensive loss, net of tax	-	-	-	(7,008)	-	-	-	-	(4,325)	(11,333)
Total comprehensive loss	-	-	-	(7,008)	-	-	-	(3,467)	(3,197)	(13,672)
Balance as at 30 June 2018	**14,311**	**473,003**	**16,456**	**2,620**	**5,863**	**98**	**15,120**	**(256,333)**	**81,247**	**352,385**
Loss for the period from 1.7.2018 to 30.9.2018	-	-	-	-	-	-	-	(4,849)	870	(3,979)
Other comprehensive loss, net of tax	-	-	-	(4,570)	-	-	-	-	(3,395)	(7,965)
Total comprehensive loss	-	-	-	(4,570)	-	-	-	(4,849)	(2,525)	(11,944)
Balance as at 30 September 2018	**14,311**	**473,003**	**16,456**	**(1,950)**	**5,863**	**98**	**15,120**	**(261,182)**	**78,722**	**340,441**
Loss for the period from 1.10.2018 to 31.12.2018	-	-	-	-	-	-	-	(1,650)	2,497	847
Other comprehensive loss, net of tax	-	-	-	(115)	-	-	-	-	(76)	(191)
Total comprehensive loss	-	-	-	(115)	-	-	-	(1,650)	2,421	656
Balance as at 31 December 2018	**14,311**	**473,003**	**16,456**	**(2,065)**	**5,863**	**98**	**15,120**	**(262,832)**	**81,143**	**341,097**

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 2017	**10,918**	**438,396**	**16,456**	**(3,785)**	**5,863**	**98**	**(52,475)**	**(199,972)**	**31,277**	**246,776**
Loss for the period from 1.4.2017 to 30.6.2017	-	-	-	-	-	-	-	8,412	8,569	16,981
Contribution by and distributions to owners										
Write off of translation reserve arising from	-	-	-	2,958	-	-	-	(2,958)	-	-
GY Fund capital injection	-	-	-	-	-	-	37,936	-	24,188	62,124
Total contribution by and distributions to owners	-	-	-	2,958	-	-	37,936	(2,958)	24,188	62,124
Balance as at 30 June 2017	**10,918**	**438,396**	**16,456**	**(827)**	**5,863**	**98**	**(14,539)**	**(194,518)**	**64,034**	**325,881**
Loss for the period from 1.7.2017 to 30.9.2017	-	-	-	-	-	-	-	(586)	2,573	1,987
Other comprehensive profit, net of tax	-	-	-	253	-	-	-	-	-	253
Total comprehensive profit	-	-	-	253	-	-	-	(586)	2,573	2,240
Contribution by and distributions to owners										
GY Fund capital injection	-	-	-	1,823	-	-	43,179	-	33,386	78,388
Total contribution by and distributions to owners	-	-	-	1,823	-	-	43,179	-	33,386	78,388
Balance as at 30 September 2017	**10,918**	**438,396**	**16,456**	**1,249**	**5,863**	**98**	**28,640**	**(195,104)**	**99,993**	**406,509**
Loss for the period from 1.10.2017 to 31.12.2017	-	-	-	-	-	-	-	(6,135)	(900)	(7,035)
Contribution by and distributions to owners										
Issuance of shares	3,393	34,608	-	-	-	-	(15,824)	-	(22,177)	-
GY Fund capital injection	-	-	-	1,795	-	-	-	-	-	1,795
Total contribution by and distributions to owners	3,393	34,608	-	1,795	-	-	(15,824)	-	(22,177)	1,795
Balance as at 31 December 2017	**14,311**	**473,004**	**16,456**	**3,044**	**5,863**	**98**	**12,816**	**(201,239)**	**76,916**	**401,269**

Company	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 2018	**14,311**	**473,003**	**16,456**	**(390,080)**	**113,690**
Loss for the period from 1.4.2018 to 30.6.2018	-	-	-	(2,325)	(2,325)
Balance as at 30 June 2018	**14,311**	**473,003**	**16,456**	**(392,405)**	**111,365**
Loss for the period from 1.7.2018 to 30.9.2018	-	-	-	(2,584)	(2,584)
Balance as at 30 September 2018	**14,311**	**473,003**	**16,456**	**(394,989)**	**108,781**
Loss for the period from 1.10.2018 to 31.12.2018	-	-	-	(1,951)	(1,951)
Balance as at 31 December 2018	**14,311**	**473,003**	**16,456**	**(396,940)**	**106,830**

Company	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 2017	**10,918**	**438,396**	**16,456**	**(325,744)**	**140,026**
Loss for the period from 1.4.2017 to 30.6.2017	-	-	-	(2,424)	(2,424)
Balance as at 30 June 2017	**10,918**	**438,396**	**16,456**	**(328,168)**	**137,602**
Loss for the period from 1.7.2017 to 30.9.2017	-	-	-	(2,412)	(2,412)
Balance as at 30 September 2017	**10,918**	**438,396**	**16,456**	**(330,580)**	**135,190**
Loss for the period from 1.10.2017 to 31.12.2017	-	-	-	(3,770)	(3,770)
Contribution by and distributions to					
Issuance of shares	3,393	34,608	-	-	38,001
Total contribution by and distributions to owners	3,393	34,608	-	-	38,001
Balance as at 31 December 2017	**14,311**	**473,004**	**16,456**	**(334,350)**	**169,421**

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 30 September 2018 and 31 December 2018	**14,310,670,617**	**14,311**

On 28 November 2017, the Company entered into two separate convertible bonds agreements with Mr Lam Cho Ying Terence Joe and Mr Soo Kok Beng Peter ("**Subscribers**") respectively, for bonds in aggregate principal amount of S$2,256,000 to be issued by the Company, due on 27 November 2019 ("**Convertible Bonds**"). The Convertible Bonds are convertible into 1,128,000,000 new shares in the capital of the Company at a conversion price of S$0.002 for each share. As at 31 December 2018 and as at the date of this announcement, no conversion has taken place.

The total number of shares that may be issued on conversion of all the outstanding convertibles of the Company as at 31 December 2018 is 1,128,000,000 (31 December 2017: 1,128,000,000). The convertible securities as at 31 December 2018 relate to the Convertible Bonds. Save for the above, the Company does not have any other convertible securities.

There were no treasury shares and subsidiary holdings as at 31 December 2018 and 31 December 2017.

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 2018 was 14,310,670,617 (31 March 2018: 14,310,670,617).

There were no treasury shares as at 31 December 2018 and 31 March 2018.

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.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial reported on.

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

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

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 any 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 2018. 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 2018 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

Please refer to paragraph 4 above.

6. Loss per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	3 Months Ended 31.12.2018	**3 Months Ended 31.12.2017**	**9 Months Ended 31.12.2018**	**9 Months Ended 31.12.2017**
(Loss)/ Profit attributable to equity holders of the Company (HK$'000)	(1,650)	(6,135)	(9,965)	1,691
Weighted average number of shares in issue	14,310,670,617	14,310,670,617	14,310,670,617	11,982,724,840
(Loss)/ Profit per ordinary share (HK cents)				
- Based on weighted average number of ordinary shares in issue	**(0.01)**	**(0.04)**	**(0.07)**	**0.01**
- On a fully diluted basis (Please see note below)	**(0.01)**	**(0.04)**	**(0.07)**	**0.01**

Note:
The convertible bonds in aggregate principal amount of S$2,256,000 which expired on 26 May 2017 has no dilutive effect for the three-month and nine-month financial period ended 31 December 2017. The Convertible Bonds expiring on 27 November 2019 has no dilutive effect for the three-month and nine-month financial period ended 31 December 2018.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	As at 31.12.2018	As at 31.3.2018
Net asset value of the Company per ordinary share	**HK$0.007**	**HK$0.008**
Net asset value of the Group per ordinary share	**HK$0.018**	**HK$0.020**

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 ("**SC01**" and together with its subsidiaries comprising SinoCloud 01 Limited, SinoCloud 01 (HK) Limited, SinoCloud Data (Guiyang) Limited and Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**GYZD**"), the "**S01 Group**") 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. On 7 March 2017, the Group acquired an additional 18% interest in SC01 and the S01 Group became a 81% subsidiary of the Group. Since 15 May 2017 and as at 30 June 2017, the Company's effective interest in GYZD was reduced from 81% to 66.42% as a result of an initial investment of RMB54.0 million by Guiyang Gaoxin Big Data Fund Company ("**Guiyang Fund**") in GYZD ("**Initial Guiyang Fund Investment**"). On 6 July 2017, the Company's effective interest in GYZD was reduced from 66.42% to 48.6%, as a result of additional investment of RMB66.0 million ("**Subsequent Guiyang Fund Investment**") by Guiyang Fund in GYZD. Please refer to the Company's announcements on 16 May 2017 and 6 July 2017 for further information on the Initial Guiyang Fund Investment and the Subsequent Guiyang Fund Investment. On 6 October 2017, the Group completed the acquisition of an additional 19.0% equity interest in SC01 and accordingly, SC01 became a 100.0% owned subsidiary of the Group, and the Company's effective interest in GYZD increased from 48.6% to 60.0%. The remaining stake of 40% in GYZD not held by the Group shall be treated as non-controlling interest and will be reported separately in the Group's financial statements for the financial period ended 31 December 2018.

(A) REVIEW OF FINANCIAL RESULTS

Revenue

Revenue generated in the three months ended ("**3M**") 31 December 2018 decreased by HK$11.2 million, from HK$25.3 million in the 3M 31 December 2017 to HK$14.1 million in the 3M 31 December 2018. Further, revenue decreased by HK$11.8 million, from HK$52.8 million in the nine months ended ("**9M**") 31 December 2017 to HK$41.0 million in the 9M 31 December 2018. The higher revenue in 9M 31 December 2017 as compared to 9M 31 December 2018 was mainly due to a non-recurring revenue arising from the internet data centre services in the 9M December 2017.

Other income

Other income of HK$5.6 million in the 3M 31 December 2018 relates to (i) government subsidy received by GYZD of HK$5.3 million; and (ii) decrease in provision for warranty of HK$0.3 million, which is a general provision in nature in relation to the contract of service with maintenance service. No such income was reported in the 3M 31 December 2017.

Other income decreased by HK$15.1 million, from HK$22.7 million in the 9M 31 December 2017 to HK$7.6 million in the 9M 31 December 2018.

Other income of HK$7.6 million in the 9M 31 December 2018 comprised (i) government subsidy received by GYZD of HK$7.1 million; (ii) recovery of a receivable written-off in FY2017 of HK$0.2 million; and (iii) income from reversal of provision for warranty of HK$0.3 million due to the end of a contract for the internet data centre service.

Other income of HK$22.7 million in the 9M 31 December 2017 comprised government subsidy received by GYZD of HK$4.0 million, and reversal of interest expenses accrued in prior years in respect of a finance lease arrangement of GYZD of HK$18.7 million. The reversal of interest expense was due to interest savings as a result of an early settlement by the subsidiary – GYZD, with the lessor of GYZD during the 3M 30 June 2017.

Operating expenses

Employee benefits expenses decreased by HK$0.4 million, from HK$2.9 million in the 3M 31 December 2017 to HK$2.5 million in the 3M 31 December 2018. The decrease was mainly due to staff turnover during the 3M 31 December 2018. Employee benefits expense increased slightly by HK$0.2 million, from HK$7.9 million in the 9M 31 December 2017 to HK$8.1 million in the 9M 31 December 2018, mainly due to annual performance bonus provided to the employees in the PRC during the 9M 31 December 2018. No such bonus was provided during the 9M 31 December 2017.

Depreciation of property, plant and equipment decreased by HK$0.6 million, from HK$2.9 million in the 3M 31 December 2017 to HK$2.3 million in the 3M 31 December 2018, and decreased by HK$1.9 million, from HK$8.7 million in the 9M 31 December 2017 to HK$6.8 million in the 9M 31 December 2018. The decrease in depreciation charge was mainly due to the full depreciation of an equipment during the financial year ended 31 March 2018 ("**FY2018**") and depreciation of RMB against HK$ as the property, plant and equipment of GYZD are denominated in RMB whereas the reporting currency of the Group is HK$.

Amortisation of intangible assets remained at HK$2.4 million in both 3M 31 December 2018 and 3M 31 December 2017, and remained at HK$7.2 million in both 9M 31 December 2018 and 9M 31 December 2017. It relates to the amortisation of intangible assets of customer contract and favorable lease arising from the acquisition of SC01.

Operating lease expenses decreased by HK$1.7 million, from HK$1.8 million in the 3M 31 December 2017 to HK$0.1 million in the 3M 31 December 2018, and decreased by HK$2.7 million, from HK$5.5 million in the 9M 31 December 2017 to HK$2.8 million in the 9M 31 December 2018. The decrease was mainly due to lower rental expenses incurred in 3M and 9M 31 December 2018 which was caused by relocation of GYZD's office as well as reassessment of operating lease expenses accrued and payable in respect of the GYZD's office.

There were no subcontracting fee incurred in the 3M 31 December 2018 and 9M 31 December 2018. Subcontracting fee of HK$7.4 million and HK$9.5 million in the 3M 31 December 2017 and 9M 31 December 2017 respectively, related to outsource fees payable to subcontractors for some of the project implementation process in GYZD.

Bandwidth fee increased slightly by HK$0.1 million, from HK$4.5 million in the 3M 31 December 2017 to HK$4.6 million in the 3M 31 December 2018, and increased by HK$6.4 million, from HK$7.4 million in the 9M 31 December 2017 to HK$13.8 million in the 9M 31 December 2018. The increase was mainly due to additional bandwidth resource acquired to cater for service expansion.

Other expenses, comprising primarily office overhead, and legal and professional fees, decreased by HK$1.1 million, from HK$3.9 million in the 3M 31 December 2017 to HK$2.8 million in the 3M 31 December 2018. The decrease was mainly due to decrease in professional fees of the Group in the 3M 31 December 2018. Other expenses increased by HK$0.8 million, from HK$8.5 million in the 9M 31 December 2017 to HK$9.3 million in the 9M 31 December 2018. The increase was mainly due to an increase in consultancy service incurred by GYZD in relation to its operation.

Foreign exchange adjustment relates to gain or loss on translation from RMB to HK$ (as the reporting currency of GYZD is RMB whereas reporting currency of the Group is HK$). The Group reported a loss in foreign exchange adjustment of HK$0.1 million in the 3M 31 December 2018 as compared to a gain of HK$2.5 million in the 3M 31 December 2017. Foreign exchange adjustment gain decreased by HK$1.4 million, from HK$2.3 million in the 9M 31 December 2017 to HK$0.9 million in the 9M 31 December 2018.

Finance costs decreased slightly by HK$0.1 million, from HK$0.7 million in the 3M 31 December 2017 to HK$0.6 million in the 3M 31 December 2018. Finance costs increased by HK$0.6 million, from HK$2.1 million in the 9M 31 December 2017 to HK$2.7 million in the 9M 31 December 2018. The increase was due to the interest expense incurred from a short term loan of RMB35.0 million provided by a financial institution to GYZD in the 3M 30 June 2018. Such short term loan was fully repaid during 3M 30 September 2018.

Share of associates' loss amounted to HK$0.3 million and nil in the 3M 31 December 2017 and 3M 31 December 2018 respectively, and amounted to HK$1.0 million and nil in the 9M 31 December 2017 and 9M 31 December 2018 respectively. Such loss in 3M 31 December 2017 and 9M 31 December 2017 relates to the Company's investment in China Satellite Mobile Communications Group Limited ("**CSMCG**"), which was fully impaired during FY2018. As a result, no share of loss of associate was recognised in the 3M 31 December 2018 and 9M 31 December 2018.

Income tax

Income tax decreased by HK$4.7 million, from HK$8.1 million in the 3M 31 December 2017 to HK$3.4 million in the 3M 31 December 2018, and decreased by HK$3.8 million, from HK$8.1 million in the 9M 31 December 2017 to HK$4.3 million in the 9M 31 December 2018., which relates to the provision of income tax of GYZD during the respective financial period.

Net loss after taxation

As a result of the aforesaid, the Group recorded a profit after tax of HK$0.8 million and a loss after tax of HK$5.5 million in the 3M 31 December 2018 and 9M 31 December 2018 respectively, as compared to a loss after tax of HK$7.0 million and a profit after tax of HK$11.9 million in the 3M 31 December 2017 and 9M 31 December 2017 respectively.

(B) REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group decreased by HK$33.3 million, from HK$372.4 million as at 31 March 2018 to HK$339.1 million as at 31 December 2018. Non-current assets comprised (i) property, plant and equipment; and (ii) intangible assets.

(i) Property, plant and equipment

The net book value of property, plant and equipment decreased by HK$26.1 million, from HK$220.8 million as at 31 March 2018 to HK$194.7 million as at 31 December 2018. The decrease was mainly due to (i) depreciation charge of HK$6.8 million during 9M 31 December 2018; and (ii) exchange difference of HK$19.3 million arising from depreciation of RMB against HK$.

(ii) Intangible assets

Intangible assets decreased by HK$7.2 million, from HK$151.6 million as at 31 March 2018 to HK$144.4 million as at 31 December 2018, due to amortisation charge during the period. The intangible assets relate to the business combination of SC01, comprising (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$7.6 million; and (iii) favorable lease of HK$12.7 million as at 31 December 2018.

Current Assets

Current assets decreased by HK$61.7 million, from HK$170.3 million as at 31 March 2018 to HK$108.6 million as at 31 December 2018. Current assets comprised (i) trade and other receivables; and (ii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables decreased by HK$61.3 million, from HK$169.5 million as at 31 March 2018 to HK$108.2 million as at 31 December 2018.

Trade and other receivables as at 31 December 2018 comprised (a) trade receivables of HK$53.4 million; (b) other receivables and prepayment of HK$40.0 million; and (c) loan and deposit from vendors of CSMCG of HK$14.8 million.

(a) Trade receivables decreased by HK$9.3 million, from HK$62.7 million as at 31 March 2018 to HK$53.4 million as at 31 December 2018, mainly due to decrease in revenue in 9M 31 December 2018 contributed by the IDC business and customer settlement of the trade receivables, as well as translation loss from depreciation of RMB against HK$. The management of the Company had assessed the aging of the trade receivables as at 31 December 2018, and taking into account the debtors' payment patterns and track records, it is of the opinion that no provision for impairment is necessary.

(b) Other receivables and prepayment increased by HK$8.4 million, from HK$31.6 million as at 31 March 2018 to HK$40.0 million as at 31 December 2018. The balance as at 31 December 2018 comprised (i) prepayment of HK$8.4 million in respect of GY IDC Phase II equipment; (ii) prepayment of HK$26.1 million in respect of software development for IDC business; and (iii) aggregate deposits and prepayments of HK$5.5 million primarily in relation to the IDC business.

(c) Loan and deposit from vendors of CSMCG (the "**CSMCG Vendors**") decreased by HK$16.8 million, from HK$31.6 million as at 31 March 2018 to HK$14.8 million as at 31 December 2018, due to repayment made by the CSMCG Vendors during 9M 31 December 2018. On 7 May 2018, the Company entered into a supplemental repayment agreement with the CSMCG Vendors to extend the repayment date of the outstanding sum ("**Repayment Agreement**"). Please refer to the announcement of the Company dated 7 May 2018 for details on the Repayment Agreement. As of the date of this announcement, HK$14.8 million remained outstanding from the CSMCG Vendors and the CSMCG Vendors had made regular repayment to the Group in accordance with the schedule set out in the Repayment Agreement.

(d) GYZD placed a refundable deposit of RMB35.0 million (equivalent to HK$41.4 million, at an exchange rate of RMB1: HK$1.185) ("**Refundable Deposit**") to Zhongdian Zhiyun Holdings Limited（中电智云控股有限公司) ("**ZDZY**") for a potential acquisition of an IDC in Lian Yun Gang in the PRC on 17 May 2018. GYZD had on 30 September 2018 mutually agreed with ZDZY not to proceed with the aforementioned potential acquisition. Accordingly, the Refundable Deposit had been duly repaid by ZDZY to GYZD during 3M 30 September 2018. Please refer to the announcement of the Company dated 17 May 2018 and 2 October 2018 for details.

(ii) Cash and bank balances

Cash and cash equivalents decreased by HK$0.3 million, from HK$0.7 million as at 31 March 2018 to HK$0.4 million as at 31 December 2018. Please refer to "Cashflows" on the movement in cash and cash equivalents.

Current Liabilities

Current liabilities decreased by HK$81.3 million, from HK$159.3 million as at 31 March 2018 to HK$78.0 million as at 31 December 2018. Current liabilities comprised mainly (i) trade and other payables; (ii) short term borrowing; (iii) loans from shareholder; (iv) convertible bonds; and (v) provision for warranty.

(i) Trade and other payables

Trade and other payables decreased by HK$53.9 million, from HK$106.1 million as at 31 March 2018 to HK$52.2 million as at 31 December 2018. Trade and other payables as at 31 December 2018 comprised (a) trade payables of HK$13.0 million; (b) other payables of HK$37.9 million; (c) customer deposits of HK$0.1 million; and (d) amount due to directors of HK$1.2 million.

(a) Trade payables decreased by HK$37.5 million, from HK$50.5 million as at 31 March 2018 to HK$13.0 million as at 31 December 2018. Trade payables as at 31 December 2018 relate to (i) outstanding balance owing to an equipment supplier upon termination of the finance lease arrangement under GYZD of HK$0.2 million; (ii) outstanding balance owing to bandwidth suppliers of HK$0.5 million; and (iv) outstanding balance owing to subcontractors of HK$12.3 million incurred by GYZD.

The operating lease expenses payable as at 31 December 2018 was nil (31 March 2018: HK$26.9 million) as a result of a reclassification of HK$26.9 million from current liabilities to non-current liabilities. Reclassification is due to reassessment of operating lease expenses accrued and payable in respect of GYZD's office to be repayable to the landlord after the financial year ending 31 March 2019 ("**FY2019**").

(b) Other payables decreased by HK$11.7 million, from HK$49.6 million as at 31 March 2018 to HK$37.9 million as at 31 December 2018. Other payables as at 31 December 2018 comprised mainly (i) development and consultancy fees in relation to GYZD's IDC business of HK$18.0 million; (ii) income tax payable of HK$10.5 million; and (iii) accrued operating expenses of the Group of HK$9.4 million.

(c) Customer deposits decreased by HK$4.9 million, from HK$5.0 million as at 31 March 2018 to HK$0.1 million as at 31 December 2018. Customer deposits as at 31 December 2018 relate to the receipt of deposits from customers of GYZD, where the service has yet been provided.

(d) Amount due to directors of the Company and a director of a subsidiary of the Company decreased by HK$7.3 million, from HK$8.5 million as at 31 March 2018 to HK$1.2 million as at 31 December 2018. The loans were provided for operation purpose, and are interest-free, unsecured and repayable on demand.

(ii) Short term borrowing

Short term borrowing comprised (i) short term loan from a bank; and (ii) short term loan from a financial institution.

Short term loan from a bank decreased by HK$0.5 million, from HK$6.2 million as at 31 March 2018 to HK$5.7 million as at 31 December 2018. The decrease was due to depreciation of RMB against HK$ as the loans were denominated in RMB. The loan bears an interest rate of 8.28% per annum and is repayable on or before 9 March 2019. The loan is guaranteed by Shenzhen Zhongdian Lechu Data Technology Co., Limited ("**Shenzhen Co**"), the holding company of GYZD.

Short term loan from a financial institution – Northern International Trust Co. Limited 北方國際信托股份有限公司 of HK$43.7 million as at 31 March 2018 was fully repaid as at 30 September 2018. The loan bears an interest rate of 8.5% per annum and guaranteed by Guiyang Zhongdian Guiyun Communication Development Co., Limited, a 75%-subsidiary of Shenzhen Co, and a director of the Company.

(iii) Loans from shareholder

Loans from a shareholder of the Company increased by HK$4.1 million, from HK$2.0 million as at 31 March 2018 to HK$6.1 million as at 31 December 2018, due to reclassification of HK$4.1 million loan from non-current to current. The loans are interest-bearing at 6% per annum, unsecured and repayable on demand.

(iv) Convertible bonds

Convertible bonds relate to the Convertible Bonds of an aggregate amount of S$2.26 million (equivalent to HK$13.2 million) entered into by the Company with the Subscribers in November 2017, which bears interest rate at 12% per annum at a conversion price of S$0.002 for each Share. The Convertible Bonds are due on 27 November 2019, which is within a year as of 31 December 2018. Accordingly, it was reclassified from non-current liabilities to current liabilities as at 31 December 2018.

(v) Provision for warranty

Provision for warranty decreased by HK$0.5 million, from HK$1.3 million as at 31 March 2018 to HK$0.8 million as at 31 December 2018, due to depreciation of RMB against HK$ as well as change of project scope of a sales contract for the IDC business in FY2018.

Non-current Liabilities

Non-current liabilities increased by HK$11.2 million, from HK$17.3 million as at 31 March 2018 to HK$28.5 million as at 31 December 2018. Non-current liabilities comprised (i) convertible bonds; (ii) loans from shareholder; and (iii) trade payables.

(i) Convertible bonds

The Convertible Bonds are due on 27 November 2019, which is within a year as of 31 December 2018. Accordingly, it was reclassified from non-current liabilities to current liabilities as at 31 December 2018.

(ii) Loans from shareholder

Loans from a shareholder of the Company decreased by HK$2.6 million, from HK$4.1 million as at 31 March 2018 to HK$1.5 million as at 31 December 2018, due to reclassification of HK$4.1 million to current liabilities. The decrease is partially offset by an additional loan provided by a shareholder of the Company of HK$1.5 million in the 9M 31 December 2018. The loan is interest-bearing at 6% per annum, unsecured and repayable on demand.

(iii) Trade payables

Trade payables relate to accruals for operating lease of HK$27.0 million. Accrued operating lease expenses of HK$26.9 million was reclassified from current liabilities to non-current liabilities during the 3M 31 December 2018 and HK$0.1 million being additional accrual in the 3M 31 December 2018. Reclassification is due to reassessment of operating lease expenses accrued and payable in respect of GYZD's office to be repayable to the landlord after FY2019.

Working Capital

The Group reported a positive working capital of HK$30.6 million as at 31 December 2018, as compared to a positive working capital of HK$10.9 million as at 31 March 2018.

(C) CASH FLOWS

(a) 3M 31 December 2018

Net cash generated from operating activities for the 3M 31 December 2018 amounted to HK$12.6 million. This was mainly due to (i) an operating profit before changes in working capital of HK$5.9 million; (ii) a decrease in trade and other receivables of HK$15.8 million; and (iii) a decrease in trade and other payables of HK$9.1 million.

Net cash used in investing activities for the 3M 31 December 2018 amounted to HK$12.7 million due to prepayment for software debelopment.

Net cash used in financing activities of HK$0.7 million in the 3M 31 December 2018 relates to (i) repayment of short term loan borrowing from a director of subsidiary of HK$1.2 million; and (ii) interest paid of HK$0.1 million, partially offset by (iii) loan from a shareholder of the Company of HK$0.5 million; and (iv) short term loan from a director of the Company of HK$0.2 million

As a whole, the Group used cash and cash equivalents of HK$0.8 million in the 3M 31 December 2018. The cash and cash equivalents as at 31 December 2018 amounted to HK$0.4 million.

(b) 9M 31 December 2018

Net cash generated from operating activities for the 9M 31 December 2018 amounted to HK$2.0 million. This was due to (i) an operating profit before changes in working capital of HK$10.9 million; and (ii) a decrease in trade and other receivables of HK$17.5 million; and (iii) a decrease in trade and other payables of HK$26.4 million.

Net cash generated from investing activities for the 9M 31 December 2018 amounted to HK$43.8 million. This was mainly due to (i) proceeds from refundable deposit for a potential acquisition of HK$39.8 million; and (ii) receipt of repayment from vendors of CSMCG of HK$16.8 million, partially offset by (iii) prepayment for software development of HK$12.8 million.

Net cash used in financing activities of HK$46.2 million in the 9M 31 December 2018 relates to (i) repayment of short term loan from a director of subsidiary of HK$6.8 million; (ii) repayment of loan/borrowing from a financial institution of HK$39.9 million; (iii) interest paid of HK$1.2 million,

partially offset by (iv) loan from a shareholder of the Company of HK$1.5 million; and (v) short term loan from a director of the Company of HK$0.2 million.

As a whole, the Group used cash and cash equivalents of HK$0.3 million in the 9M 31 December 2018. The cash and cash equivalents as at 31 December 2018 amounted to HK$0.4 million.

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

The Group derives its revenue primarily from GYZD, which has been generating positive results since early 2016. As set out in the Company's annual report for the financial year ended 31 March 2018 and the Company's announcement dated 4 July 2018, GYZD is expecting to complete the construction of the phase II development with a then-capacity of hosting 1,000 racks, to increase GYZD's existing capacity of 660 racks to 1,660 racks. Currently, GYZD is in the process of expanding its capacity of hosting 1,500 racks in place of original plan of 1,000 racks as set out above. Due to recent changes in GYZD's end-users requirements, such expansion will be divided into phases. In particular, GYZD is currently working on a capacity of hosting 500 racks which are expected to be completed in the first half of 2019.

The Group continues to focus its efforts on strengthening its IDC business to capture the continuing growth from the IDC market in the PRC. Furthermore, the Group will be looking for other IDC related investment opportunities which will enable the Group to maximise its return in the long run.

The Company is exploring various alternatives to strengthen its financial positions and cash position. The Company will make the necessary announcement(s) in due course.

11. Dividend

If a decision regarding dividend has been made :-

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

None.

(b)(i) and (b)(ii) Amount of dividend per share of the current reporting financial period and of the previous corresponding period.

Nil (3M 31 December 2017: 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.

14. Negative assurance on interim financial statements pursuant to Rule 705(5)

We, Chan Andrew Wai Men and Chu Yin Ling, Karen, being directors of the Company do hereby confirm on behalf of the Board of Directors that, to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial statements for the 3 months ended 31 December 2018 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

Chu Yin Ling, Karen
Executive Director

13 February 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.*

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

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.