SinoCloud

SINOCLOUD GROUP LIMITED

Annual Report 2016

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CONTENTS

ACHIEVING OUR GOAL

CORPORATE PROFILE

Established in 2003, SinoCloud Group Limited, formerly known as Armarda Group Limited (the "Company", and together with its subsidiaries, the "Group") started out as an Information Technology ("IT") and professional services provider focused on serving the People's Republic of China ("PRC") banking and financial services industry. It has been listed on the Singapore Stock Exchange since 2004.

Since 2013, aside from maintaining the IT services as a core business, the Group begun to identify other IT-related business initiatives and diversified its businesses through joint ventures, business co-operations and acquisitions.

In April 2013, the Group started its mobile satellite service ("MSS") business by acquiring 45% equity interest in China Satellite Mobile Communications Group Limited ("CSMCG"), a satellite mobile communication service provider in the PRC. China Mobile Satellite Communication Group Limited ("CMSCG", the wholly-owned subsidiary of CSMCG) is the strategic partner of Thuraya Telecommunications Company ("Thuraya") in the PRC. Thuraya is a world-leading mobile satellite service provider of voice, data, maritime, rural telephony, fleet management and other telecommunication solutions in remote areas.

In March 2015, the Group has identified an opportunity to acquire an internet data center ("IDC") asset which will provide a gateway for future expansion into the IDC industry. The acquisition of 63% interest in SinoCloud 01 Limited results in the Group having an interest in Guiyang Zhongdian Gaoxin Data Technology Limited, a Tier 4 data center located in Guiyang, the PRC with an expected full capacity of 5,000 racks. In view of its huge potential, the Group intends to spend major efforts in growing its business in the IDC industry.

MESSAGE FROM CHAIRMAN AND CEO

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board"), I would like to present you the 2016 Annual Report of SinoCloud Group Limited (the "Company", and together with its subsidiaries, the "Group") for the financial year ended 31 March 2016 ("FY2016").

FY2016 was characterised by subdued global economic growth coupled with increasingly difficult market conditions in the People's Republic of China ("PRC"). In particular, the PRC Information Technology ("IT") industry faced challenging business headwinds while both local and international competitors added pressure to the overall weak market sentiment.

As we navigate through challenging market conditions, we continue to explore new business opportunities that could potentially add to long-term shareholder value. One such venture that has begun to generate positive returns is our Internet Data Centre ("IDC") business which we successfully acquired on 1 October 2015. Located in the city of Guiyang, PRC, our Tier 4 level data centre has a client list which includes one of the largest food manufacturers in China, as well as other Guiyang-based enterprises.

As communicated in our 2015 Annual Report, we see this acquisition as a gateway for future expansion into this promising industry. At the end of 2015, China's internet user base had risen to 688 million users[1], which is more than double the population of the United States. This rapid expansion of China's internet penetration rate will further fuel the demand for IDCs as internet traffic continues to rise. Going forward, we will be able to leverage on our high performance data centre and continue our foray into cloud computing and big data services.

To fund future growth in our IDC business segment and to further bolster our financial flexibility, the Company entered into a placement agreement on 16 October 2015. Net proceeds of approximately HK$26.7 million were raised from the issuance of 1,377,000,000 new shares in the capital of the Company. We intend to use part of these proceeds to fund potential acquisitions, purchases or investments in data centre projects which could enhance long-term shareholder value.

OPERATIONS & FINANCIAL REVIEW

CONTINUING OPERATIONS

Driven by the Group's strategic entrance into the IDC market in China, revenue surged 88% year-on-year ("yoy") from HK$10.3 million for the financial year ended 31 March 2015 ("FY2015") to HK$19.3 million for FY2016.

However, the increase in revenue from our IDC operations was partially offset by a decrease in revenue from our trading of IT equipment and the provision of IT services business segments. This was due to (a) revenue from the sale of RFID chips in China decreased from HK$5.6 million for FY2015 to nil for FY2016 following the expiry of the Group's exclusive distributorship agreement on 18 December 2014; (b) revenue from the sale of IT equipment in Hong Kong amounting to HK$3.9 million for FY2015 did not recur for FY2016 as the Group did not receive any orders due to challenging industry conditions; and (c) revenue from the provision of IT services in Hong Kong decreased from HK$0.8 million for FY2015 to nil for FY2016 as the Group faced difficult market conditions.

The Group's other income increased from HK$3.4 million for FY2015 to HK$9.1 million for FY2016. This was mainly due to foreign exchange gain HK$4.7 million, interest income of HK$3.0 million from a convertible loan receivable and HK$0.7 million from government subsidies.

As a result of the acquisition of SinoCloud 01 Limited, personnel expenses increased from HK$3.5 million for FY2015 to HK$10 million for FY2016 as the Group's overall headcount increased. The acquisition also led to an increase in depreciation expenses which amounted to HK$5.2 million for FY2016. Similarly, the amortisation of intangible assets rose from HK$0.6 million for FY2015 to HK$4.8 million for FY2016. Finance costs also increased from HK$0.7 million for FY2015 to HK$4.6 million for FY2016 due to the finance leases of SinoCloud 01 Limited and the 12% convertible bond due in 2017.

IMPAIRMENTS

The Group engaged a professional valuer to review its associate, China Satellite Mobile Communications Group Limited ("CSMCG"). Through the adoption of a discounted cash flow approach and upon review of CSMCG's new business model with Thuraya Telecommunications Company, the Group recorded an impairment amounting to HK$81.2 million for FY2016. The valuation of the impairment was carried out using the latest available information on the satellite communication business in PRC, PRC statistics reports, market competition and development opportunities.

Separately, the Group also provided an impairment of HK$42.1 million for a convertible loan in connection with a proposed settlement plan with Mr Lu Zhen Dong ("Mr Lu"), an experienced and successful merchant in the IT industry in China. Further details of the proposed settlement plan can be found in the

[1]http://www.internetworldstats.com/asia.htm#cn

Company's announcement dated 15 June 2016. The proposed settlement plan is subject to the Company's shareholders' approval at a special general meeting to be convened in due course. The Group had earlier entered into the convertible loan agreement to facilitate its participation in a restricted PRC telecommunication project. Further details of the convertible loan agreement can be found in the Company's announcements dated 29 May 2014, 19 June 2014, 14 August 2014, 15 March 2015 and 30 May 2016. Pursuant to the proposed settlement plan, Mr Lu will repay HK$36 million to the Company in phases and the balance amount of HK$42.1 million will be waived as it is expected to be unrecoverable. Accordingly, the Group has provided for an impairment loss in FY2016. The Board is of the view that the proposed settlement plan is in the best interest of the Company and its shareholders.

LOSS ON LIQUIDATION OF SUBSIDIARIES

The Group recorded a loss on the liquidation of subsidiaries amounting to HK$5.9 million in FY2016, in connection with the winding up or liquidation of the Company's subsidiaries, namely Armarda eAccess Technology Limited, China RFID Limited and Brilliant Time Limited in order to save unnecessary operating costs for maintaining dormant entities.

DISCONTINUED OPERATIONS

The Company's wholly-owned subsidiary, SinoCloud Investment Holdings Limited ("SIHL") had, on 28 December 2015 completed the disposal of its wholly-owned subsidiary, Armarda Technology Services Limited ("ATSL"), to an unrelated third party for a cash consideration of HK$3.54 million (the "Disposal"). As a result of the Disposal, ATSL ceased to be a subsidiary of the Company. As required under IFRS5 discontinued operations, a separate line of business or geographical area of operations that has been disposed of, a single amount of such should be disclosed in the consolidated income statement. As such, profit or loss in relation to the discontinued operation has been presented separately in the consolidated financial statement. The Group's profit from discontinued operations for FY2016 amounted to HK$45.8 million, of which HK$37.7 million relates to (a) the reclassification of the exchange differences recognised in other comprehensive income to the profit from discontinued operation account; and (b) the reclassification of the accumulated translation reserve account in the balance sheets to the discontinued operation account in the consolidated statement of comprehensive income. These reclassifications arose as a result of the Disposal. ATSL's principal business is in the provision of IT consulting and support services and had been incurring losses over the past few years. The disposal allows the Group to streamline its corporate structure and optimise capital resources.

NET LOSS AFTER TAXATION

The factors mentioned above resulted in the Group incurring a net loss after taxation attributable to equity holders of the Company of HK$111.6 million in FY2016 compared to a net loss after taxation attributable to equity holders of the Company of HK$42.5 million in FY2015.

OUTLOOK

We expect the economic environment for the financial year ending 31 March 2017 to remain lackluster amidst the slowdown and rebalancing of China's economy. Nevertheless, we remain vigilant to the challenges ahead and are cautiously optimistic of the Group's long-term prospects.

Having taken the necessary steps to streamline our operations through the disposal of dormant and loss making subsidiaries, we have been able to focus primarily on developing our IDC business. The Board believes that our IDC business is well positioned to capture the industry's growing market share and we will continue to enhance our capabilities in the coming year in order to diversify our customer base and strengthen our competitive edge. With favourable macroeconomic tailwinds proliferating the demand for big data and cloud computing services in the PRC, we are confident in our ability to scale and grow our IDC business.

APPRECIATION

In closing, we would like to express our sincere gratitude to our valued shareholders, customers, suppliers and business associates who have faithfully supported us in overcoming the challenges we faced during the year. Encouraged by your belief and enduring support in the vision of the Group, we will continue to strive towards enhancing long-term shareholder value.

Chan Andrew Wai Men
Chairman and Chief Executive Officer
20 June 2016

BOARD OF DIRECTORS

MR CHAN ANDREW WAI MEN
Chairman & Chief Executive Officer

Mr Chan Andrew Wai Men was appointed as Non-Executive Chairman of our Company in November 2014, and currently serves as the Executive Chairman and Chief Executive Officer. Mr Chan has over 25 years of experience in finance and real estate, and has worked for financial groups like Jardine Fleming, Nomura, Yuanta and Deloitte. Mr Chan gained his experience in real estate from his time as the managing director of DTZ Investment Management (Asia), responsible for the group's investment activities in Asia. Mr Chan holds a Bachelor's Degree in Engineering from the University of Toronto in Canada. Mr Chan was last re-elected as Director on 27 July 2015.

MR LUK CHUNG PO, TERENCE
Executive Director & Deputy Chairman

Mr Luk Chung Po, Terence was appointed as Executive Director, Deputy Chairman and Chief Executive Officer of our Company in June 2005, and currently serves as the Executive Director and Deputy Chairman. From 1986 to 1995, Mr Luk held various senior positions in the Unisys Group's subsidiaries in China - Unisys China Limited and Unisys China/Hong Kong Limited. From 1995 to 1997, Mr Luk was appointed as the general manager of China operations, Cisco Systems. Mr Luk co-founded and was appointed as the vice-chairman of Hong Kong-listed Technology Venture Holdings Limited between 1997 and 2001. Since September 2002, Mr Luk was appointed as the non-executive chairman of Singapore-listed LottVision Limited until October 2014. Mr Luk holds a Bachelor's Degree in Business Administration from the Chinese University of Hong Kong. Mr Luk was last re-elected as Director on 29 July 2014 and will be due for re-election as Director at the forthcoming annual general meeting of the Company.

MS CHU YIN LING, KAREN
Executive Director,
Chief Financial Officer & Company Secretary

Ms Chu Yin Ling, Karen was appointed as Financial Controller of our Company in July 2009 and subsequently was appointed as Chief Financial Officer and Company Secretary on 10 June 2013. She was appointed as Executive Director in August 2015. Prior to joining the Company, she was an accounting manager at LottVision Limited. She has over 20 years of experience in accounting, financial management and company secretarial functions. Ms Chu holds a Master's Degree in Professional Accounting from the Hong Kong Polytechnic University. She is also an associate member of the Hong Kong Institute of Certified Public Accountant. She will be due for re-election as Director at the forthcoming annual general meeting of the Company.

MR LEE JOO HAI
Independent Director

Mr Lee Joo Hai was appointed as an Independent Director of our Company in March 2004. Mr Lee has more than 30 years of experience in accounting and auditing. He is a a member of the Institute of Singapore Chartered Accountant, Institute of Chartered Accountants in England and Wales, Malaysian Institute of Accountants and Singapore Institute of Directors. He is also a fellow of the Hong Kong Institute of Directors. Since 1 October 2001, Mr Lee was a director of Food Junction Holdings Limited until it was delisted from the Main Board of SGX-ST on 9 December 2013. Currently, Mr Lee's directorships in other listed companies are Hyflux Limited, IPC Corporation Limited, Raffles United Holdings Ltd, Agria Corporation and Lung Kee (Bermuda) Holdings Limited. Mr Lee was last re-elected as Director on 27 July 2015.

MR PHUAH LIAN HENG
Independent Director

Mr Phuah Lian Heng was appointed as an Independent Director of our Company in March 2004. He was an independent director of AA Group Holdings Limited from 4 July 2005 to 3 September 2015. Mr Phuah is currently the director of VCOD (S'pore) Pte Ltd. He was a procurement engineer and contracts engineer with Hewlett Packard from 1992 to 1993, and with Esso from 1993 to 1994, before moving on to the Mentor Media group of companies in 1995 where he held senior positions such as business development manager, operations director and corporate development director. Mr Phuah holds a Bachelor's Degree (First Class Honours) in Electrical Engineering from the National University of Singapore. Mr Phuah was last re-elected as Director on 29 July 2014 and will be due for re-election as Director at the forthcoming annual general meeting of the Company.

MR ALEXANDER SHLAEN
Independent Director

Mr Alexander Shlaen was appointed as an Independent Director of our Company in February 2015. He is currently the managing director of Panache Management Pte Ltd. Mr Shlaen was the vice president and marketing director at Brink's Japan Ltd. between 1995 and 1999, before moving on to Brink's Asia Pacific Ltd in 1999 where he was the vice president in charge of Brink's Global Services in the Asia Pacific region. Mr Shlaen holds a Bachelor's Degree in Economics from Haifa University and an Executive MBA from the Kellogg School of Management and the Hong Kong University of Science and Technology. Mr Shlaen was last re-elected as Director on 27 July 2015.

KEY MANAGEMENT

MR CHAN ANDREW WAI MEN

Chairman & Chief Executive Officer

Mr Chan Andrew Wai Men is responsible for the overall strategic planning and business development of the Group, leading the Board to ensure its effectiveness on all aspects of its role and set its agenda, promoting a culture of openness and debate at the Board, facilitating the effective contribution of executive directors and investor relations.

MR LUK CHUNG PO, TERENCE

Executive Director & Deputy Chairman

Mr Luk Chung Po, Terence is responsible for formulating the strategic direction along with the Board, business operations and business development of the Group.

MS CHU YIN LING, KAREN

Executive Director,
Chief Financial Officer & Company Secretary

Ms Chu Yin Ling, Karen is responsible for overseeing finance, accounting, operation and corporate secretarial functions of the Group.

MR ZHANG DAI

Chief Executive Officer of
SinoCloud Asset Management Limited

Mr Zhang Dai was appointed as Director and Chief Executive Officer of SinoCloud Asset Management Limited ("SinoCloud Asset Mgt", a wholly owned subsidiary of SinoCloud Group Limited) in September 2015. He holds a master's degree in software engineering from Beijing University of Posts and Telecommunications, and has over 20 years of experience in the IT and telecommunications industry. Prior to joining SinoCloud Asset Mgt, he served as a senior member of China Communications Services, a Hong Kong-listed entity largely owned by China Telecom. He was responsible for the planning, construction, and operation of China Telecom's data centres in cities in the PRC, such as Hangzhou, Beijing, Guangzhou, Jiangxi, Shanxi, as well as Inner Mongolia. Mr Zhang is the founder of a Tier-4 internet data centre ("IDC") in Guiyang where the Company has interest in through an acquisition of 63% equity interest in SinoCloud 01 Limited. The acquisition was completed in October 2015. He is responsible for providing management solutions, formulating strategies and business development of IDC projects.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Chan Andrew Wai Men
(Chairman and Chief Executive Officer)
Luk Chung Po, Terence
(Executive Director and Deputy Chairman)
Chu Yin Ling, Karen
(Executive Director, Chief Financial Officer and Company Secretary)
Lee Joo Hai
(Independent Director)
Phuah Lian Heng
(Independent Director)
Alexander Shlaen
(Independent Director)

KEY MANAGEMENT
Chan Andrew Wai Men
(Chairman and Chief Executive Officer)
Luk Chung Po, Terence
(Executive Director and Deputy Chairman)
Chu Yin Ling, Karen
(Executive Director, Chief Financial Officer and Company Secretary)
Zhang Dai
(Chief Executive Officer of SinoCloud Asset Management Limited)

AUDIT COMMITTEE
Lee Joo Hai
(Chairman)
Phuah Lian Heng
Alexander Shlaen

REMUNERATION COMMITTEE
Phuah Lian Heng
(Chairman)
Lee Joo Hai
Alexander Shlaen

NOMINATING COMMITTEE
Alexander Shlaen
(Chairman)
Phuah Lian Heng
Lee Joo Hai

COMPANY SECRETARY
Chu Yin Ling, Karen

REGISTERED OFFICE
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Fax: 441 295 9216

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Guiyang Office
Room B294, Venture Building,
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Hi-Tech Industrial Development Area, Guiyang, Guizhou
Tel and Fax: 0851 84392453

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT
Estera Management (Bermuda) Limited
Canon's Court,
22 Victoria Street,
Hamilton HM 12,
Bermuda

SINGAPORE SHARE TRANSFER AGENT
M & C Services Private Limited
112 Robinson Road, #05-01
Singapore 068902

AUDITORS
RT LLP
Public Accountants and Chartered Accountants
1 Raffles Place #17-02 One Raffles Place
Singapore 048616
Partner-in-charge: Mr Ong Kian Meng
(since financial year ended 31 March 2016)

PRINCIPAL BANKERS
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Central Branch
12 Queens Road, Central,
Hong Kong

SPONSOR
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77 Robinson Road #21-02
Singapore 068896

CORPORATE GOVERNANCE **REPORT**

SinoCloud Group Limited, formerly known as Armarda Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") believes that it is important to establish good corporate governance within the Group as this provides the foundation for a well-managed and efficient organisation that can in turn focus on sustaining good business performance and safeguarding the interests of its shareholders. The board of Directors (the "**Board**" or "**Directors**") of the Company is committed to continually develop and uphold high standards of corporate governance, guided by the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the "**Code**") issued by the Monetary Authority of Singapore.

This report sets out the Group's corporate governance practices with specific reference to each of the principles and guidelines of the Code. The Board confirms that, for the financial year ended 31 March 2016 ("**FY2016**"), the Group has adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the management to achieve this objective and the management remains accountable to the Board.

The Board provides entrepreneurial leadership and oversees the management and affairs of the Group.

The principal functions of the Board, apart from its statutory responsibilities, include the following:

- reviewing the financial results of the Group, internal controls, external audit reports and resource allocation;
- supervising and approving strategic directions of the Group;
- reviewing the business practices and risk management of the Group;
- approving and monitoring major investments, divestments, mergers and acquisitions;
- convening of shareholders' meetings;
- the appointment of Directors and key executives; and
- assuming responsibility of the corporate governance framework of the Group.

These functions are carried out either directly or through designated Board committees, namely the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"), each of which operate within clearly defined and written terms of reference ("**TOR**") and functional procedures. The TORs are reviewed on a regular basis to ensure their continued relevance. The TORs of the respective Board Committees had also been updated to be in line with the Code.

All Directors objectively discharge their duties and responsibilities at all times and take decisions in the interests of the Company.

The Board has adopted a set of guidelines on matters that require its approval. The matters requiring the approval of the Board include the following:

- corporate strategy and business plans;
- material acquisitions and divestments of assets;
- funding decisions of the Group;
- the Group's risk governance framework;
- dividends and other returns to shareholders; and
- all matters of strategic importance.

Prior to their respective appointments to the Board, each of the Directors was given an orientation on the Group's business strategies and operations. The Directors will receive, from time to time, further relevant training, particularly on applicable new laws, regulations and changing commercial risks which are relevant to the business and operations of the Group. Such training will be arranged and funded by the Company for the Directors. The Directors will also be updated on the business of the Group through regular presentations and meetings. Annually, the external auditors will update the AC and the Board on new and revised financial reporting standards which are relevant to the Group.

A formal letter of appointment will also be provided to the newly appointed Director upon their appointment, setting out, among other matters, their duties and obligations as a Director. The Company will provide training for first-time directors in the areas of accounting, legal and industry-specific knowledge where necessary.

The Board meets regularly to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance, and to endorse the release of the quarterly and annual results. Where necessary, additional meetings may be held to address significant transactions or issues. The Company's Bye-Laws permit Board meetings to be conducted by way of teleconference or videoconference.

During FY2016, the number of meetings held (excluding *ad hoc* informal meetings and discussions carried out via teleconferencing or emails) and the attendance of each Board member at the Board and Board Committees meetings are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Total no. of meetings held	4		4		2		2	
Name of Director	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Mr Chan Andrew Wai Men	4	4	4	4*	2	2*	2	2*
Mr Luk Chung Po, Terence	4	1	4	1*	2	1*	2	1*
Ms Chu Yin Ling, Karen[(1)]	2	2	2	2*	2	2*	2	2*
Mr Lee Joo Hai	4	4	4	4	2	2	2	2
Mr Phuah Lian Heng	4	4	4	4	2	2	2	2
Mr Alexander Shlaen	4	4	4	4	2	2	2	2
Mr Mak Tin Sang[(2)]	-	-	-	-	-	-	-	-

* By invitation

(1) Ms Chu Yin Ling, Karen was appointed as Executive Director on 14 August 2015.

(2) Mr Mak Tin Sang ceased to be an Executive Director on 1 May 2015.

CORPORATE GOVERNANCE **REPORT**

BOARD COMPOSITION AND GUDIANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

During and subsequent to FY2016, changes to the composition of the Board were made. As at the date of this annual report, the composition of the Board and designated Board Committees are as follows:

		Board Committee Membership		
Name	**Designation of Board Members**	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
Mr Chan Andrew Wai Men	Chairman and Chief Executive Officer	-	-	-
Mr Luk Chung Po, Terence	Executive Director and Deputy Chairman	-	-	-
Ms Chu Yin Ling, Karen[(1)]	Executive Director	-	-	-
Mr Lee Joo Hai	Independent Director	Chairman	Member	Member
Mr Phuah Lian Heng	Independent Director	Member	Chairman	Member
Mr Alexander Shlaen	Independent Director	Member	Member	Chairman

(1) Ms Chu Yin Ling, Karen was appointed as Executive Director on 14 August 2015.

The Board is satisfied that there is a strong and independent element on the Board with Independent Directors making up at least one-third of the Board. The requirement of the Code is also met for independent directors to make up at least half of the Board where the Chairman of the Board and the Chief Executive Officer is the same person. As the Board currently comprises 6 Directors, of which 3 are independent to exercise objective judgement, the Company is in compliance with Guideline 2.2 of the Code.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The NC has reviewed and is of the view that the Board, as a whole, provides core competencies necessary to meet the Group's requirements, taking into account the nature and scope of the Group's operations. The Board members, collectively, possess a diverse range of expertise covering business and management experience, industry knowledge, strategic planning skills, accounting and financial knowledge to provide a balanced view and capabilities required within the Board. In carrying out their obligations as Directors, access to independent professional advice, where necessary, is available to all Directors, either individually or as a group, at the expense of the Company.

On an annual basis, the NC will also review and recommend to the Board the size of the Board to facilitate effective decision-making. The Board and the NC have considered and are satisfied that the current size of the Board is appropriate for effective decision-making, taking into account the nature and scope of the Group's operations.

The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the Code. The Code has defined an "independent" director as one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. Each Director is required to declare his independence by duly completing and submitting a declaration form. The Independent Directors, namely Mr Lee Joo Hai, Mr Phuah Lian Heng and Mr Alexander Shlaen, have confirmed their independence in accordance with the definition of independence in the Code.

Mr Lee Joo Hai and Mr Phuah Lian Heng (together, the "**two IDs**") have served on the Board for more than nine years and the Code recommends that the independence of any director who has served beyond nine years be subject to rigorous review. The Board recognises that the two IDs, had, over the years, developed significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. The independence of the Independent Directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board.

The Board (excluding the two IDs) has determined that each of Mr Lee Joo Hai and Mr Phuah Lian Heng has continued to demonstrate strong independence in character and judgement in the manner in which he has discharged his duties and responsibilities as a Director of the Company. Each of them has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged the management of the Company ("**Management**"). Each of them has sought clarification and amplification as he considered necessary, including through direct access to the Management and the Group's external advisors (if any).

Taking into account the above factors and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board (excluding the two IDs) is of the view that Mr Lee Joo Hai and Mr Phuah Lian Heng continue to be considered Independent Directors, notwithstanding they have served on the Board for more than nine years from the date of their first appointment.

The Independent Directors assist to constructively challenge and develop proposals on strategy, and also assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Independent Directors will have discussions amongst themselves without the presence of the Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Chan Andrew Wai Men is currently the Chairman ("**Chairman**") and the Chief Executive Officer ("**CEO**") of the Company. The Board is of the view that, given the scope and nature of the operations of the Group and the strong element of independence of the Board, it is not necessary to separate the functions of the CEO and the Chairman of the Group. The Board is also of the opinion that it is in the best interests of the Group to maintain a single leadership structure.

The Board is of the view that it is unlikely that the discharge of responsibilities as Chairman and CEO by the same person will be compromised as all major financial decisions made are subject to review by the AC and the Board collectively. Mr Chan Andrew Wai Men's performance and remuneration package are reviewed and recommended to the Board by the NC and the RC respectively without any individual exercising any considerable concentration of power or influence.

The role of the Chairman includes:

- ensuring that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Company Secretary;
- ensuring that Board members are provided with complete, adequate and timely information;
- ensuring effective communication with shareholders of the Company;
- encouraging constructive relations between the Board and the Management;
- leading the Board to ensure its effectiveness on all aspects of its role;
- promoting a culture of openness and debate at the Board;
- facilitating the effective contribution of Non-Executive Directors in particular;
- encouraging constructive relations between Executive Directors and Non-Executive Directors;
- promoting high standards of corporate governance;
- responsible for the overall management, strategic direction and the day-to-day operations of the Group; and
- ensuring that the organisational objectives of the Group are achieved.

The Board believes that there is a strong and independent element on the Board and adequate safeguards in place against an uneven concentration of power and authority vested in any one individual. As such, the Board has not appointed any Independent Director of the Company to assume the role of a Lead Independent Director. However, the Board will review from time to time, the necessity of nominating a lead independent director.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Mr Alexander Shlaen, all of whom are independent. The NC is chaired by Mr Alexander Shlaen, who is not associated with any substantial shareholder of the Company. The NC reports to the Board and meets at least once a year.

The Board has approved the written TOR of the NC. The NC performs the following functions:

- determining whether a Director is independent with reference to the criteria set out in the Code;
- reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;
- reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of the Code;
- procuring that at least one-third of the Board shall comprise Independent Directors;
- reviewing Board succession plans for Directors, in particular, the Chairman and the CEO;
- reviewing training and professional development programs for the Board;
- identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including Independent Directors; and
- proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

Each member of the NC shall abstain from voting on any resolution relating to the assessment of his performance or independence or his re-nomination as Director.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In assessing the suitability of a candidate to be appointed to the Board, the NC will consider if the candidate is able to make the appropriate contributions to the Board and the Group. The key factors which the NC will take into consideration are:

- qualifications, industry knowledge and functional expertise which are relevant and beneficial to the Group;
- extensive experience and business contacts in the industry in which the Group operates; and
- willingness and ability to commit time and resources.

The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

Pursuant to the Company's Bye-Laws, all Directors must submit themselves for re-nomination and re-election at least once every three years. The NC has recommended to the Board that Mr Phuah Lian Heng, Mr Luk Chung Po, Terence and Ms Chu Yin Ling, Karen be nominated for re-election at the forthcoming annual general meeting of the Company ("**AGM**"). In making its recommendations, the NC has considered, amongst others, the Directors' overall contribution and performance. The Board has accepted the recommendations of the NC and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

For the financial year under review, the NC is of the view that the Independent Directors are independent as defined in the Code and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

The Board and the NC note that some Directors currently hold multiple board representations. However, the Board, with the concurrence of the NC, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances relating to each Director and the NC will instead focus on whether a Director has sufficient time to adequately discharge his duties to the Company. The Board and the NC are of the view that such multiple board representations do not hinder the Directors from carrying out their duties as Directors of the Company. These Directors are able to widen the experience of the Board and give it a broader perspective.

Currently, there is no alternate Director on the Board.

CORPORATE GOVERNANCE **REPORT**

The year of initial appointment and last re-election dates of each Director and his current and past directorships in other listed companies are listed below:

Director	Date of first appointment	Date of last re-election	Current directorships held in other listed companies	Past directorships held in other listed companies (preceding three years)
Mr Chan Andrew Wai Men	November 2014	27 July 2015	Nil	Nil
Mr Luk Chung Po, Terence	June 2005	29 July 2014	Nil	1. Lottvision Limited
Ms Chu Yin Ling, Karen	August 2015	Not applicable (to be re-elected at the forthcoming AGM)	Nil	Nil
Mr Lee Joo Hai	March 2004	27 July 2015	1. Hyflux Limited 2. IPC Corporation Limited 3. Raffles United Holdings Ltd 4. Agria Corporation 5. Lung Kee (Bermuda) Holdings Limited	1. Food Junction Holdings Limited
Mr Phuah Lian Heng	March 2004	29 July 2014	Nil	1. AA Group Holdings Limited
Mr Alexander Shlaen	February 2015	27 July 2015	Nil	Nil

Key information regarding the Directors' academic and professional qualifications and principal commitments is set out in the "Board of Directors" section of this annual report. The shareholdings of the Directors in the Company and its subsidiaries are set out in the "Directors' Statement" section of this annual report.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

For the financial year under review, the NC has evaluated the Board's performance as a whole and the contribution of each Director to the effectiveness of the Board.

In assessing the effectiveness of the Board, the NC performs a collective appraisal of the Board in discharging its functions, taking into account, among other things, the share price performance of the Company and the financial condition and operating results of the Group. The share price performance of the Company is not typically considered against industry benchmark as the Directors are of the view that there is no direct industry peer for a meaningful comparison.

The NC has adopted a formal process and criteria to assess the effectiveness of the Board and each of the Directors. The evaluation exercise is carried out annually by way of a checklist, which is circulated to the Board members for completion and thereafter for the NC to review and determine the actions required to improve the corporate governance of the Company and effectiveness of the Board as a whole.

The overall assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board was good for FY2016, and it is the Board's endeavour to further improve and enhance its effectiveness over the Group's financial performance. The Board is also satisfied that each Director has allocated sufficient time and resources to the affairs of the Group. In addition, the Board has reviewed the performance of the respective Board Committees and is satisfied with their performance for FY2016.

ACCESS TO INFORMATION

***Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities*.**

To assist the Board in fulfilling its duties and responsibilities, the Management will provide the Board with management reports containing complete and adequate information, and papers containing relevant background or explanatory information required to support the decision-making process, including but not limited to quarterly financial statements, forecast financial statements and its material variances, and copies of disclosure documents. Directors are entitled to request from the Management and will be provided with such additional information as needed to make informed decisions. The Board is provided with adequate and timely information prior to each Board meeting. Board papers are prepared for each Board meeting and are usually circulated at least three working days prior to each meeting.

The Board has separate and independent access to the Management and the company secretary at all times. The company secretary administers, attends and prepares minutes of Board meetings. During Board meetings, the company secretary assists the Chairman in ensuring that (i) Board procedures are followed and reviewed so that the Board functions effectively; and (ii) the Company's Bye-Laws and relevant rules and regulations, including requirements of the Bermuda Companies Act and the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") are complied with. The appointment and removal of the company secretary is a matter for the Board to decide as a whole.

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises Mr Phuah Lian Heng, Mr Lee Joo Hai and Mr Alexander Shlaen, all of whom are independent. The RC is chaired by Mr Phuah Lian Heng, who is not associated with any substantial shareholder of the Company. The RC reports to the Board and meets at least once a year.

The Board has approved the written TOR of the RC. The RC performs the following functions:

- recommending to the Board a framework of remuneration for the Board covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, performance shares and benefits-in-kind;
- proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;
- determining the specific remuneration package for each Executive Director and key management personnel;
- considering the eligibility of Directors for benefits under long-term incentive schemes;
- considering and recommending to the Board the disclosure of details of the Group's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors required by law or by the Code; and
- administering the Performance Share Plan ("**PSP**").

Each member of the RC abstains from participating in any deliberation and voting on any resolution, and making any recommendation in respect of his remuneration. The RC also reviews and determines the remuneration of key management personnel along similar guidelines as those set out above in relation to the Directors.

In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company. The Company has not engaged any remuneration consultant for FY2016.

The Group sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and key management personnel with adequate experience and expertise to manage the business and operations of the Group. Where necessary, the RC will refer to industry benchmarks to ensure that the remuneration packages are competitive. In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long–term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC will ensure the Directors are adequately but not excessively remunerated. The RC will also consider amongst other things, their responsibilities and contribution to the Company's performance and ensure that rewards are linked to corporate and individual performance.

The Group adopts a remuneration policy for Executive Directors generally comprising a basic fixed salary component as well as a variable component of granting performance shares awards under the PSP. The performance related component is to align the interests of the Executive Directors with those of the shareholders and the Group, and promote the long-term success of the Group.

The Executive Directors do not receive any Directors' fees and their remuneration packages are based on their respective service agreements entered into with the Company. Each Executive Director has a service agreement with a fixed appointment period and the RC reviews in particular, termination provisions to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. Where possible, the RC will consider the use of contractual provisions to allow the Company to reclaim incentive components. Such service agreements are not excessively long and they do not contain onerous removal clauses. In the event of early termination, the Executive Directors or the Company may, *inter alia*, terminate the service agreements by giving to the other party, *inter alia*, three months' notice in writing, or in lieu of notice in writing.

The remuneration of the Independent Directors comprises a fixed and variable component. Independent Directors generally receive fixed Directors' fees, in accordance with their respective contributions to the Group, taking into account factors such as effort and time spent, and responsibilities of the Independent Directors. Such Directors' fees are subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company. The variable component relates to the granting of performance shares awards under the PSP so as to better align the interests of the Independent Directors with the interests of the shareholders of the Company. The Independent Directors shall not be over-compensated to the extent that their independence may be compromised.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration paid to the Directors and key management personnel (who are not Directors or CEO) for services rendered during FY2016 are as follows:

Remuneration Bands	Salary	Performance bonus	Directors' fees	Others	Total
	%	%	%	%	%
Directors					
S$250,000 -S$500,000	-	-	-	-	-
Below S$250,000					
Mr Chan Andrew Wai Men	100	-	-	-	100
Mr Luk Chung Po, Terence	100	-	-	-	100
Ms Chu Yin Ling, Karen[(1)]	100	-	-	-	100
Mr Lee Joo Hai	-	-	100	-	100
Mr Phuah Lian Heng	-	-	100	-	100
Mr Alexander Shlaen	-	-	100	-	100
Mr Mak Tin Sang[(2)]	100	-	-	-	100
Key Management Personnel[(3)]					
S$250,000 -S$500,000	-	-	-	-	-
Below S$250,000					
Mr Luk Siu Fung, Mark[(4)]	100	-	-	-	100
Mr Zhang Dai[(5)]	100	-	-	-	100

Notes:

(1) Ms Chu Yin Ling, Karen was first appointed as Executive Director on 14 August 2015.

(2) Mr Mak Tin Sang ceased to be an Executive Director on 1 May 2015.

(3) The Company has only two key management personnel (who are not Directors or CEO) receiving remuneration during FY2016.

(4) Mr Luk Siu Fung, Mark is the son of the Executive Director and Deputy Chairman, Mr Luk Chung Po, Terence and resigned as Project Manager on 1 September 2015.

(5) Mr Zhang Dai was first appointed as the CEO and Director of the Group's subsidiary, SinoCloud Asset Management Limited on 1 September 2015.

CORPORATE GOVERNANCE **REPORT**

The Company is aware of the requirement to fully disclose the remuneration of each individual Director, the CEO and the key management personnel (who are not Directors or CEO) under the Code. The Board, has on review, is of the opinion that it is in the best interests of the Group not to fully disclose the exact remuneration of each individual Director, the CEO and the key management personnel (who are not Directors or CEO) in this annual report in view of the confidentiality and sensitivity of remuneration matters, and as the Board believes that such disclosure may be prejudicial to the Group's business interests given the competitive environment it is operating in as well as the disadvantages this might bring.

The annual aggregate remuneration paid to the top 2 key management (excluding the CEO and Executive Directors) for FY2016 is HK$ 1,087,939.

There were no terminations, retirement or post-employment benefits granted to the Directors, CEO and key management personnel.

Details of the Directors' shareholding interests in the Company and the PSP are set out in the "Directors' Statement" section of this annual report. Currently, the Company does not have any employee share option scheme in place.

Save for Mr Luk Siu Fung, Mark (project manager of the Company and resigned on 1 September 2015) who is the son of the Executive Director and Deputy Chairman, Mr Luk Chung Po, Terence, there were no other employees who were immediate family members of any Director or substantial shareholder of the Company or the CEO. The remuneration of Mr Luk Siu Fung, Mark falls below S$50,000 for FY2016.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board is accountable to the shareholders of the Company while the Management is accountable to the Board. The Management presents quarterly and full year financial statements to the AC and the Board for review and approval. The Board approves the results and authorises the release of the results to SGX-ST and the public via SGXNET.

In presenting the quarterly and full year financial statements for announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensive assessment of the Group's performance, position and prospects.

The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the Catalist Rules. For example, in line with the Catalist Rules, the Board provides a negative assurance statement to shareholders of the Company in respect of the quarterly financial statements.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. The Board is satisfied that the quarterly reports are sufficient to demonstrate the performance and position of the Group giving the nature of its existing business.

CORPORATE GOVERNANCE **REPORT**

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. The Company's risk management framework and internal control system cover financial, operational, compliance and information technology risks and internal controls.

The Group does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are found on pages 113 to 124 of this annual report.

In the evaluation of the internal controls, apart from the statutory audits conducted by external auditors, the Company has engaged an independent professional consultancy firm, Baker Tilly Hong Kong Risk Assurance Limited, to carry out internal audits. Based on the reports from the internal and external auditors, the Board, AC and the Management evaluate the findings of the internal and external auditors on the Group's internal controls annually for their follow up actions. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board has received assurance from the CEO, the Chief Financial Officer ("**CFO**") and Executive Directors that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the effectiveness of the Group's risk management and internal control systems. The Board notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgements in decision-making, human errors, natural disasters, fraud or other irregularities. Therefore, the system of internal controls adopted by the Group is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Based on the risk management framework and internal control system established and maintained by the Group, work performed by the internal auditors and external auditors, assurance received from the CEO, CFO and Executive Directors, as well as reviews performed by the Management and the various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, are adequate and effective as at 31 March 2016.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly sets out its authority and duties.

The AC comprises Mr Lee Joo Hai, Mr Phuah Lian Heng and Mr Alexander Shlaen, all of whom are independent. The AC is chaired by Mr Lee Joo Hai, who is not associated with any substantial shareholder of the Company. The AC reports to the Board and meets at least four times a year.

The Chairman of the AC, Mr Lee Joo Hai, has more than 30 years of experience in accounting and auditing. The other members of the AC have a significant number of years of experience in business and financial management. For more details of the qualifications of the members of the AC, please refer to the "Board of Directors" section of this annual report. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

The Board has approved the written TOR of the AC. The AC performs the following functions:

- reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report;
- reviewing the effectiveness and adequacy of the overall internal control system including the financial, operational, compliance and information technology control risks and risk management policies and systems on an annual basis;
- reviewing the Group's financial results and the announcements before submission to the Board for approval;
- reviewing the assistance given by the Management to external auditors;
- reviewing the effectiveness and significant findings of internal audits;
- considering the appointment/re-appointment of the external auditors;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- reviewing interested person transactions;
- having explicit authority to investigate any matter; and
- other functions as required by law or the Code.

The AC meets periodically and also holds informal meetings and discussions with the Management from time to time. The AC has full discretion to invite any Director or key management personnel to attend its meetings. During the financial year under review, the AC has met four times with full attendance from each member.

The AC has been given full access to and is provided with the co-operation of the Management. In addition, the AC has independent access to the external auditors. The AC meets or discusses with the external auditors and internal auditors without the presence of the Management, and reviews the effectiveness of the Group's internal controls established by the Management, at least once a year. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has reviewed the volume of non-audit services provided to the Group by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Group is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firms for the Group and is pleased to recommend the re-appointment RT LLP as the Company's external auditors. The fees for audit and non-audit services that were rendered by the external auditors to the Group for FY2016 amounted to approximately HK$1.2 million and NIL respectively. The AC reviews the independence of the external auditors at least once a year.

The AC had reviewed the audit plans and audit reports for FY2016 presented by the external auditors. The external auditors have discussed with the Management regularly on changes or amendments to accounting standards which are relevant to the Group and the Management will report to the AC during meetings, to enable the member of the AC to keep abreast of such changes and its corresponding impact(s) on the financial statements, if any.

As a further enhancement to internal risk control processes, the Group has developed and implemented a whistle blowing policy in 2006 across the Group. This policy sets out the procedures for employees of the Group to raise concerns and report any suspected wrongdoing within the Group (including criminal activities, failure to comply with laws and regulations, financial malpractice or fraud). Under the policy, employees may report their concerns to either their line managers, or even approach the human resources manager or the CEO. The AC has reviewed arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC has also ensured that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The internal audit function of the Group has been outsourced to an independent professional consultancy firm, Baker Tilly Hong Kong Risk Assurance Limited, which reports directly to the Chairman of the AC on internal audit matters, and to the CEO/CFO on administrative matters. The internal auditors have carried out its function in accordance to the Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors.

The AC approves the hiring, removal, evaluation and compensation of the independent professional consultancy firm to which the internal audit function is outsourced. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC has reviewed the internal audit plan and report for FY2016 and is satisfied that the internal audit function is adequately resourced by qualified and experienced personnel, and has the appropriate standing within the Group. The AC reviews the adequacy and effectiveness of the internal audit function annually.

CORPORATE GOVERNANCE **REPORT**

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Shareholders of the Company are treated fairly and equitably to facilitate the exercise of their ownership rights. To facilitate the exercise of shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in a major local newspaper and posted onto the SGXNET on the day of despatch of the annual reports or circulars to shareholders. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures.

The Bye-Laws of the Company also allow shareholders to appoint up to two proxies in their absence to attend and vote on their behalf at the general meetings. In addition, shareholders who hold shares through custodial institutions may attend the general meetings as observers.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Board places great emphasis on investor relations of the Company to maintain a high standard of transparency so as to promote better investor communications. The Company provides information to its shareholders via SGXNET announcements and news releases. Such information is also available on the Company's website at www.sinocloudgroup.com.

General meetings are held annually by the Company and are the principal forum for the Board to establish and maintain regular dialogue with shareholders. At these general meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business related matters. The Company can also gather views or inputs from shareholders and address their concerns during the general meetings.

It is the Board's policy to ensure that all shareholders are informed regularly and on a timely basis of every significant development that has an impact on the Group. The Company does not practise selective disclosure.

Price-sensitive information is first publicly released through SGXNET within the required period of time. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

The Company currently does not have a formal dividend policy. Generally, the Board looks into factors such as the Group's earnings, financial position, operations results, capital requirements, cash flows, development plans, and other factors before determining whether any dividend is to be declared and/or paid. For FY2016, the Board has resolved that no dividend shall be payable as the Group reported losses for FY2016.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are given the opportunity and time to voice their views and ask the Directors or the Management pertinent questions at the Company's AGMs and other general meetings. The Chairman of the Board and each Board Committee is required to be present to address questions at the AGMs and other general meetings. External auditors are also present at such meeting to assist the Directors to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report, if necessary.

The Bye-Laws of the Company allow for any shareholder of the Company, if he/she is unable to attend the meeting, to appoint one or up to two proxies to attend and vote on their behalf at the meeting through proxy forms sent in advance. The Board will review and propose to remove such limit by a special resolution at a general meeting as and when appropriate.

In addition, the Bye-Laws of the Company do not provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the shareholders' identities through the web are not compromised.

The proceeding of the general meetings will be properly recorded, including all comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management, and these minutes will be available to shareholders upon their request. Resolutions are, as far as possible, structured separately and voted on independently. Shareholders are invited to put forth any questions they may have on the motions to be debated and decided upon.

The Company will put all resolutions to vote by poll at general meetings and the detailed results of the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET after the general meetings on the same day.

CORPORATE GOVERNANCE **REPORT**

ADDITIONAL INFORMATION

MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors and the Company, there are no material contracts entered into by the Company or its subsidiaries involving the interests of the CEO or any Director or controlling shareholders of the Company, either still subsisting at the end of FY2016, or if not then subsisting, entered into since the end of the previous financial year.

PERFORMANCE SHARE PLAN ("PSP")

PSP is a share incentive scheme which will allow the Company, *inter alia*, to target specific performance objectives and to provide an incentive for Directors and selected employees (collectively the "Participants") to achieve these targets. The Directors believe that the PSP will incentivize Participants to excel in their performance and encourage greater dedication and loyalty to the Company.

The PSP is administered by the RC. A summary of PSP is set out in the "Directors' Statement" section of this annual report.

DEALINGS IN SECURITIES

The Company has adopted policies in line with Rule 1204(19) of the Catalist Rules on dealings in the Company's securities. Directors, management and officers of the Group are not permitted to deal in the Group's shares during the periods commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of its financial year, or one month before the financial year end, as the case may be, and ending on the date of announcements of relevant results, or when they are in possession of unpublished price-sensitive information on the Group. To provide further guidance to employees on dealings in the Group's shares, the Group has adopted its own code of best practices on securities transactions. The code of best practices on securities transactions is in line with the best practices guide issued by the SGX-ST. Officers of the Company should not deal in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions entered into between the Company or its subsidiaries and any of its interested persons during FY2016.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were paid to the Company's Sponsor, SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.), in FY2016.

USE OF PLACEMENT PROCEEDS

The net proceeds received by the Company of approximately S$2.2 million from the issuance of 12.0% unsecured convertible bonds due 2017 of a principal amount of S$2,256,000 completed on 27 May 2015 ("May 2015 CB Issuance") have been fully utilised.

The net proceeds received by the Company of approximately HK$26.7 million from the issuance of 1,377,000,000 new shares in the capital of the Company ("Shares") pursuant to a placement exercise made on 16 October 2015 ("Oct 2015 Placement") have been partially utilised.

The details of the use of proceeds were disclosed in the announcements of the Company made on 12 August 2015, 14 October 2015, 3 February 2016, 26 May 2016 and this annual report. The following is the summary of the use of proceeds:

	May 2015 CB Issuance S$'000	**Oct 2015 Placement HK$'000**
Net proceeds disclosed in the announcement dated 30 April 2015	2,200	-
Net proceeds disclosed in the announcement dated 16 October 2015	-	26,700
Less:		
• Finance or fund acquisitions, purchases or investments	-	4,000
• Working capital purposes		
- Operating expenses		
- Payment of financial guarantee[1]	1,000	4,000
- Overhead and listco expenses	900	7,200
- Professional fees	300	500
- Repayment of short term loan	-	6,000
	2,200	17,700
Balance proceeds as at the date of this annual report	NIL	5,000

[1] Financial guarantee to a mobile satellite communication service provider of its associate, China Satellite Group, in connection with airtime commitment.

The abovementioned use of proceeds is in accordance with the intended use as stated in the respective announcements dated 30 April 2015 and 16 October 2015 in relation to the May 2015 CB Issuance and Oct 2015 Placement respectively.

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

The directors present their statement to the members together with the audited consolidated financial statements of SinoCloud Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2016 and the balance sheet of the Company as at 31 March 2016.

Opinion of the directors

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up 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 the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Chan Andrew Wai Men	(Executive Director, CEO and Chairman)
Mr Luk Chung Po, Terence	(Executive Director and Deputy Chairman)
Ms Chu Yin Ling, Karen	(Company Secretary, Chief Financial Officer and Executive Director; Appointed on 14 August 2015)
Mr Lee Joo Hai	(Independent Director)
Mr Phuah Lian Heng	(Independent Director)
Mr Alexander Shlaen	(Independent Director)

Arrangements to enable directors to acquire shares and debentures

Except as disclosed under "Share options and performance shares" of the Directors' statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of, the Company or any other body corporate. Certain directors received remuneration from related corporations in their capacity as directors of those related corporations.

Directors' interests in shares and debentures

According to the register kept by the Company, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests			Deemed interests		
	At 1 April 2015, or date of appointment	At 31 March 2016	At 21 April 2016	At 1 April 2015, or date of appointment	At 31 March 2016	At 21 April 2016
Company						
Ordinary shares of HK$0.001 (2015: HK$0.001) each fully paid						
Mr Chan Andrew Wai Men	414,895,000	437,671,000	437,671,000	-	-	-
Mr Luk Chung Po, Terence	84,876,255	36,000,000	36,000,000	-	-	-
Ms Chu Yin Ling, Karen (Appointed on 14 August 2015)	19,000,000	19,000,000	19,000,000	-	-	-
Mr Lee Joo Hai	6,000,000	6,000,000	6,000,000	-	-	-
Mr Phuah Lian Heng	5,000,000	5,000,000	5,000,000	-	-	-

Share options and performance shares

(i) Share options

No options were granted during the financial year to take up unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

(ii) Performance shares

Pursuant to the Special General Meeting held on 26 July 2013, the shareholders approved the adoption of the Company's Performance Share Plan ("PSP") to issue shares ("Performance Shares"), which added to the number of new shares issued and/or issuable and/or existing shares transferred and/or transferrable in respect of all Performance Shares granted under the PSP, and any other share scheme which the Company may implement from time to time shall not exceed fifteen per cent (15%) of the Company's total issued shares from time to time (excluding treasury shares), on the day preceding the grant date.

Share options and performance shares (Continued)

(ii) Performance shares (Continued)

The PSP is administered by the Company's Remuneration Committee ("RC") which comprise the following directors:

Mr Phuah Lian Heng	(Chairman of the RC / Independent Director)
Mr Lee Joo Hai	(Independent Director)
Mr Alexander Shlaen	(Independent Director)

Under the PSP, Performance Shares represent the right of a participant to receive fully paid shares free of charge and are granted to eligible employees upon achieving certain approved performance targets ("Performance Targets"), within the stipulated performance period ("Performance Period"). Performance Targets are set based on medium term corporate objectives and approved by the RC. Performance Shares are released once the RC is satisfied that the Performance Targets have been achieved.

The Company issued and allotted an aggregate of 150,000,000 Performance Shares that were granted and vested in full in prior years. There were no new shares granted under the PSP during the current financial year and no outstanding Performance Shares at the end of the financial year.

Except for the details of the Directors' Performance Shares set out as follows, none of the directors of the Company were granted Performance Shares since the commencement of the Company's PSP to the end of the financial year:

Participants	Number of Performance Shares granted during financial year under review	Aggregate number of Performance Shares granted since commencement of the Company's PSP to end of financial year under review	Aggregate number of Performance Shares vested since commencement of the Company's PSP to end of financial year under review	Aggregate number of Performance Shares outstanding as at end of financial year under review
Directors of the Company				
Mr Luk Chung Po, Terence	-	36,000,000	36,000,000	-
Mr Lee Joo Hai	-	6,000,000	6,000,000	-
Mr Phuah Lian Heng	-	5,000,000	5,000,000	-
Ms Chu Yin Ling, Karen [1]	-	16,000,000	16,000,000	-

Notes:

[1] Ms Chu Yin Ling, Karen appointed as Executive Director on 14 August 2015.

Share options and performance shares (Continued)

(ii) Performance shares (Continued)

No participant was granted 5% or more of the total awards available under the PSP.

No Performance Shares have been granted to the controlling shareholders or their associates since the commencement of the PSP.

The Company does not have a parent company, therefore no PSP shares were granted in respect thereof.

Warrants

There were no warrants granted by the Company during the financial year.

Audit committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Mr Lee Joo Hai	(Chairman of the AC / Independent Director)
Mr Phuah Lian Heng	(Independent Director)
Mr Alexander Shlaen	(Independent Director)

The AC carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Singapore Code of Corporate Governance 2012.

In performing those functions, the AC reviewed:

(i) the scope and the results of internal audit procedures with the internal auditors;

(ii) the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the assistance given by the Company's management to the independent auditors;

(iv) the periodic results announcements prior to their submission to the Board for approval;

(v) the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2016 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and

(vi) Interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The AC has full access to the management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The AC has recommended to the Board of Directors that the independent auditors, RT LLP be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Audit committee (Continued)

The AC has conducted an annual review of non-audit services provided by the auditors to ensure that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company, subsidiaries and the associated companies, the Company has complied with Catalist Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the AC are disclosed in the Corporate Governance Report.

Independent auditors

The independent auditors, RT LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

CHAN ANDREW WAI MEN
Chairman and Chief Executive Officer

LUK CHUNG PO, TERENCE
Executive Director and Deputy Chairman

20 June 2016

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 sheet 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.

Report on the Financial Statements (Continued)

Emphasis of 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.

Report on the Financial Statements (Continued)

Emphasis of 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 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 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) 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 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.

Report on the Financial Statements (Continued)

Emphasis of matter (continued)

4) <u>Recoverability of interest free advances and earnest deposits (Continued)</u>

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 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 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

BALANCE **SHEETS**

AS AT 31 MARCH 2016

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

	Note	Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	65,899	589	-	-
Intangible assets	5	170,915	-	-	-
Investment in subsidiaries	6	-	-	-	-
Investment in associates	7	108,980	164,108	132,000	169,432
Amount due from subsidiaries (non-trade)	8	-	-	33,757	-
Other assets	9	-	83,003	-	-
		345,794	247,700	165,757	169,432
Current assets					
Trade and other receivables	10	52,794	128,754	36,233	119,143
Amount due from associates (non-trade)	11	22,545	15,460	-	11,700
Cash and bank balances		12,037	7,914	-	-
		87,376	152,128	36,233	130,843
TOTAL ASSETS		433,170	399,828	201,990	300,275

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

BALANCE **SHEETS**

AS AT 31 MARCH 2016

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

	Note	Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
LIABILITIES					
Current liabilities					
Trade and other payables	12	40,999	22,984	3,472	17,452
Amount due to a subsidiary (non-trade)	11	-	-	-	28,816
Amount due to an associate (non-trade)	11	-	695	-	-
Lease obligations	13	17,260	-	-	-
Short-term borrowing	14	-	6,000	-	6,000
Income tax payable		-	2,911	-	-
		58,259	32,590	3,472	52,268
Non-current liabilities					
Lease obligations	13	36,680	-	-	-
Convertible bonds	15	13,220	-	13,220	-
Deferred tax liabilities	16	-	3,252	-	-
		49,900	3,252	13,220	-
TOTAL LIABILITIES		108,159	35,842	16,692	52,268
NET ASSETS		325,011	363,986	185,298	248,007
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	17	10,918	7,541	10,918	7,541
Share premium	18	438,396	393,291	438,396	393,291
Contributed surplus	19	16,456	16,456	16,456	16,456
Translation reserve	20	(3,683)	32,714	-	-
Statutory reserve	21	5,863	5,863	-	-
Revaluation reserve	22	98	98	-	-
Share-based capital reserve	23	-	-	-	-
Other deficit	24	(49,466)	(49,466)	-	-
Accumulated losses	25	(154,126)	(42,511)	(280,472)	(169,281)
		264,456	363,986	185,298	248,007
Non- controlling interest		60,555	-	-	-
TOTAL EQUITY		325,011	363,986	185,298	248,007

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) (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)	(16,330)
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	(158,312)	(24,895)
Income tax	31	(29)	-
Loss after tax from continuing operations		(158,341)	(24,895)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	32	45,820	(17,616)
Loss for the financial year		(112,521)	(42,511)
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		(35,806)	(124)
Total comprehensive loss for the financial year		(148,327)	(42,635)

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)	-
		(112,521)	(42,511)
Loss attributable to equity holders of the Company related to:			
Loss from continuing operations		(157,435)	(24,895)
Profit/(loss) from discontinued operations	32	45,820	(17,616)
		(111,615)	(42,511)
Loss attributable to non-controlling interest of the Company related to:			
Loss from continuing operations	32	(906)	-
		(906)	-
Total comprehensive loss attributable to:			
Equity holders of the Company		(148,012)	(42,635)
Non-controlling interest		(315)	-
		(148,327)	(42,635)
(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)	(1.73)	(0.49)
From discontinued operations	33 (i)	0.50	(0.35)
Diluted (loss)/earnings per share			
From continuing operations	33 (ii)	(1.73)	(0.49)
From discontinued operations	33 (ii)	0.50	(0.35)

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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

2016
Group

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Translation reserve	Statutory reserve	Revaluation reserve	Share-based capital reserve	Other deficit	Accumulated losses	Non-controlling Interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2015	7,541	393,291	16,456	32,714	5,863	98	-	(49,466)	(42,511)	-	363,986
Loss for the financial year	-	-	-	-	-	-	-	-	(111,615)	(906)	(112,521)
Other comprehensive loss, net of tax	-	-	-	(36,397)	-	-	-	-	-	591	(35,806)
Total comprehensive loss	-	-	-	(36,397)	-	-	-	-	(111,615)	(315)	(148,327)
Contribution by and distributions to owners											
Issuance of shares	3,377	45,281	-	-	-	-	-	-	-	-	48,658
Share issuance expense	-	(176)	-	-	-	-	-	-	-	-	(176)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	60,870	60,870
Total contributions by and distributions to owners	3,377	45,105	-	-	-	-	-	-	-	60,870	109,352
Balance as at 31 March 2016	10,918	438,396	16,456	(3,683)	5,863	98	-	(49,466)	(154,126)	60,555	325,011

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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

2015
Group

	Attributable to equity holders of the Company										
	Share capital	Share premium	Contributed surplus	Translation reserve	Statutory reserve	Revaluation reserve	Share-based capital reserve	Other deficit	Accumulated losses	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2014	191,476	337,117	43,348	32,838	5,863	98	9,028	(49,466)	(285,098)	-	285,204
Loss for the financial year	-	-	-	-	-	-	-	-	(42,511)	-	(42,511)
Other comprehensive income, net of tax	-	-	-	(124)	-	-	-	-	-	-	(124)
Total comprehensive loss	-	-	-	(124)	-	-	-	-	(42,511)	-	(42,635)
Contribution by and distributions to owners											
Issuance of shares	74,121	58,561	-	-	-	-	-	-	-	-	132,682
Performance shares allotted	150	8,878	-	-	-	-	(9,028)	-	-	-	-
Share issuance expense	-	(11,265)	-	-	-	-	-	-	-	-	(11,265)
Capital reorganisation (Note 17)	(258,206)	-	258,206	-	-	-	-	-	-	-	-
Write off of accumulated losses (Note 25)	-	-	(285,098)	-	-	-	-	-	285,098	-	-
Total contributions by and distributions to owners	(183,935)	56,174	(26,892)	-	-	-	(9,028)	-	285,098	-	121,417
Balance as at 31 March 2015	7,541	393,291	16,456	32,714	5,863	98	-	(49,466)	(42,511)	-	363,986

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) from discontinued operation before tax		45,820	(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.

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
Cash flow from financing activities			
Proceeds from issuance of new shares	17	26,989	71,842
Proceeds from issuance of convertible bond		13,220	-
Share issue expenses paid		(176)	(2,475)
Repayment of short term borrowing		(6,000)	-
Repayment of lease obligations		(3,425)	(156)
Advance from an associate (non-trade)		-	695
Net cash generated from financing activities		30,608	69,906
Net increase/(decrease) in cash and cash equivalents		4,127	(2,267)
Cash and cash equivalents at beginning of the financial year		7,914	10,178
Effects of exchange rate changes in cash and cash equivalents		(4)	3
Cash and cash equivalents at end of financial year		12,037	7,914

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 A:

During the financial year, the Group acquired 63% equity interest in SinoCloud 01 Limited and its subsidiaries ("SinoCloud 01 Group") for a consideration of $45.0 million cash, $37.0 million non-share consideration and 2 billion ordinary shares (equal to $55.9 million) through a Variable Interest Entity ("VIE") arrangements. Cash payment of $45.0 million was received in prior financial year. The effect of the acquisition on the cash flows of the Group is as follow:-

Identifiable assets acquired and liabilities assumed:

		Group
		2016
		$'000
(a)	Purchase consideration	
	Shares	21,669
	Deposit to proposed acquisition -Non-share consideration	37,000
	Deposit to proposed acquisition (paid in prior year) [Note 9]	45,000
	Consideration transfer for the business	103,669
(b)	Effect on cash flows of the group	
	Cash paid (as above)	-
	Less: Cash and cash equivalents in subsidiary acquired	(221)
	Cash inflow on acquisition	(221)
(c)	Identifiable assets acquired and liabilities assumed	
	Cash and cash equivalents	221
	Property, plant and equipment	65,291
	Trade and other receivable	11,886
	Total assets	77,398
	Trade and other payables	(31,325)
	Finance leases	(57,274)
	Total liabilities	(88,599)
	Total identifiable liabilities	(11,201)
	Less: Non- controlling interest	(60,870)
	Add: Goodwill (Note 5)	124,136
	Add: Intangible assets	51,604
	Consideration transferred for the business	103,669
	Less: Cash and cash equivalents in subsidiaries	(221)
	Less: Share Capital	(21,669)
	Less: Deposit to proposed acquisition (Note 9)	(82,000)
	Net cash inflow on acquisition of subsidiaries	(221)

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 B:

During the financial year, the Company disposed of its entire interest in Armarda Technology Services Limited and its subsidiaries ("ATS Group") for a cash consideration of $3.54 million. The effects of the disposal on the cash flows of the Group is as follow:-

Carrying amounts of assets and liabilities disposed of:

	Group 2016 $'000
Carrying amounts of assets and liabilities disposed of	
Cash and cash equivalents	65
Trade and other receivable	1,997
Property, plant and equipment	441
Investment in associated companies	11,348
Other current assets	947
Total assets	14,798
Trade and other payables	(7,843)
Deferred tax liabilities	(3,072)
	(10,915)
Net assets derecognised / Net assets disposed of	3,883

The aggregate cash inflows arising from the disposal of Armarda Technology Services Group were:

Net assets disposed of	3,883
- Reclassification of currency translation reserve	(37,704)
	(33,821)
Gain on disposal	37,361
Cash proceeds from disposal	3,540
Less: Cash and cash equivalents in subsidiaries disposed of	(65)
Net cash inflow on disposal of subsidiaries	3,475

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)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

SinoCloud Group Limited (the "Company") is a limited liability company domiciled and incorporated in Bermuda and is listed on the Catalist Market of the Singapore Exchange Securities Trading Limited. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 6 to the financial statements.

The financial statements for the financial year ended 31 March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 20 June 2016.

2. BASIS OF PREPARATION

Going concern assumption

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.

During the financial year, 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 operating losses of $14,387,000 (2015: $14,168,000) as disclosed in Note 7 to the financial statements.

In order to improve the Group's financial performance, the Group continue 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 had 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.

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

2. BASIS OF PREPARATION (Continued)

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the International Financial Reporting Standards ("IFRS"). The financial statements are presented in Hong Kong dollar ("$'000") and all values are rounded to the nearest thousand ($'000) as indicated.

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

On 1 April 2015, the Group adopted the new or amended International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee's Interpretations (IFRIC Interpretations) that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRSs and IFRIC Interpretations. The adoption of these new or amended IFRSs and IFRIC Interpretations did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Key standards issued but not yet effective

The Group has not adopted the following new IFRSs and amendments to IFRS that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to IAS 12 *Deferred Tax Assets for Unrealised Losses*	1 January 2017
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 9 (2014) *Financial Instruments*	1 January 2018
IFRS 16 *Leases*	1 January 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The directors expect that the adoption of the above new IFRSs and amendments to IFRS will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these new IFRSs or amendments to IFRS are described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; insurance contracts within the scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In particular, the Group will need to identify the performance obligations in the contract, allocate the transaction price and recognise revenue when (or as) the performance obligation is satisfied. The Group is in the process of assessing the impact of the new standard for the future periods.

IFRS 9 (2014) *Financial Instruments*

In July 2014, the International Accounting Standard Board issued the final version of IFRS 9 Financial Instruments which reflect all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous version of IFRS 9. IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. IFRS 9 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. IFRS 9 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of IFRS 9 or continue to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group is in the process of assessing the impact of the new standard for the future periods.

IFRS 16 *Leases*

IFRS 16 *Leases* establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Group is in the process of assessing the impact of the new standard for the future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amendments to IAS 12: *Deferred Tax Assets for Unrealised Losses*

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the few aspects such as unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and an entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Group will apply these amendments prospectively to any such transaction occurring in annual periods beginning on or after 1 January 2017.

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- had power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Acquisition of business

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of business (Continued)

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or business

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(ii) Associates

Associates are those entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(a) Acquisition of business

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

(b) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals to or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has legal and constructive obligations to make, or has made, payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(c) Disposal of associates

Investments in associates are derecognised when the Group losses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investment in associate in which significant influence are retained are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other income and other expense".

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(iii) Translation of the Group's financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

Property, plant and equipment

(i) Measurement

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

(iv) Depreciation

Depreciation on all items of property, plant and equipment are calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold improvements	Shorter of 5 years or the lease term	-
Software platform	10	-
Plant and machinery	5-15	-
Motor vehicles	5-10	5% to 10%
Furniture, fixtures, computer and other equipment	5-10	5% to 10%

The residual value, estimated useful life and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use. The effects of any revision are recognised in profit or loss when the changes arise.

(v) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between the disposal proceeds and its carrying amount is recognised in profit or loss. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

Goodwill on associates is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(i) Goodwill (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in this Note.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(ii) Other intangible assets (Continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

The estimated useful lives are as follows:

	Useful lives (Years)
Customer contract	4.1
Favorable lease	18.6

Amortisation methods and useful lives are reviewed at each reporting date and adjusted as appropriate.

Other assets

Other assets represent deposit for acquisition of an investment and transferable life memberships of golf club which are stated at cost less impairment losses.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

Financial assets

(i) Classification

Financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date. As at the end of the reporting date, the Group did not have any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sales financial assets.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables (excluding prepayments)", "amount due from associates" and "cash and bank balances" on the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(iv) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(v) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the balance sheet date, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit or loss.

(ii) Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Leases – The Group as lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

Borrowing costs

All borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share capital and share premium

Proceeds from issuance of ordinary shares are classified as share capital (nominal value) and share premium in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share premium.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from data centre service fee is recognised over the period in which the services are rendered in accordance with the substance of the relevant agreement.

Interest income is recognised using the effective interest method.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Hong Kong

The subsidiaries, incorporated and operating in Hong Kong are required to contribute to the mandatory provident fund scheme, a defined contribution pension scheme, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and are charged to profit or loss in the financial year in which they fall due.

The People's Republic of China ("PRC")

The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(iii) Share-based compensation

Performance shares

The performance share plans of the Group are accounted for either as equity-settled share-based payments or cash-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant, whereas cash-settled share-based payments are measured at current fair value at the end of each reporting period. The performance share expense is recognised in profit or loss on a straight-line basis over the vesting period.

At the end of the reporting period, the Group revises its estimates of the number of performance shares that the participants are expected to receive based on non-market vesting conditions. The difference is charged or credited to the income statement, with a corresponding adjustment to equity or liability for equity-settled and cash-settled share-based payments respectively.

Share-based payments transactions with parties other than employees

When the Group enters into equity-settled share-based payment transactions with parties other than employees, the Group measures the goods and services received, and the corresponding increase in equity, directly at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the corresponding increase in equity shall be measured by reference to the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counter party renders service.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the balance sheet date in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an assets or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred income tax is measured:

- at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

- based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Convertible redeemable bonds

The total proceeds from convertible redeemable bonds issue are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained earnings.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to exercise judgements in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the future year of the revision and future financial years if the revision affects both current and future financial years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting estimates and judgements (Continued)

(i) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 to the financial statements, management had made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Significant influence over an associate

The Group has determined that it does not control, but has significant influence over China Satellite Group as its associate, based on an evaluation under IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*.

The Group holds 45% (2015: 45%) of the voting rights of China Satellite Group and the remaining 55% (2015: 55%) is held by 11 individual shareholders, each holding 1.1% to 9.1% (2015: 1.1% to 9.1%) individually. On 30 September 2014, the Company entered into individual sales and purchase agreements with 10 out of 11 shareholders to acquire an additional 45.95% equity interest, after which China Satellite Group will become a subsidiary of the Company. The total purchase consideration amounted to approximately S$11,800,000 (equivalent to $72,000,000), shall be satisfied by a combination of 1,069,381,820 new issued ordinary shares of the Company and cash consideration of $45,950,000. The Group has granted interest-free advances and earnest deposits totaling $43,800,000 (2015: $43,800,000) to the 10 (2015: 10) shareholders which will be offset against the purchase consideration upon completion of the acquisition (Note 10(iii)(iv)), or repayable on 23 January 2016 and 31 January 2016 respectively, if the acquisition of additional equity interest was not completed by then. As at the balance sheet date and the date of this report, the completion of the acquisition is subject to the satisfaction of certain significant conditions precedent set out in the sales and purchases agreements which is substantially beyond the control of the Group.

Notwithstanding that the Group is the single largest shareholder, the management has determined that the Group is not able to exercise control over China Satellite Group as a result of:

(i) a contractual agreement entered into on 31 January 2014 among the 11 individual shareholders to act in concert during shareholders' meetings, which has been renewed on 29 September 2014; and

(ii) the current board composition of China Satellite Group. As at 31 March 2016, there are 2 directors in office, comprising a representative from the Group and another representative from the 11 individual shareholders (who is also appointed as the chairman of China Satellite Group). According to the memorandum and articles of association of China Satellite Group, the chairman is entitled to a second or casting vote in case of an equality in votes during board meetings. Accordingly, management concluded that the 11 individual shareholders control China Satellite Group.

The carrying amount of the investment in China Satellite Group is disclosed in Note 7.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting estimates and judgements (Continued)

(ii) Critical judgements made in applying accounting policies (Continued)

(b) Convertible loan receivable

Fair value of derivative

As disclosed in Note 10(ii) to the financial statements, the Company granted a loan to a third party individual with a conversion option to convert the loan into 34.8% (2015: 34.8%) effective equity shares in a PRC company ("Zhuhai Entity") via a special purpose entity owned by the third party individual. As the conversion option is not transferrable and is currently not exercisable as the telecommunication industry is restricted only to domestic PRC enterprises, management concluded that the conversion option has no intrinsic value and does not give rise to substantive potential rights and power over the special purpose entity. The carrying amount of the convertible loan receivable is disclosed in Note 10(ii).

Classification

During the last financial year ended 31 March 2015, one of the Company's directors is appointed as a director of Zhuhai Entity as a further protective right over the loan. Management has conducted an assessment based on IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures and concluded that the conversion option gives the Company neither control nor significant influence over the PRC Company, on the basis of:

(i) the appointment represents 1 out of 7 in the board composition of the PRC Company; and

(ii) the legal representative, general manager and 3 directors of the PRC Company are appointed by the dominant shareholder of the PRC Company who is a government-owned enterprise.

Consequently, the Company classifies the convertible loan receivable in the category of loans and receivables. The carrying amount and terms of convertible loan is disclosed in Note 10(ii).

(ii) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimated uncertainty at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimate on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting estimates and judgements (Continued)

(ii) Key Sources of Estimation Uncertainty (Continued)

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 to 10 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The carrying amount and further details of the key assumptions and the sensitivity analysis for the impairment assessment of associates are disclosed in Note 7 to the financial statements.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes significant judgement and estimation as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of the Group's loan and receivables at the balance sheet date and the relevant basis of management's estimates are disclosed in Notes 10, 11 and 39(iii) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting estimates and judgements (Continued)

(ii) Key Sources of Estimation Uncertainty (Continued)

(b) Impairment of loans and receivables (Continued)

Recoverability of convertible loan receivables

As disclosed in Note 10, in assessing the recoverability of the convertible loan receivables amounting to $78,084,000, management made the following critical estimates and assumptions in arriving at the following conclusion:

- Total impairment loss on convertible loan receivables of $42,084,000 is recognised during the financial year as management deemed the convertible loan receivable to be an investment loss.
- Pursuant to a binding Memorandum of Understanding entered on 14 June 2016, the remaining amount of the convertible loan receivables of $36,0000,000 (after net of impairment loss of $42,084,000) will be settled via the following arrangement:

  a) A first instalment of $25,000,000 will be paid to the Company within six months from the date the Company has obtained approval from its shareholders for the Proposed Settlement (Note10) at a special general meeting to be convened in due course but not later than 30 September 2016; and

  b) The remaining amount of $11,000,000 will be paid before 31 March 2017.

Management views there is no recoverability issue for the remaining carrying amount of convertible loan receivable of $36,000,000 as management is confident the above arrangement will be approved in the SGM.

(c) Income tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement and estimation is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has not recognised any additional tax liability on these uncertain tax positions. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax liabilities as at 31 March 2016 are disclosed in Note 16.

As disclosed in Note 16, the Group has unrecognised tax losses and capital allowances carried forward amounting to $7,784,109 and $24,960 respectively (2015: $94,409,000 and $356,000 respectively). Tax losses, amounting to NIL (2015: $4,747,000), relate to a subsidiary in PRC which will expire in 2020. Tax losses and capital allowances, that do not expire, amounting to $7,784,109 and $24,960 respectively (2015: $89,662,000 and $356,000 respectively) relate to subsidiaries in Singapore and Hong Kong, with histories of losses, may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses or capital allowances as deferred tax assets. If the Group was able to recognise all unrecognised tax losses and capital allowances, loss for the financial year would decrease by approximately $1,323,000 and $4,243 respectively (2015: $16,065,000 and $60,000 respectively).

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

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements	Software platform	Plant and machinery	Motor vehicles	Furniture, fixtures, computer and other equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
As at 1 April 2014	296	-	-	1,988	10,274	12,558
Additions	-	-	-	-	44	44
Disposals	-	-	-	(1,026)	(392)	(1,418)
Written off	(296)	-	-	-	(9,393)	(9,689)
Currency translation differences	-	-	-	2	10	12
As at 31 March 2015	-	-	-	964	543	1,507
As at 1 April 2015	-	-	-	964	543	1,507
Additions	31	5,621	-	-	92	5,744
On acquisition of subsidiaries	15,898	8	61,736	681	544	78,867
On disposal of subsidiaries	-	-	-	(947)	(540)	(1,487)
Currency translation differences	(261)	(106)	(1,013)	(28)	(12)	(1,420)
As at 31 March 2016	15,668	5,523	60,723	670	627	83,211

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

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold improvements	Software platform	Plant and machinery	Motor vehicles	Furniture, fixtures, computer and other equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation						
As at 1 April 2014	296	-	-	834	9,994	11,124
Depreciation of the financial year						
- Continuing operations	-	-	-	-	-	-
- Discontinued operations	-	-	-	280	84	364
	-	-	-	280	84	364
Disposals	-	-	-	(565)	(353)	(918)
Written off	(296)	-	-	-	(9,367)	(9,663)
Currency translation differences	-	-	-	2	9	11
As at 31 March 2015	-	-	-	551	367	918
As at 1 April 2015	-	-	-	551	367	918
Depreciation of the financial year						
- Continuing operations	1,329	189	3,640	32	37	5,227
- Discontinued operations	-	-	-	96	52	148
	1,329	189	3,640	128	89	5,375
On acquisition of subsidiaries	3,162	-	9,073	79	72	12,386
On disposal of subsidiaries	-	-	-	(630)	(417)	(1,047)
Currency translation differences	(77)	(4)	(217)	(19)	(3)	(320)
As at 31 March 2016	4,414	185	12,496	109	108	17,312
Carrying amount						
As at 31 March 2016	11,254	5,338	48,227	561	519	65,899
As at 31 March 2015	-	-	-	413	176	589

<u>Assets held under finance leases</u>

The carrying amount of plant and machineries, and furniture, fixtures, computer and other equipment held under finance leases at the end of the reporting period amounted to $48,227,000 (2015: NIL) and $75,000 (2015: NIL) respectively.

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

5. INTANGIBLE ASSETS

Group	Goodwill	Customer relationship	Customer contract	Favourable lease	Assembled workforce	Exclusive distributorship rights	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
As at 1 April 2014	-	40,859	-	-	-	98,293	139,152
Written off during the financial year	-	-	-	-	-	(98,293)	(98,293)
As at 31 March 2015	-	40,859	-	-	-	-	40,859
As at 1 April 2015	-	40,859	-	-	-	-	40,859
Acquisition of subsidiary [Note 37(c)]	124,136	-	36,338	14,623	643	-	175,740
Written off during the financial year	-	(40,859)	-	-	-	-	(40,859)
As at 31 March 2016	124,136	-	36,338	14,623	643	-	175,740
Accumulated amortisation and impairment loss							
As at 1 April 2014	-	38,069	-	-	-	98,293	136,362
Charge for the financial year	-	558	-	-	-	-	558
Impairment loss	-	2,232	-	-	-	-	2,232
Written off during the financial year	-	-	-	-	-	(98,293)	(98,293)
As at 31 March 2015	-	40,859	-	-	-	-	40,859
As at 1 April 2015	-	40,859	-	-	-	-	40,859
Charge for the financial year	-	-	4,432	393	-	-	4,825
Written off during the financial year	-	(40,859)	-	-	-	-	(40,859)
As at 31 March 2016	-	-	- 4,432	393	-	-	4,825
Carrying amount							
As at 31 March 2016	124,136	-	31,906	14,230	643	-	170,915
As at 31 March 2015	-	-	-	-	-	-	-

5. INTANGIBLE ASSETS (Continued)

(a) *Customer relationship*

The intangible asset of customer relationship, arising from the acquisition of Brilliant Time Limited in 2008, was fully impaired as 31 March 2015 as management plans to substantially downsize the operations due to a further decline in customer's orders.

(b) *Exclusive distributorship rights*

The exclusive distributorship rights represents the value of the rights identified when China RFID Limited ("CRL") was acquired in 2009 which relates to the right to trade radio frequency identification chip ("RFID chips") in the PRC. CRL is in the chain of the distribution of RFID chips in the PRC. CRL entered into an agreement for a 3-year exclusive distributorship rights to sell RFID chips to its sole customer ("Sole Customer") from 8 September 2009. The Sole Customer has, on the other hand, entered into an agreement with the ultimate customer - a PRC government authority ("Ultimate Customer"), for a 2-year exclusive distributorship rights on chips procurement for the e-passport and other e-travel documents.

The agreement signed between the Sole Customer and the Ultimate Customer was for a 2-year period, and expired on September 2011. The exclusive distributorship rights were fully amortised in the financial period ended 31 March 2012. In the prior financial year, the exclusive distributorship rights were written off as the agreement lapsed without renewal in January 2015.

(c) *Customer contract, Favorable leases and Assembled workforce*

The intangible assets included customer contract, favorable leases and assembled workforce are derived from the Purchase Price Allocation ("PPA"), which assessed and estimated by management's independent valuer as at the date of acquisition of Guiyang Tech. They have finite useful life, over which the assets are amortised.

The amortisation expense has been included in the line item "amortisation of intangible assets" in profit or loss.

(d) *Goodwill on acquisition*

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments, which is solely allocated to the IDC business in Guiyang Tech at the date of acquisition [Note 37(e)].

As at 31 March 2016, management has carried out an impairment test on the goodwill arising from the acquisition of Guiyang Tech.

The review led to no impairment as the value-in-use is higher than its carrying amount.

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

5. INTANGIBLE ASSETS (Continued)

(d) Goodwill on acquisition (Continued)

The recoverable amount of a CGU was determined based on value-in-use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. The growth rate are based on having the capacity of operating cabinets, new customers secured and strategic cooperation framework agreement with the stated-owned enterprise in China. Changes in selling price and direct cost are based on existing business development and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 10 years and the rate used to discount the forecast cash flows from Guiyang Tech is 20%. The discount rate has factored in the time value of money, inflation and the risk inherent in the ownership of the asset or security interest being valued.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Unquoted equity shares, at cost	60,166	67,633
Impairment loss (Note A)	(60,166)	(67,633)
	-	-

Details of the Group's subsidiaries as at 31 March 2016 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%)	
			2016	2015
			%	%
Held by the Company				
SinoCloud Investment Holdings Limited (i) (ii)	Investment holding	BVI, Hong Kong	100	100
Held by SinoCloud Investment Holdings Limited				
SinoCloud Group (HK) Limited (ii) (iv)	Management office	Hong Kong	100	-
SinoCloud Assets Management Company Limited (i) (ii)	Investment holding	BVI, Hong Kong	100	-
SinoCloud 01 Limited (i) (ii)	Investment holding	BVI, Hong Kong	63	-
Armarda International Inc (i) (ii)	Investment holding	BVI, Hong Kong	100	100
Armarda Technology (Singapore) Pte Limited (ii) (iii)	Dormant	Singapore	100	100
Armarda eAccess Technology Limited (i) (ii)	Investment holding	BVI, Hong Kong	-	100

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

6. INVESTMENT IN SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%) 2016 %	2015 %
Held by SinoCloud Investment Holdings Limited (Continued)				
Brilliant Time Limited ("BTL") (i) (iii)	Provision of IT consulting and IT support services	BVI, Hong Kong	-	100
China RFID Limited ("CRL") (i) (iii)	Trading of RFID chips	BVI, Hong Kong	-	100
Armarda Technology Services Limited (i) (iii)	Provision of IT consulting and IT support services	BVI, Hong Kong	-	100
Held by SinoCloud Assets Management Company Limited				
SinoCloud Asset Management Limited (ii)	Investment holding	Hong Kong	100	-
中云时代数据科技(北京)有限公司 (ii)	Provision of internet data centre management services	PRC	100	-
Held by SinoCloud 01 Limited				
SinoCloud 01 (HK) Limited (ii)	Investment holding	Hong Kong	100	-
SinoCloud Data (Guiyang) Limited (ii)	Provision of Internet Data Service	PRC	100	-
Guiyang Zhongdian Gaoxin Digital Technologies Limited (ii)	Provision of Internet Data Service	PRC	100	-
Held by Armarda Technology Services Limited				
Armarda Technology (Hong Kong) Limited (iii)	Provision of IT consulting and IT support services	Hong Kong	-	100
Held by Armarda Technology (Hong Kong) Limited				
Armarda Technology (Zhuhai) Limited (iii)	Provision of IT consulting and IT support services	PRC	-	100

(i) Not required to be audited under the laws of the British Virgin Islands ("BVI"), their country of incorporation.

(ii) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

(iii) In the process of undergoing member's voluntary liquidation.

Note A - Impairment testing of investments in subsidiaries

Certain subsidiaries continue to sustain losses during the financial year. The carrying amount of the investments in subsidiaries was fully impaired since financial year 2010.

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

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At beginning of the financial year	164,108	175,323	169,432	169,432
Disposal of an associate	(11,222)	-	-	-
Share of loss	(6,474)	(8,039)	-	-
Share of translation reserve (Note 20)	-	69	-	-
Impairment loss	(81,232)	(3,245)	(81,232)	-
	65,180	164,108	88,200	169,432
Add: Reclassified from trade and other receivables				
Advances to third parties (Note 10)	24,700	-	24,700	-
Earnest deposits to third parties (unsecured) (Note 10)	19,100	-	19,100	-
At end of the financial year	108,980	164,108	132,000	169,432

	Group	
	2016	2015
	$'000	$'000
Representing:		
Goodwill	158,748	160,548
Share of net assets	(93,568)	3,560
	65,180	164,108
Advances to third parties	24,700	-
Earnest deposits to third parties (unsecured)	19,100	-
	108,980	164,108

The movement in accumulated impairment loss is as follows:

	Group	
	2016	2015
	$'000	$'000
At beginning of the financial year	6,168	2,923
Disposal of an associate	(6,168)	-
Impairment loss charged to profit or loss	81,232	3,245
At end of the financial year	81,232	6,168

The above impairment loss relate to China Satellite Group.

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

7. INVESTMENT IN ASSOCIATES (Continued)

Details of the Group's associates as at 31 March 2016 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of the Group's effective interest (%) 2016 %	2015 %
Held by the Company				
China Satellite Mobile Communications Group Limited ("CSMCG") (i) (ii)	Investment holding	BVI	45	45
Held by CSMCG				
China Mobile Satellite Communication Group Ltd ("CMSCG") (ii)	Provision of mobile satellite communication services and distribution of satellite phones	Hong Kong	45	45
China Satellite Mobile (HK) Limited (ii)	Investment holding	Hong Kong	45	45
Held by CMSCG				
Suraya Network Technology (Shanghai) CO., Ltd (ii)	Provision of mobile satellite communication services and distribution of satellite phones	PRC	-	45
Held by Armarda Technology (Hong Kong) Limited				
Fesco E-HR Service (Beijing) Co,. Ltd (ii)	Provision of IT consulting, IT support services, technical trainings and human resources services	PRC	-	45

(i) Not required to be audited under the laws of the British Virgin Islands ("BVI").

(ii) Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements.

Developments in China Satellite Group

The Group holds 45% (2015: 45%) of the voting rights in China Satellite Group. On 30 September 2014, the Company entered into individual sales and purchase agreements ("S&P Agreements") with 10 out of 11 shareholders to acquire an additional 45.95% equity interest ("Proposed Acquisition"), after which China Satellite Group will become a subsidiary of the Company. The total purchase consideration amounted to approximately S$11,800,000 (equivalent to $72,000,000), shall be satisfied by a combination of 1,069,381,820 new issued ordinary shares of the Company and cash consideration of $45,950,000. The completion of the acquisition is subject to the satisfaction of certain significant conditions precedent set out in the S&P Agreements (expiring on 30 September 2015), whose conditions are substantially beyond the control of the Group.

7. INVESTMENT IN ASSOCIATES (Continued)

Developments in China Satellite Group (Continued)

The Group has also granted interest-free advances of $24,700,000 to 5 out of these 11 shareholders ("Pledging Parties") and earnest deposits of $19,100,000 to another 5 shareholders out of these 11 shareholders ("Transferring Parties"), both of which totaling $43,800,000 (2015: $43,800,000) to the 10 (2015:10) shareholders. The interest free advances were pledged with an aggregate of 5,037 ordinary shares in the capital of CSMCG (the "Pledged Shares"), representing 25.19% of the total issued and paid up capital of CSMCG, owned by the relevant 5 vendors to whom the interest free advances were extended. These interest free advances will either be offset against the purchase consideration upon completion of the acquisition or repayable on certain dates prior to end January 2016 (Note 10[(iii)(iv)]).

On 2 October 2015, the Company announced that the S&P Agreements signed on 30 September 2014 (with Long Stop Date for the satisfaction or waiver of the conditions precedent for the S&P Agreements, being 30 September 2015) has lapsed. As such, the S&P Agreements were terminated and accordingly, the Company will not be proceeding with the Proposed Acquisition.

On 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 and the earnest deposits ("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.

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 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 associates to form part of the investment.

The judgement relating to the significant influence over this associate is disclosed in Note 3.

7. INVESTMENT IN ASSOCIATES (Continued)

Impairment testing for China Satellite Group

During the financial year, management appointed a professional independent valuer with a recognised and relevant professional qualifications to provide an independent opinion on the investment value of China Satellite Group. This is due to indication of impairment as the associate had reported net losses of $14,387,000 (2015: $14,168,000) for the financial year ended 31 March 2016.

The professional valuer had valued the investment value of China Satellite Group as at 31 March 2016 to be $196,000,000 based on income approach. This impairment loss of $81,232,000 is recognised in profit or loss and included in "Mobile Satellite Service" segment. As the Group's 45% proportionate share of this valuation is $88,200,000, accordingly, management had made an impairment loss of $81,232,000 based on its carrying amount of $169,432,000 as at 31 March 2016.

The investment value of China Satellite Group was determined using value-in-use calculations based on a 10-year cash flow projection from financial budgets approved by management. In assessing value in use, the estimated future cash flows are discounted their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The pre-tax discount rate applied to the cash flow projection is 15.2% and the forecasted declining growth rate used are range from 81.0% to 10.2%.

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.

The calculation of the value-in-use is most sensitive to the following assumptions:

Equipment Sales

- China Satellite Group is expected to buy voice and data modems from Thuraya at a certain fixed price per voice modem and a certain fixed price per data modem and to resell them to distributors and retailers at a certain expected margin.
- At the 10^{th} Anniversary, a total of 61,800 vessels for fishing in ocean is anticipated to be installed with voice and data modem.

Data Service

- Data service is expected to come from one source (i.e. modem-installed vessel), which is expected to have 10 users (fishermen), each of whom is expected to utilise 12 MB per user per annum.

Voice service

- The target user of voice service is expected to come from two sources: 1) utilisation of 1,200 minutes of voice service per annum from an existing 5,000 satellite phone users; and 2) utilisation of 500 minutes of voice service per annum from each voice modem on modem-installed vessel.
- China Satellite Group is expected to be allocated with certain percentage of the Thuraya's revenue.

(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)[(b)]
Other comprehensive income	-	-	-	153
Total comprehensive income/ (loss)	(14,387)	(14,168)	279	(3,543)

(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
China Satellite Group		
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)	-
	65,180	152,817
Fesco E-HR		
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)
	-	11,291
Total carrying amount	65,180	164,108

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)
	33,757	-

(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) /charged to profit or loss	(249,989)	58,506
At end of the financial year	93,062	343,051

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.

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
	-	83,003

[(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[(i)]) and convertible loan of $12,000,000 (Note 10[(iii)]). 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.

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

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	10,243	1,319	-	-
Other receivables [i]	899	10,829	-	-
Less: Allowance for impairment loss	-	(3,652)	-	-
	899	7,177	-	-
Prepayments	2,331	385	233	283
Refundable deposits	2,541	701	-	-
Convertible loan receivable [ii]	72,000	72,000	72,000	72,000
Interest convertible loan receivable	6,084	3,060	6,084	3,060
	78,084	75,060	78,084	75,060
Less: Allowance for impairment loss	(42,084)	-	(42,084)	-
	36,000	75,060	36,000	75,060
Advances to third parties (secured) [iii]	24,700	24,700	24,700	24,700
Earnest deposits to third parties (unsecured) [iv]	19,100	19,100	19,100	19,100
Due from a director of a subsidiary (non-trade) [v]	780	312	-	-
	96,594	128,754	80,033	119,143
Less: Reclassified to investment in associates				
- Advances to third parties (secured) [iii] (Note 7)	(24,700)	-	(24,700)	-
- Earnest deposits to third parties [iv] (Note 7)	(19,100)	-	(19,100)	-
	52,794	128,754	36,233	119,143

(i) <u>Other receivables</u>

In the financial year ended 31 March 2015, included in the balance is a loan of $5,510,000 due from a third party for working capital in connection with its future collaboration with China Satellite Group's business.

During the current financial year, the loan which was interest free, unsecured and repayable on 31 March 2016, has been transferred to its associate, China Satellite Group based on Loan Transfer Agreements signed between a third party, China Satellite Group and the Company. This amount is reclassified to amount due from an associate (Note 11).

In the financial year ended 31 March 2015, the Group provided interest-free advances of $25,000,000 to a third party for the purpose of developing telecommunication equipment in relation to China Satellite Group's business. This advances of $25,000,000 were partially settled by way of Debt Assignment as disclosed in Note 9. As at 31 March 2015, remaining advances amounting to $808,000 are unsecured and repayable within 12 months.

10. TRADE AND OTHER RECEIVABLES (Continued)

(ii) Convertible loan receivable

On 25 March 2014, the Company entered into a convertible loan agreement ("Convertible Loan Agreement") with Mr Lu Zhen Dong ("Mr Lu") and his special purpose vehicle company, the Zhuhai Entity for the purpose of restructuring the refundable deposits ("Deposits") totalling $50,050,000 into a convertible loan ("Convertible Loan"). These Deposits, which were refundable, were originally paid towards a potential acquisition of a PRC telecommunication project ("PRC Project Company"), pending the fulfilment of certain milestones. Subsequent to the payment of the Deposits, the Company was not able to directly invest in the PRC Project Company due to the then prevailing policy restriction on foreign ownership in the telecommunication industry of the PRC government.

For precautionary and transitional measures to ensure the Company's reasonable accessibility to important and valuable project related information of the PRC Project Company, one of the Company's then executive Directors, Mr Richard Gao ("Mr Gao"), who was appointed as executive director of the Company from February 2009 to December 2014, had been appointed by Mr Lu to act as the legal representative and sole director of Zhuhai Entity as well as a nominee shareholder holding Mr Lu's entire shareholding in the Zhuhai Entity on trust of Mr Lu.

On 23 July 2014, the Company entered into a supplemental agreement to the Convertible Loan Agreement ("Supplemental Convertible Loan Agreement") with Mr Lu to increase the amount of the Convertible Loan by $33,950,000 from $50,050,000 to $84,000,000.

On 13 March 2015, the Company and its wholly-owned subsidiary, SinoCloud Investment Holdings Limited (formerly known as Armarda Holdings Limited), entered into an agreement with Mr Zhang Dai and Mr Lu. The agreement is to assign part of the Convertible Loan amounting to $12,000,000 due from Mr Lu to the Company to Mr Zhang Dai. This partial convertible loan of $ 12,000,000 is meant to partially satisfy the purchase consideration due from the Company for the acquisition of 63% equity interests in SinoCloud 01 Limited as disclosed in Note 9. Mr Zhang Dai was one of the vendors for the sale of the 63% equity interests in SinoCloud 01 Limited to the Group which the Group subsequently acquired on 1 October 2015. Subsequent to the aforesaid arrangement ("2015 Assignment"), the amount of the Convertible Loan owing from Mr Lu to the Company was reduced from $84,000,000 to $72,000,000.

Pursuant to the terms of the Convertible Loan Agreement, the convertible loan is secured by a conversion option, at the Company's discretion (i.e. has the right but not the obligation), to convert amounts outstanding under the Convertible Loan Agreement into a maximum of 94.5% direct equity interest in Zhuhai Entity, which in turn holds, 44.3% equity interest in the PRC Project Company, and representing the Company's effective interest of 41.9% in the PRC Project Company. After the 2015 Assignment, the Company would still have the right (but not the obligation) to convert the amounts outstanding amounts under the Convertible Loan Agreement into a maximum of 94.5% direct equity interest in Zhuhai Entity, which in turn holds 36.8% equity interest in the PRC Project Company, representing the Company's effective interest of 34.8% in the PRC Project Company. This is subject to the PRC regulatory authority officially approving foreign invested enterprises to invest in the restricted telecommunication industry. The Convertible Loan was due and payable by Mr Lu on 25 March 2016, after the parties agreed to extend the initial maturity date of 25 March 2015 for a period of 12 months.

10. TRADE AND OTHER RECEIVABLES (Continued)

(ii) Convertible loan receivable (Continued)

Management assessed and concluded that as the conversion option is not transferrable and is currently not exercisable since the telecommunication industry is restricted only to domestic PRC enterprise, the conversion option has no intrinsic value and this, the Group has no potential voting rights over the SPV or the PRC Company. During the last financial year, one of the Company's directors is appointed as a director of the PRC Company as a further protective right over the Convertible Loan. The Group assessed and concluded that there is no significant influence over the PRC Company as the appointment represents 1 out 7 in the board composition of the PRC Company, and the legal representative, general manager and 3 directors of the PRC Company are appointed by the dominant shareholder of the PRC Company which is a government-owned enterprise. As a result, the management concluded that the Convertible Loan arrangement does not give rise to significant influence over the PRC Company, and has classified the Convertible Loan as a financial asset, expected to be recovered within the next 12 months.

The remaining Convertible Loan amounting to $29,916,000 (2015: $72,000,000) as at 31 March 2016 together with interest charge of $6,084,000 at 4.2% (2015: 4.2%) per annum which is repayable on the repayment date of the principal sum or upon conversion of the principal sum, is included in other receivables until then. The Loan is secured by a conversion option, at the Company's discretion, to convert the Loan into 94.5% equity interest in the SPV, which gives rise to 34.8% (2015: 34.8%) effective interest in the PRC Company, subject to the PRC regulatory authority officially approving foreign invested enterprises to invest in the restricted telecommunication industry.

On 14 June 2016, the Company entered into a binding Memorandum of Understanding with Mr Lu for the repayment of the Convertible Loan ("MOU"), pursuant to which, the Company has agreed to waive $42,084,000 of the outstanding Convertible Loan, conditional upon approval being obtained from shareholders of the Company at a Special General Meeting to be convened. This is because the Company had expected the waived amount to be unrecoverable and had deemed the Convertible Loan as an investment loss.

The remaining $36,000,000 would be repayable by Mr Lu to the Company via the following arrangement:

a) The first installment of $25,000,000 shall be paid to the Company within six months from the date that the Company obtains approval from its shareholders for the Proposed Settlement at a special general meeting ("SGM") to be convened in due course; an

b) The remaining $11,000,000 million shall be paid on or before 31 March 2017.

The Board is of the view that the above arrangement is the best interest of the Company and its shareholders.

10. TRADE AND OTHER RECEIVABLES (Continued)

(iii) Advances to third parties (secured)

In the previous financial year 31 March 2014, the Company extended interest-free advances amounting to $24,700,000 to 5 shareholders of China Satellite Group. The advances are secured by 25.19% (2015: 25.19%) equity interest in China Satellite Group and will be offset against the purchase consideration of the proposed acquisition of additional equity interest in China Satellite Group as disclosed in Note 7 or repayable on 31 January 2016 in the event that the proposed acquisition is not completed by then.

On 2 October 2015, the Company announced that the S&P Agreement signed on 30 September 2015 has lapsed. As such, the S&P Agreement was terminated (the "Termination") and accordingly, the Company will not be proceeding with the Proposed Acquisition. As at the date of this announcement, the Company holds 45% of the existing issued and paid up ordinary shares in the capital of CSMCG.

On 9 December 2015, the Company announced that the Company has reached an agreement with the Pledging Parties and the Transferring Parties to settle the aggregate amount of HK$43.8 million due and owing to the Company in respect of the Loans and the Goodwill Deposits ("Proposed Settlement") in the following manner:

(a) Pursuant to an agreement dated 9 December 2015 and entered into between the Company, Chong Choi Fu (acting as attorney for and on behalf of the Transferring Parties) and the Pledging Parties, (i) the Transferring Parties agreed to transfer the Goodwill 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 Goodwill Deposits. As a result, the aggregate amount due and owing by the Pledging Parties to the Company increased from the Loans amount of HK$24.7 million to HK$43.8 million, being the aggregate amount of the Loans and the Goodwill Deposits (the "Outstanding Amount").

(b) Pursuant to an agreement dated 9 December 2015 and entered into between the Company and the Pledging Parties (the "Settlement Agreement"), the Pledging Parties agreed to transfer, and the Company agreed to accept, the Pledged Shares in full settlement and satisfaction of the Outstanding Amount.

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 to be convened in due course.

As at the end of the reporting period, as this interest free advances have not and will not be repaid, management has deemed this advances to be part of investment in China Satellite Group and accordingly, had reclassified this advances to investment in associates.

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

10. TRADE AND OTHER RECEIVABLES (Continued)

(iv) Earnest deposits to third parties

In the last financial year ended 31 March 2015, the Company granted interest-free earnest deposits amounting to $19,100,000 to another 5 shareholders of China Satellite Group and the Group has paid $1,000,000 in cash and the remaining $18,100,000 was paid directly by the Company's shareholders in a new shares issuance by placement as disclosed in Note 17 (ii).

The interest-free earnest deposits will be offset against the purchase consideration of the proposed acquisition of additional equity interest of 20.76% (2015: 20.76%) in China Satellite Group as disclosed in Note 7. This Proposed Settlement is subject to shareholders' approval in a special general meeting to be convened in due course. As at the end of the reporting period, as this interest free advances have not and will not be repaid, management has deemed this advances to be part of investment in China Satellite Group and accordingly, had reclassified this advances to investment in associates.

(v) Due from a director of a subsidiary (non-trade)

The non-trade balance is interest-free, unsecured and repayable on demand.

11. AMOUNT DUE FROM / (TO) AN ASSOCIATE (NON-TRADE)
AMOUNT DUE TO A SUBSIDIARY (NON-TRADE)

These balances are interest-free, unsecured and repayable on demand.

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables	14,827	153	-	-
Other payables (i)	22,622	21,018	2,234	15,327
Accrued operating expenses	2,711	659	1,238	2,125
Deposits	40	-	-	-
Amount due to a director of a subsidiary (non-trade) (ii)	799	1,154	-	-
	40,999	22,984	3,472	17,452

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

12. TRADE AND OTHER PAYABLES (Continued)

(i) Other payables

In the financial year ended 31 March 2015, included in other payables is financial guarantee recognised as a financial liability, amounting to US$1,500,000 (equivalent to approximately $11,700,000). In 2014, the Company provided an unconditional and irrecoverable financial guarantee to a mobile satellite communication service provider ("Service Provider") of its associate, China Satellite Group, to indemnify the Service Provider against all losses and default from China Satellite Group, in the event that the associate is unable to meet its obligation of at least 10,000,000 minute bulk airtime commitment from 1 April 2014 to 31 March 2015, amounting to a quarterly payment of US$500,000 (total commitment of US$2,000,000). As at 31 March 2015, China Satellite Group owed an amount of US$1,500,000 (equivalent to approximately $11,700,000) to the Service Provider in connection with the airtime commitment. In view of this, the financial guarantee is recognised as a liability owing by the Group to the Service Provider as at 31 March 2015, which is treated as a corresponding loan to the associate included in amount due from an associate (Note 10). The financial guarantee above had been expired on 31 March 2015.

(ii) Amount due to a director of a subsidiary (non-trade)

Amount due to a director is interest-free, unsecured and repayable on demand.

13. LEASE OBLIGATIONS

Group	Minimum lease payments	Interest	Present value of payments
	$'000	$'000	$'000
2016			
Current portion:			
- Not later than one year	22,469	5,209	17,260
2016			
Non-current portion:			
- Between one and five years	42,159	5,479	36,680
- Later than five years	-	-	-

As at 31 March 2015, the Group and the Company have no finance lease obligations.

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

14. SHORT-TERM BORROWING

	Group and Company	
	2016	2015
	$'000	$'000
At beginning of the financial year	6,000	6,000
Less: repayment	(6,000)	-
At end of the financial year	-	6,000

In the last financial year, borrowing from a third party was guaranteed by a director of the Company which have interest at 12% per annum and repayable in 15 August 2015. During the financial year, this borrowing has been fully settled.

15. CONVERTIBLE BONDS

During the current financial year, the Company issued a 12% convertible bonds which is denominated in Singapore Dollars at a nominal value of S$2,256,000 ($13,220,000). The bonds are due for repayment two years from the issue date at their nominal value of $13,200,000 or conversion into shares of the Company at the holder's option at any time within the period commencing seven months from the issue date up until the maturity date at the rate of 376,000,000 shares per S$0.006 nominal value of the bonds.

The fair value of the liability component, included in non-current liabilities, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is nil due to 12% bond interest is approximate to the market interest rate.

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

	Group and Company	
	2016	2015
	$'000	$'000
Face value of convertible bonds issued on 25 May 2015	13,220	-
Equity conversion component on initial recognition	-	-
Liability component on initial recognition	13,220	-
Accumulated amortisation of interest expense	1,338	-
Accumulated payments of interest	(1,338)	-
Liability component as at 31 March 2016	13,220	-

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

16. DEFERRED TAX LIABILITIES

	Group	
	2016	2015
	$'000	$'000
At beginning of the financial year	3,252	3,237
On disposal of subsidiaries	(3,639)	-
Currency translation difference	387	15
At end of the financial year	-	3,252

The components and movement of deferred tax liabilities during the financial year are as follows:

Group	Trade receivables	Others	Total
	$'000	$'000	$'000
2016			
At beginning of the financial year	3,115	137	3,252
On disposal of subsidiaries	(3,486)	(153)	(3,639)
Currency translation differences	371	16	387
At end of the financial year	-	-	-

Group	Trade receivables	Others	Total
	$'000	$'000	$'000
2015			
At beginning of the financial year	3,101	136	3,237
Currency translation difference	14	1	15
At end of the financial year	3,115	137	3,252

As at 31 March 2016, the Group has unused tax losses and capital allowances carried forward amounting to $7,784,109 and $24,960 respectively (2015: $94,409,000 and $356,000 respectively). No deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

Tax losses, amounting to NIL (2015: $4,747,000), relate to a subsidiary in PRC which was disposed during current financial year. These tax losses and capital allowances which has no expiry date (2015: $89,662,000 and $356,000 respectively) relate to subsidiaries in Singapore and Hong Kong, with histories of losses, may not be used to offset taxable income elsewhere in the Group.

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

17. SHARE CAPITAL

	2016		2015		
Group and Company	Number of ordinary shares of $0.001 each	$'000	Number of ordinary shares of $0.05 each	Number of ordinary shares of $0.001 each	$'000
Authorised					
At beginning of the financial year	100,000,000,000	100,000	10,000,000,000	-	500,000
Capital reorganisation [(i)]	-	-	(10,000,000,000)	10,000,000,000	(400,000)
Increase [(i)]	-	-	-	90,000,000,000	-
At end of the financial year	100,000,000,000	100,000	-	100,000,000,000	100,000
Issued and fully paid					
At beginning of the financial year	7,540,813,474	7,541	3,829,523,474	-	191,476
Issued for cash [(ii)]	1,377,000,000	1,377	1,440,000,000	-	72,000
Capital reorganisation [(i)]	-	-	(5,269,523,474)	5,269,523,474	(258,206)
Consideration shares allotted[(iii)]	2,000,000,000	2,000	-	-	-
Performance share allotted [(iv)]	-	-	-	150,000,000	150
Issued for cash [(ii)]	-	-	-	2,121,290,000	2,121
At end of the financial year	10,917,813,474	10,918	-	7,540,813,474	7,541

As at 31 March 2016, the ordinary shares of the Company carry par value of $0.001 each. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The newly issued shares rank *pari passu* in all respects with previously issued shares.

(i) Capital Reorganisation

2015

Pursuant to special resolutions passed in a special general meeting on 7 November 2014, the shareholders approved the followings:

(a) the par value of all shares in the authorised share capital of the Company be reduced from $0.05 each to $0.001 each, resulting in the reduction of the authorised share capital of the Company from $500,000,000 divided into 10,000,000,000 shares of par value $0.05 each to $10,000,000 divided into 10,000,000,000 shares of par value $0.001 each;

(b) the Company's authorised share capital be increased from $10,000,000 divided into 10,000,000,000 shares of par value $0.001 each to $100,000,000 divided into 100,000,000,000 shares of par value $0.001 each by the creation of 90,000,000,000 shares of par value $0.001, each rank *pari passu* in all respects with the existing shares;

17. SHARE CAPITAL (Continued)

(i) Capital Reorganisation (Continued)

2015 (Continued)

(c) the issued and paid up share capital of the Company be reduced from $263,476,174 divided into 5,269,523,474 ordinary shares of par value $0.05 each in the issued share capital of the Company to $5,269,523 divided into 5,269,523,474 shares of par value $0.001 each by cancelling the paid-up capital of the Company to the extent of $0.049 on each issued share of par value $0.05 amounting to $258,206,650 such that the par value of each of the issued shares be reduced from $0.05 to $0.001; and

(d) the credit amount of $258,206,650 arising from this capital reduction exercise is credited to the contributed surplus account of the Company, resulting the total credit amount of $301,554,650 in the contributed surplus account of the Company of which $285,098,000 be applied to set off the accumulated losses in its entirety.

(ii) Issue for Cash

2016

On 3 November 2015, the Company issued 1,377,000,000 new ordinary shares of par value $0.001 each by way of placement. At an issue price of S$0.0035 (equivalent to $0.0196) for each placement shares. The proceeds arising from this placement shares amounted to S$4,819,500 (equivalent to $26,989,200) and the share issue costs amounted to $56,000. Upon the issuance of new shares, the difference between the issue price and the par value which amounted to $25,612,000 is recognised as share premium as at 31 March 2016 (Note 18).

2015

On 25 July 2014, the Company issued 1,440,000,000 new ordinary shares of $0.05 each by way of placement at an issue price of $0.05 for each placement share.

On 17 February 2015, the Company issued 2,121,290,000 new ordinary shares of $0.001 each by way of placement at an issue price of S$0.005 (equivalent to $0.0279) for each placement share.

The net proceeds from the above shares issuance amounted to approximately $71,842,000, after deducting the following direct payments from the shareholders to third parties on behalf of the Company:

(a) issue costs of $8,790,000;

(b) additional convertible loan of $33,950,000 (Note 10(iii));

(c) interest-free earnest deposits of $18,100,000 (Note 10(iv))

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

17. SHARE CAPITAL (Continued)

(iii) Consideration Shares Allotted

On 1 October 2015, the Company issued and allotted a total of 2,000,000,000 new ordinary shares at par value of $0.001 to the Vendor [Note 9 (i)] as part of the purchase consideration for the acquisition of 63% equity interest in SinoCloud 01 Limited and its subsidiaries. The related share issue cost amounted to $120,000.

(iv) Performance Share Allotted

During the financial year ended 2014, pursuant to the SinoCloud Group Limited Performance Share Plan ("PSP") approved by shareholders on 26 July 2013, the Company granted 150 million performance shares (with a weighted average share price of S$0.0123) to eligible employees on 27 December 2013 provided certain prescribed performance target are met by 31 March 2014. All these performance shares granted has been vested during the financial year ended 31 March 2014 by fulfillment of the relevant performance target. Accordingly, 150 million of new ordinary shares have been issued and allotted during the last financial year on 17 February 2015.

The maximum shares to be issued under the PSP are 15% of the Company's issued shares from time to time (excluding treasury shares) on the day preceding the grant date. There are no new grants under the PSP during the current financial year.

18. SHARE PREMIUM

	Group and Company	
	2016	2015
	$'000	$'000
At beginning of the financial year	393,291	337,117
Issuance of new ordinary shares:		
- for acquisition of subsidiaries(i)	19,669	-
- for cash (Note 17 (ii))	-	58,561
- for placement shares allotted (Note 17)	25,612	-
- for performance shares allotted	-	8,878
Less: Share issue cost	(176)	(11,265)
At end of the financial year	438,396	393,291

(i) On 1 October 2015, the Company entered into a Sales and Purchase Agreement with Guiyang Tech to acquire 63% equity interest for a purchase consideration of $103,669,000 through a VIE arrangements. The VIE arrangement is primarily due to circumvent PRC's regulations which restricts foreigners from investing in certain restricted sectors. The purchase consideration was settled through the following arrangements:

- deposits from proposed acquisition of $82,000,000 (Note 9)
- consideration share allotted 2,000,000,000 at par value of $0.001 per share (Note 9 and 17)
- the remaining balance of $19,669,000 is recognized as share premium.

In the current financial year, all share issue costs were settled by cash.

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

19. CONTRIBUTED SURPLUS

Group and Company	2016 $'000	2015 $'000
Capital Reorganisation 2010 [(i)]		
At beginning of the financial year	43,348	-
Arising from Capital Reduction	-	84,696
Less: Offset against accumulated loss	-	(41,348)
At end of the financial year	43,348	43,348
Capital Reorganisation 2015 [(ii)]		
At beginning of the financial year	(26,892)	-
Arising from Capital Reduction	-	258,206
Less: Offset against accumulated losses (Note 25)	-	(285,098)
At end of the financial year	(26,892)	(26,892)
Total contributed surplus	16,456	16,456

[(i)] Capital Reorganisation 2010

By a special resolution passed on 30 April 2010, the authorised share capital of the Company was changed from 900,000,000 shares at par value of $0.20 each to 3,600,000,000 shares at par value of $0.05 each. The issued and paid up share capital of the Company was reduced from $112,928,000 (564,640,474 shares at par value of $0.20 each) to $28,232,000 (564,640,474 shares at par value of $0.05 each). As a result of the capital reduction, the difference of $84,696,000 arising from the capital reorganisation was credited to the contributed surplus account of which $41,348,000 was utilised in 2010 to set off against the accumulated losses.

[(ii)] Capital Reorganisation 2015

By a special resolution passed on 7 November 2014, the authorised share capital of the Company was changed from 10,000,000,000 shares of par value of $0.05 each to 100,000,000,000 shares of par value of $0.001 each (Note 17). The issued and paid up share capital of the Company was reduced from $263,476,174 (5,269,523,474 shares at par value of $0.05 each) to $5,269,524 (5,269,523,474 shares at par value of $0.001 each). As a result of the capital reduction, the difference of $258,206,650 arising from the capital reorganisation was credited to the contributed surplus account, resulting in a total amount of $301,554,650 in the contributed surplus account, of which approximately $285,098,000 was utilised to set off against accumulated losses (Note 25).

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

20. TRANSLATION RESERVE

	Group	
	2016	2015
	$'000	$'000
At beginning of the financial year	32,714	32,838
Net currency translation difference of financial statements of foreign subsidiaries	1,757	(193)
Reclassification on disposal of a subsidiary	(37,563)	-
Share of translation reserve of associates (Note 7)	-	69
Less: Non-controlling interests	(591)	-
At end of the financial year	(3,683)	32,714

21. STATUTORY RESERVE

In accordance with the Foreign Enterprise Law of the PRC, the subsidiary, being a wholly foreign-owned enterprise (WFOE) is required to make contributions to a statutory reserve fund. At least 10 per cent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations is required to be allocated to the reserve fund. If the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital, the enterprise will not be required to make any additional contribution.

The reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The PRC enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

These non-distributable reserves represent amounts set aside in compliance with the local laws in the PRC where the subsidiary operates. The subsidiary is considered a foreign investment enterprise and the percentage of appropriation from the net profit for the year to the various reserve funds are determined by the Board of Directors of the subsidiary.

22. REVALUATION RESERVE

	Group	
	2016	2015
	$'000	$'000
At beginning and end of the financial year	98	98

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

23. SHARE-BASED CAPITAL RESERVE

	Group	
	2016	2015
	$'000	$'000
At beginning of the financial year	-	9,028
Performance share allotted (Notes 17)	-	(9,028)
At end of the financial year	-	-

Upon fulfilment of vesting conditions and allotment of shares, the related balance previously recognised in the Share-based Capital Reserve has been credited to the Share Capital account at par value with the remaining credited to Share Premium account.

24. OTHER DEFICIT

Other deficit arises from the acquisition of non-controlling interest of CRL completed on 22 June 2011 and BTL on 8 January 2009. The Group recognised any premiums or discounts on purchase of equity instruments from non-controlling interest of these subsidiaries subsequent to obtaining control.

25. ACCUMULATED LOSSES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At beginning of the financial year	(42,511)	(285,098)	(169,281)	(379,901)
Loss for the year	(111,615)	(42,511)	(111,191)	(74,478)
Write off of accumulated losses against contributed surplus (Note 19)	-	285,098	-	285,098
At end of the financial year	(154,126)	(42,511)	(280,472)	(169,281)

26. REVENUE

	Group	
	2016	2015
	$'000	$'000
		(Re-presented)
Data centre service fee	19,060	-
Sale of equipment and electronic chips	207	9,467
Rendering of IT services	-	783
	19,267	10,250

(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	-
	9,096	3,389

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
	10,021	3,502

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 (i)	8,760	-
Marketing expenses	207	362
Purchase of equipment	143	-
Professional fees paid / payable by cash (ii)	4,700	13,011
Travelling expenses	1,057	321
Audit fees	1,583	1,221
Others	2,915	1,409
	21,035	16,330

(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

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

	Group	
	2016	2015
	$’000	$’000
Deferred tax (Note 16)		
- current year	29	-

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

31. INCOME TAX (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)	(24,895)
- discontinued operations (Note 32)	45,820	(17,616)
	(112,492)	(42,511)
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	29	-

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.

(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	10,737	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	45,820	(17,616)
Taxation	-	-
Profit/(loss) after taxation from discontinued operations	45,820	(17,616)
Profit/(loss) attributable to equity holders of the Company relates to:		
- Loss from continuing operations	(157,435)	(24,895)
- Profit/(loss) from discontinued operations	45,820	(17,616)
Total	(111,615)	(42,511)
Non-controlling interest:		
- Loss from continuing operations	(906)	-
Total	(906)	-

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)	4,127	(2,267)

(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	37,361	-

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)	(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)	(1.73)	(0.49)

	Group	
	2016	2015
	$'000	$'000
From discontinued operations		
Net profit/ (loss) attributable to equity holders of the Company	45,820	(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)	0.50	(0.35)

(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.

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

34. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 3 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below.

	Group	
	2016	2015
	$'000	$'000
Loan to an associate relating to financial guarantee contract with Service Provider (Note 12(i))	-	11,700
Payment made on behalf of an associate	5,295	5,291
Received on behalf of an associate	-	3,103
Advance obtained from an associate	-	695
Motor vehicle sold to a director of a subsidiary	-	265
Amount due from director of a subsidiary	780	-
Amount due to director of a subsidiary	799	-
Guarantee issued by a director in connection with short-term borrowing (Note 14)	-	6,000
<u>Key management personnel compensation</u>		
Directors of the Company		
- Salary and related costs	2,175	1,020
- Pension contributions	36	-
- Directors' fee	1,080	866
Directors of subsidiaries		
- Salary and related costs	1,048	1,620
- Pension contributions	-	35
Other key management personnel		
- Salary and related costs	2,521	1,260
- Pension contributions	-	18
	6,860	4,819
Categories of total compensation:		
- Short-term employment benefits	6,824	4,766
- Post-employment benefits	36	53
	6,860	4,819

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. All directors and certain managers are considered key management personnel.

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

35. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Group leases certain buildings and motor vehicles under non-cancellable operating lease agreements. The future aggregate minimum leases payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2016	2015
	$'000	$'000
Not later than one year	1,031	107
Later than one year but not later than five years	667	160
	1,698	267

36. SEGMENT INFORMATION

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1: Provision of IT services: Provision of IT consultancy services (including similar services carried out through investment in an associate – Fesco E-HR)
- Segment 2: Trading of IT equipment: Trading of IT equipment and RFID chips
- Segment 3: Mobile satellite services: Provision of mobile satellite communication services and distribution of satellite phones (carried out through investment in an associate – China Satellite Group)
- Segment 4: Internet Data Centre services: Provision of a high performance internet data centre, cloud computing and big data services in the PRC.

Other business operations includes investment holding and is categorised as "All other segments".

Information regarding the results of each reportable segment is included below. Performance is measured based on segment results as included in the internal management reports that are reviewed by the Group's CEO. All other segments' items include the followings:

- Revenue comprise mainly interest income.
- Expenses comprise mainly head office expenses.
- Assets comprise mainly corporate assets (primarily the Company's headquarters), convertible loan receivable and deposit paid for a proposed acquisition.

In the previous financial year, mobile satellite services were grouped under "all other segments". It has been disclosed separately for the financial year ended 31 March 2016. The comparative information presented has been re-presented to reflect the change in composition during the financial year.

(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						-	-	(4,628)
Loss before tax						45,820	(45,820)	(158,312)
Income tax						-	-	(29)
Loss for the financial year						45,820	(45,820)	(158,341)
Segment assets	131,526	250,150	51,494	-	-	-	-	433,170

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

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

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
Segment liabilities	-	89,138	19,021	-	-	-	-	108,159
Unallocated liabilities								
- Income tax payable						-	-	-
- Deferred tax liabilities						-	-	-
						-	-	-
Consolidated total liabilities						-	-	108,159
Other segment items								
Capital expenditure	-	5,621	123	-	-	-	-	5,744
Depreciation of plant and equipment	-	5,216	11	-	148	148	(148)	5,227
Amortisation of intangible assets	-	4,825	-	-	-	-	-	4,825
Impairment of investment in an associate	81,232	-	-	-	-	-	-	81,232
Impairment of convertible loan	-	-	42,084	-	-	-	-	42,084
Share of loss of associates	6,474	-	-	-	126	126	(126)	6,474

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

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2015	Mobile satellite services $'000 (Re-presented)	Internet Data Centre Services $'000 (Re-presented)	All other segments $'000 (Re-presented)	Provision of IT services $'000 (Re-presented)	Trading of IT equipment $'000 (Re-presented)	Subtotal for Discontinued Operations $'000 (Re-presented)	Adjustment $'000 (Re-presented)	Continuing Operations $'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
						-	-	6,163
Consolidated total liabilities						-	-	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

(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

2016	Continued operations	Discontinued operations	Adjustment	Continuing operations
	$'000	$'000	$'000	$'000
Total revenue for reportable segments	28,363	49,385	(49,385)	28,363
Less: Income from all other segments included as other income (Note 28)	(9,096)	(48,441)	48,441	(9,096)
Consolidated revenue	19,267	944	(944)	19,267

2015	Continued operations	Discontinued operations	Adjustment	Continuing operations
	$'000	$'000	$'000	$'000
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	10,250	2,800	(2,800)	10,250

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.

(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:

2016	Revenue (including other income)			
	Continued operations	Discontinued operations	Adjustment	Continuing operations
	$'000	$'000	$'000	$'000
Hong Kong	8,363	49,042	(49,042)	8,363
PRC	20,000	-	-	20,000
	28,363	49,042	(49,042)	28,363

2015	Revenue (including other income)			
	Continued operations	Discontinued operations	Adjustment	Continuing operations
	$'000	$'000	$'000	$'000
Hong Kong	3,389	2,809	(2,809)	3,389
PRC	10,250	-	-	10,250
	13,639	2,809	(2,809)	13,639

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

36. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

2016	Non-current assets			
	Continued operations	Discontinued operations	Adjustment	Continuing operations
	$'000	$'000	$'000	$'000
Hong Kong	280,008	-	-	280,008
PRC	65,787	-	-	65,787
	345,795	-	-	345,795

2015	Non-current assets			
	Continued operations	Discontinued operations	Adjustment	Continuing operations
	$'000	$'000	$'000	$'000
Hong Kong	1,044	-	-	1,044
PRC	246,656	-	-	246,656
	247,700	-	-	247,700

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	48,098	(48,098)	4,689
	28,363	49,042	(49,042)	28,363

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

36. SEGMENT INFORMATION (Continued)

Revenue from major products and services (Continued)

2015	Continued operations	Discontinued operations	Adjustment	Continuing operations
	$'000	$'000	$'000	$'000
	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Provision of IT services	775	-	-	775
Trading of IT equipment:				
- IT equipment	3,875	2,800	(2,800)	3,875
- RFID chips	5,600	-	-	5,600
- Internet data centre services	-	-	-	-
Government grant	-	-	-	-
Interest income	3,060	7	(7)	3,060
Other income	329	2	(2)	329
	13,639	2,809	(2,809)	13,639

37. BUSINESS COMBINATIONS

On 1 October 2015, the Group acquired a 63% equity interest in SinoCloud 01 Limited. The principal activity of SinoCloud 01 Limited is investment holding. As a result of the acquisition, the Group is expected to increase its presence in China.

Detail of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a)	Purchase consideration	$'000
	Shares of the Company	21,669
	Deposit for proposed acquisition -Non-share consideration	37,000
	Deposit for proposed acquisition (paid in prior year)	45,000
	Consideration transfer for the business	103,669

(b)	Effect on cash flows of the Group	
	Cash paid (as above)	-
	Less: Cash and cash equivalents in subsidiary acquired	(221)
	Cash inflow on acquisition	221

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

37. BUSINESS COMBINATIONS (Continued)

(c)

Identifiable assets acquired and liabilities assumed	$'000
Cash and cash equivalents	221
Property, plant and equipment	65,291
Trade and other receivable	11,886
Total assets	77,398
Trade and other payables	(31,325)
Finance leases	(57,274)
Total liabilities	(88,599)
Total identifiable liabilities	(11,201)
Less: Non- controlling interest	(60,870)
Add: Goodwill on acquisition (Note 5)	124,136
Add: Intangible asset	51,604
Consideration transferred for the business	103,669

(d) Non-controlling interest

The Group has chosen to recognise the 37% non-controlling interest at its fair value of $60,870,000. The fair value was estimated by applying an income approach. This is a Level 3 fair value estimates are based on:

- an assumed discount rate of 28% per annum;
- an assumed terminal value corresponds to the sum of all future cash flows generated after the forecast period;
- it is estimated based on the Gordon Growth Model assuming a 3% long term growth rate; and
- assumed financial multiples of companies deemed to be similar to SinoCloud 01 Limited.

(e) Goodwill

The goodwill of $124,136,000 arising from the acquisition is attributable to the intangible assets that do not qualify for separate recognition.

(f) Revenue and profit contribution

- the acquired business contributed revenue of $19,267,000 and net profit of $2,450,000 to the Group from the period from 1 October 2015 to 31 March 2016.
- had SinoCloud 01 Limited been consolidated from 1 April 2015, consolidated revenue and consolidated loss for the year ended 31 March 2016 would have been $19,267,000 and $120,995,000 respectively.

38. SUBSEQUENT EVENT

On 15 June 2016, the Company announced that on 14 June 2016, the Company had entered into a binding Memorandum of Understanding with Mr Lu for the repayment of the Convertible Loan ("MOU"), pursuant to which the Company has agreed to waive $42,084,000 of the outstanding Convertible Loan as the Company deems the Convertible Loan as an investment loss. This waiver of debt would represent approximately 12.9% of the net asset value of the Group as at 31 March 2016.

The remaining $36,000,000 would be repayable by Mr Lu to the Company in Hong Kong dollars (which is the functional currency of the Company) in the following manner:

(i) the first installment of $25,000,000 shall be paid to the Company within six months from the date that the Company has obtained approval from its shareholders for the Proposed Settlement at a special general meeting to be convened in due course; and

(ii) the second installment of $11,000,000 shall be paid to the Company on or before 31 March 2017.

The MOU is conditional upon the approval of the shareholders of the Proposed Settlement and the execution of a deed of settlement or settlement agreement within one month from the date of the signing of the MOU or such later date as the parties may agree in writing ("Definitive Document").

The aggregate outstanding amount due and owing by Mr Lu to the Company is $78,084,000, comprising the Convertible Loan amounting to $72,000,000 and the interest incurred on the convertible loan amounting to $6,084,000 million as at 15 June 2016.

39. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk (including foreign exchange risk and interest rate risk) liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is the Group's policy not to trade in derivative contracts.

(i) Market risk

(a) Foreign exchange risk

The Group operates mainly in Hong Kong and PRC and the Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily with respect to Chinese Renminbi and United States dollar.

(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	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	37,118	15,676	-	-	52,794
Amount due from an associate (non-trade)	22,545	-	-	-	22,544
Cash and bank balances	11,821	207	3	6	12,037
Intra-group receivables	131,884	719	-	-	132,603
	203,368	16,602	3	6	219,978
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
	134,082	77,499	13,863	15,318	240,762
Net financial assets / (liabilities)	69,286	(60,897)	(13,860)	(15,312)	(20.784)
Less: Net financial (assets)/ liabilities denominated in the respective entities functional currencies	(69,500)	58,163	49	-	(11,287)
Foreign currency exposure	(214)	(2,734)	(13,811)	(15,312)	(32,071)

(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)

Group 2015	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	125,645	1,956	-	768	128,369
Amount due from an associate (non-trade)	3,760	-	-	11,700	15,460
Cash and bank balances	7,877	28	3	6	7,914
Intra-group receivables	662,373	56,676	3,415	-	722,464
	799,655	58,660	3,418	12,474	874,207
Financial liabilities					
Trade and other payables	3,234	4,992	2,850	11,908	22,984
Convertible bond	6,000	-	-	-	6,000
Amount due to an associate (non-trade)	-	695	-	-	695
Intra-group payables	662,373	56,676	3,415	-	722,464
	671,607	62,363	6,265	11,908	752,143
Net financial assets / (liabilities)	128,048	(3,703)	(2,847)	566	122,064
Less: Net financial assets denominated in the respective entities functional currencies	(109,933)	(27,974)	(3,305)	-	(141,212)
Foreign currency exposure	18,115	(31,677)	(6,152)	566	(19,148)

(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)

Company 2016	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	36,233	-	-	-	36,233
Amount due from subsidiaries (non-trade)	33,757	-	-	-	33,757
	69,990	-	-	-	69,990
Financial liabilities					
Trade and other payables	2,390	-	590	492	3,472
Convertible bond	-	-	13,220	-	13,220
	2,390	-	13,810	492	16,692
Net financial assets / (liabilities)	67,600	-	(13,810)	(492)	53,298
Less: Net financial assets denominated in the Company's functional currency	(67,600)	-	-	-	(67,600)
Foreign currency exposure	-	-	(13,810)	(492)	(14,302)

(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)

Company 2015	Hong Kong dollar $'000	Chinese Renminbi $'000	Singapore dollar $'000	United States dollar $'000	Total $'000
Financial assets					
Trade and other receivables	118,860	-	-	-	118,860
Amount due from an associate (non-trade)	11,700	-	-	-	11,700
	130,560	-	-	-	130,560
Financial liabilities					
Trade and other payables	14,581	-	2,816	55	17,452
Amount due to a subsidiary (non-trade)	25,440	-	3,376	-	28,816
Short-term borrowings	6,000	-	-	-	6,000
	46,021	-	6,192	55	52,268
Net financial assets / (liabilities)	84,539	-	(6,192)	(55)	78,292
Less: Net financial assets denominated in the Company's functional currency	(84,539)	-	-	-	(84,539)
Foreign currency exposure	-	-	(6,192)	(55)	(6,247)

(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)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Hong Kong dollar against the relevant foreign currencies. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the Hong Kong dollar strengthens by 10% (2015: 10%) against the relevant foreign currency, with all other variables held constant, loss for the year or other comprehensive loss, net of tax will increase / (decrease) by:

Group	Hong Kong dollar *	Chinese Renminbi	Singapore dollar	United States dollar
	$'000	$'000	$'000	$'000
2016				
Loss for the year	-	-	(1,381)	(1,531)
Other comprehensive loss, net of tax	(21)	(273)	-	-
2015				
Loss for the year	-	-	(514)	47
Other comprehensive loss, net of tax	(1,513)	(2,645)	-	-

* Against RMB, the functional currency of a PRC subsidiary

Company	Hong Kong dollar	Singapore dollar	United States dollar
	$'000	$'000	$'000
2016			
Loss for the year	-	(1,381)	(49)
2015			
Loss for the year	-	(517)	(5)

A 10% weakening of Hong Kong dollar against the relevant foreign currencies at the balance sheet date would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remains constant.

(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)

(b) Interest rate risk

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 March 2016, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

Other than the lease obligations, cash and bank balances, amounts due from subsidiaries and borrowings, the Group and the Company do not have financial instruments exposed to interest rate risk as at 31 March 2016. The Group adopts a policy of ensuring that over 90% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The Group's finance lease obligations are on fixed rate basis for the financial year presented.

The following table sets out the carrying amount, of the Group's financial instruments, that are exposed to interest rate risk:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within 1 year – fixed rates				
Financial asset				
Convertible loan receivable (Note 10(ii))	29,916	72,000	29,916	72,000
Financial liabilities				
Lease obligations (Note 13)	17,260	-	-	-
Short term borrowing (Note 14)	-	6,000	-	6,000
Within 1 year – floating rates				
Financial asset				
Cash and bank balances	12,037	7,914	-	-

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

As the impact of changes in floating interest rates on the Group's financial instruments is minimal, sensitivity analysis is not prepared.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Management monitors rolling forecasts of the Group's and the Company's liquidity reserve, cash and bank balances on the basis of expected cash flows.

As at 31 March 2016, the Group has cash at bank balances deposited with banks in the PRC denominated in RMB amounting to $206,000 (RMB172,000) [2015: $28,000 (RMB22,000)]. The RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of settlement, sale and payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct currency exchange business.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

Group	On demand or not later than 1 year	Between 1 and 2 years	Between 2 and 5 years
	$'000	$'000	$'000
2016			
Non-derivative instruments			
Trade and other payables	40,999	-	-
Lease obligations	22,469	42,111	48
Convertible bond	1,586	10,788	-
	65,054	52,899	48
2015			
Non-derivative instruments			
Trade and other payables	22,984	-	-
Due to an associate (non-trade)	695	-	-
Short-term borrowing	6,272	-	-
	29,951	-	-

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Company	On demand or not later than 1 year
	$'000
2016	
Non-derivative instruments	
Trade and other payables	3,472
	3,472
2015	
Non-derivative instruments	
Trade and other payables	17,452
Due to a subsidiary (non-trade)	28,816
Short-term borrowing	6,272
	52,540

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises principally from the Group's trade receivables from customers and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk.

At the balance sheet date, the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics without collaterals, are analysed as follows:

- Approximately $10,243,000 (2015: $1,319,000) of the Group's trade receivables were due from 3 (2015: 3) major customers who are private limited companies operating in Hong Kong and PRC.

- Approximately $19,100,000 unsecured earnest deposits are paid to 5 individual shareholders of the China Satellite Group as disclosed in Note 10[(iv)].

- Approximately $22,544,000 (2015: $15,460,000) due from an associate (non-trade) mainly pertaining to financial guarantee provided to the China Satellite Group as disclosed in Note 12[(i)].

- Approximately NIL (2015: $5,510,000) loan due from a third party for future collaboration with China Mobile Satellite's business as disclosed in Note 10[(i)].

- Approximately $3,024,000 (2015: $3,067,000) interest income receivable arising from the convertible loan receivable from an individual as disclosed in Note 10[(ii)].

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Based on assessments conducted by the management on the fair value of the collaterals as at 31 March 2016, the management expects that any credit risk from convertible loan receivable amounting to $29,915,678 (2015: $72,000,000) and advances to third parties (secured) amounting to $24,700,000 (2015: $24,700,000) can be fully mitigated by the collaterals as disclosed in Note 10[ii] and Note 10[iii] respectively. The Group and Company do not hold any other collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit term granted to trade receivables range from 30 to 60 days (2015: 30 to 60 days) term. No interest is charged on the trade receivables balances.

Cash and bank balances are placed with reputable local financial institutions in Hong Kong, PRC and Singapore. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheets are net of allowances for impairment loss, estimated by management based on prior experience and the current economic environment.

The credit risk for trade and other receivables (excluding prepayments and deposits) based on the information provided to key management is as follows:

	Group	
	2016	2015
	$'000	$'000
By geographical areas		
- Hong Kong	12	3,763
- People's Republic of China	10,754	118,395
- British Virgin Islands	37,156	5,510
	47,922	127,668

The age analysis of trade and other receivables (excluding prepayments and deposits) is as follows:

	Group	
	2016	2015
	$'000	$'000
Not past due and not impaired [i]	41,148	126,551
Past due but not impaired		
- Past due 0 to 3 months	6,774	1,117
- Past due 3 to 6 months	-	-
	6,774	1,117
Impaired receivables	-	3,652
Less: Allowance for impairment loss	-	(3,652)
	47,922	127,668

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(i) Trade and other receivables that are not past due and not impaired are with credit worthy debtors with good payment records with the Group or are fully secured by collaterals.

Included in the balance are other receivables with total carrying amount of approximately $6,608,000 (2015: $5,039,000) which are repayable on demand and not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The movement in allowance for impairment loss is as follows:

	Group	
	2016	2015
	$'000	$'000
Balance at beginning of the year	3,652	3,634
Convertible loan receivable	42,084	-
On disposal of subsidiaries	(3,529)	-
Translation difference	(123)	18
Balance at end of the year	42,084	3,652

The amounts that are past due nor impaired represents balances owing from companies with good credit standing with the Group and these amounts are deemed fully recoverable.

Included in the Group's receivables are customers with total carrying amount of $6,774,000 (2015: $1,117,000), which are past due but not impaired as there has not been a significant change in credit quality and the amount are still considered recoverable.

Receivables that are individually determined to be impaired at the end of the reporting period represents other receivables outstanding for more than 365 days and are determined to be impaired as the repayment is considered unlikely in view of the financial position of the counter parties. These receivables are not secured by any collateral or credit enhancements.

(iv) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables (including cash and bank balances)	85,045	151,743	69,757	130,560
Financial liabilities				
Financial liabilities at amortised cost	108,159	29,679	16,692	52,268

39. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowing disclosed in Note 14, net of cash and bank balances, and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed in Notes 17 to 25. The Group's and Company's strategies, which were unchanged from 2015 are to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business.

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

As disclosed in Note 21, the PRC incorporated subsidiaries of the Group is required by the Foreign Enterprise Law of PRC to contribute to and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been compiled with by the above-mentioned subsidiary for the financial year ended 31 March 2016 and 2015.

Except as mentioned above, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value on a recurring or non-recurring basis

At balance sheet date, there are no financial instruments in this category.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables (including amount due from an associate), trade and other payables (including amount due to a subsidiary and an associate), lease obligations and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

At balance sheet date, there are no financial instruments in this category.

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

41. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassification and re-presentation have been made to the 31 March 2015 statements of financial position and consolidated statement comprehensive income due to discontinued operations as disclosed in Note 32 and to enhance comparability with the current financial year's presentation. The items that were classified and re-presented are as follows:

	Group 2015		
	After re-presentation	Before re-presentation	Difference
	$'000	$'000	$'000
Consolidated statement of comprehensive income			
Revenue	10,250	13,050	(2,800)
Other income	3,389	3,398	(9)
Employee benefits expenses	(3,502)	(9,325)	5,823
Depreciation of property, plant and equipment	-	(364)	364
Amortisation of intangible assets	(558)	(558)	-
Impairment of:			
- intangible asset	(2,232)	(2,232)	-
- investment in associates	-	(3,245)	3,245
Cost of purchases	(8,294)	(10,746)	2,452
Subcontracting fees	(515)	(515)	-
Other expenses	(16,337)	(23,196)	6,859
Finance costs – interest expense	(720)	(739)	19
Share of loss of associates	(6,376)	(8,039)	1,663
Loss from discontinued operation for the financial year, net of tax	(17,616)	-	(17,616)
Loss for the financial year	(42,511)	(42,511)	-
Consolidated statement of cash flows			
Net cash used in operating activities	(43,120)	(45,308)	2,188
Net cash used in investing activities	(29,053)	(26,865)	(2,188)
	(72,173)	(72,173)	-

SHAREHOLDERS' **INFORMATION**

AS AT 24 JUNE 2016

Share Capital

Authorised share capital	- HK$100,000,000
Issued and fully paid-up	- HK$10,917,813.47
No. of ordinary shares (excluding treasury shares)	- 10,917,813,474
No. of treasury shares held	- Nil
Class of shares	- Ordinary shares of HK$0.001 each
Voting rights	- On a show of hands : 1 vote for each shareholder
	- On a poll : 1 vote for each ordinary share

Public Shareholders

Based on information available to the Company as at 24 June 2016, 68.04% of the issued ordinary shares of the Company were held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited has been complied with.

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	1	0.02	88	0.00
100 - 1,000	52	1.28	46,298	0.00
1,001 - 10,000	585	14.44	3,584,900	0.03
10,001 - 1,000,000	3,040	75.03	683,852,948	6.27
1,000,001 and above	374	9.23	10,230,329,240	93.70
	4,052	100.00	10,917,813,474	100.00

Top 20 Shareholders

No.	Name	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	2,911,879,546	26.67
2	Lim & Tan Securities Pte Ltd	1,677,585,700	15.37
3	Xu Yong	650,000,000	5.95
4	Zhang Dai	650,000,000	5.95
5	HK INHONTECH Holdings Company Limited	599,700,000	5.49
6	Bi Wei Na	350,000,000	3.21
7	Xu Yu Chi	350,000,000	3.21
8	Raffles Nominees (Pte) Ltd	265,597,200	2.43
9	OCBC Securities Private Ltd	209,446,500	1.92
10	Koh Wee Meng	206,500,000	1.89
11	Phillip Securities Pte Ltd	183,738,834	1.68
12	UOB Kay Hian Pte Ltd	151,457,383	1.39
13	Estate of Leong Hong Kah, Deceased	85,900,000	0.79
14	RHB Securities Singapore Pte Ltd	69,896,000	0.64
15	DBS Nominees Pte Ltd	68,980,251	0.63
16	Stephen Kang Yew Jin	55,000,000	0.50
17	Dai Fang	44,600,000	0.41
18	Tan Eng Chua Edwin	43,294,300	0.40
19	Kwek Meow Lan	43,000,000	0.39
20	Yeo Chin Chai	43,000,000	0.39
		8,659,575,714	79.31

SHAREHOLDERS' **INFORMATION**

AS AT 24 JUNE 2016

Substantial Shareholders

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of shares**	**% of issued share capital (1)**	**No. of shares**	**% of issued share capital (1)**
Lam Cho Ying Terence Joe	912,528,400 (2)	8.36	153,000,000 (2)	1.40
Xu Yong	650,000,000	5.95	-	-
Zhang Dai	650,000,000	5.95	-	-
HK INHONTECH Holdings Company Limited	599,700,000	5.49	-	-
Cayman INHONTECH Holdings Co., Ltd. (3)	-	-	599,700,000	5.49
INHONTECH Holdings Co., Ltd. (4)	-	-	599,700,000	5.49
Hongfan Wei (5)	-	-	599,700,000	5.49

Notes:

(1) Based on the Company's issued share capital of 10,917,813,474 shares as at 24 June 2016.

(2) Lam Cho Ying Terence Joe holds the 912,528,400 shares through nominee company(ies). He is deemed to be interested in the 153,000,000 shares held by Alternus Capital Holdings Limited by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

(3) Cayman INHONTECH Holdings Co., Ltd. is deemed to be interested in the 599,700,000 shares held by HK INHONTECH Holdings Company Limited by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

(4) INHONTECH Holdings Co., Ltd. is deemed to be interested in the 599,700,000 shares held by HK INHONTECH Holdings Company Limited by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

(5) Hongfan Wei is deemed to be interested in the 599,700,000 shares held by HK INHONTECH Holdings Company Limited by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2016 Annual General Meeting of SinoCloud Group Limited (the "**Company**") will be held at Henderson Room #307, 32 Maxwell Road #03-01, Singapore 069115 on Thursday, 28 July 2016 at 9.30 a.m. (Singapore time) for the following businesses:

As Ordinary Business

1 To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 March 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2 To re-elect the following persons as directors of the Company, each of whom will retire by rotation pursuant to Bye-law 104 of the Company's Bye-Laws and who, being eligible, will offer themselves for re-election:

(a) Mr Luk Chung Po, Terence **(Resolution 2(a))**
(b) Mr Phuah Lian Heng **(Resolution 2(b))**

See Explanatory Note (i)

3 To re-elect Ms Chu Yin Ling, Karen as a director of the Company, who was appointed as a new director of the Company during the financial year ended 31 March 2016, pursuant to Bye-law 107(B) of the Company's Bye-Laws and who, being eligible, will offer herself for re-election. **(Resolution 3)**

See Explanatory Note (i)

4 To consider and if thought fit, pass the following ordinary resolution, with or without modifications:

"That directors' fees of S$196,000/- payable by the Company for the financial year ending 31 March 2017, to be paid quarterly in arrears, be approved." **(Resolution 4)**

Note: The amount of directors' fees for the financial year ended 31 March 2016, which was approved during the 2015 Annual General Meeting of the Company, was S$196,000/-.

5 To re-appoint RT LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the directors of the Company to fix their remuneration. **(Resolution 5)**

As Special Business

6 To consider and if thought fit, pass the following as a special resolution, with or without modifications:

Authority to allot and issue shares and make or grant instruments that might or would require shares to be issued with no sub-limit for non pro rata issues

"That pursuant to Rule 806(2) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual – Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the directors of the Company to:

(a) (i) issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution 6 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors of the Company while the authority conferred by this Resolution 6 was in force,

provided that:

(1) the aggregate number of Shares to be issued and Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6(a)(i) and 6(a)(ii) does not exceed 100% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), whether on a pro rata or non pro rata basis;

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time of passing this Resolution 6, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time of passing this Resolution 6; and

(b) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Resolution 6, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 6 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

See Explanatory Note (ii) **(Resolution 6)**

7 In the event that Resolution 6 is not approved by shareholders of the Company, to consider and if thought fit, pass the following as an ordinary resolution, with or without modifications:

Authority to allot and issue shares and make or grant Instruments that might or would require shares to be issued with a sub-limit for non pro rata issues

"That pursuant to Rule 806(2) of the Catalist Rules, authority be and is hereby given to the directors of the Company to:

(a) (i) issue ordinary shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution 7 may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors of the Company while the authority conferred by this Resolution 7 was in force,

provided that:

(1) the aggregate number of Shares to be issued and Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7(a)(i) and (ii) does not exceed 100% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 7) does not exceed 50% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments (excluding treasury shares) shall be based on the number of issued Shares (excluding treasury shares) at the time of passing this Resolution 7, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution 7 is passed; and

(b) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising the authority conferred by this Resolution 7, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Bye-Laws for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution 7 shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

See Explanatory Note (iii) **(Resolution 7)**

8 To consider and if thought fit, pass the following as an ordinary resolution, with or without modifications:

Authority for the directors of the Company to grant awards and allot and issue shares under the SinoCloud Group Limited Performance Share Plan

"That the directors of the Company or a committee of the directors be authorised and empowered to grant awards in accordance with the provisions of the SinoCloud Group Limited Performance Share Plan (formerly known as Armarda Group Limited Performance Share Plan) (the "**Plan**") and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary Shares to be issued pursuant to the Plan and other share scheme which the Company may implement from time to time, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. For the avoidance of doubt, shareholders' pre-emptive right under Bye-law 10 of the Bye-Laws of the Company does not apply."

See Explanatory Note (iv) **(Resolution 8)**

9 To transact any other business that may be transacted at an Annual General Meeting.

By Order Of The Board

Chu Yin Ling, Karen
Director and Company Secretary
5 July 2016

Explanatory Notes

(i) Mr Luk Chung Po, Terence will, upon re-election as a director of the Company, remain as Deputy Chairman of the Company.

Mr Phuah Lian Heng will, upon re-election as a director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and the Nominating Committees. The Board considers him to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Chu Yin Ling, Karen will, upon re-election as a director of the Company, remain as Executive Director of the Company.

Save for their respective shareholdings in the Company as disclosed in the section entitled "**Directors' Statement**" of the Company's 2016 Annual Report, there are no relationships (including immediate family relationships) between the abovementioned directors and the other directors of the Company, the Company or its 10% shareholders. Further detailed information on Mr Luk Chung Po, Terence, Mr Phuah Lian Heng and Ms Chu Yin Ling, Karen can be found under the sections entitled "**Board of Directors**" and "**Corporate Governance Report**" of the Company's 2016 Annual Report.

(ii) Resolution 6 (to be passed as a Special Resolution) is to empower the directors of the Company, from the date of the passing of Special Resolution 6 to the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares) whether on a pro rata or non pro rata basis. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) at the time that Resolution 6 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time that Resolution 6 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Resolution 6, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(iii) Resolution 7 (to be passed as an Ordinary Resolution) is to empower the directors of the Company, in the event that Special Resolution 6 is not passed, from the date of the passing of Resolution 7 to the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares) with a sub-limit of 50% of the total number of issued Shares (excluding treasury shares) for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the number of issued Shares (excluding treasury shares) at the time that Resolution 7 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Ordinary Resolution 7, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(iv) Resolution 8 (to be passed as an Ordinary Resolution) is to empower the directors of the Company or a committee of the directors to grant awards and to allot and issue Shares pursuant to the Plan provided that the aggregate number of Shares to be issued pursuant to the Plan and other share scheme which the Company may implement from time to time, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

Notes

1. If a shareholder of the Company who is not a Depositor (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), is unable to attend the Annual General Meeting and wishes to appoint a proxy/proxies to attend and vote on his behalf, he could complete, sign and return the proxy form ("**Shareholder Proxy Form**") in accordance with the instructions printed thereon. With the exception of The Central Depository (Pte) Limited (the "**CDP**") who may appoint more than two (2) proxies, a shareholder of the Company entitled to attend and vote at the Annual General Meeting who holds two (2) or more shares is entitled to appoint no more than two (2) proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

2. Where a form of proxy appoints more than one (1) proxy (including the case where such appointment results from a nomination by the CDP), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

3. If a Depositor who is an individual and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) as at a time not earlier than 48 hours before the time appointed for the Annual General Meeting and is unable to attend the Annual General Meeting personally and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the proxy form (the "**Depositor Proxy Form**") in accordance with the instructions printed thereon.

4. A Depositor who is not an individual can only be represented at the Annual General Meeting if its nominee/nominees is/are appointed as CDP's proxy/proxies. To appoint its nominee/nominees as proxy/proxies of the CDP and to enable its nominee/nominees to attend and vote at the Annual General Meeting, such Depositor should complete, execute and deposit the Depositor Proxy Form in accordance with the instructions printed thereon.

5. A corporation which is a shareholder of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its corporate representative at the Annual General Meeting.

6. To be valid, the Shareholder Proxy Form or the Depositor Proxy Form, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's Singapore Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the Annual General Meeting or at any adjournment thereof. Detailed instructions can be found on the Shareholder Proxy Form and Depositor Proxy Form.

7. The completion and return of a Shareholder Proxy Form by a Shareholder who is not a Depositor, or a Depositor Proxy Form by a Depositor, shall not preclude him from attending and voting in person at the Annual General Meeting if he wishes to do so, in place of his proxy/proxies.

8. Shareholders of the Company (and their respective proxies) are requested NOT to wear singlets, running shorts and slippers at Maxwell Chambers, the venue of the Annual General Meeting of the Company. Your co-operation in complying with Maxwell Chambers' dress code is greatly appreciated or otherwise, you may be denied entry into the building.

Personal Data Privacy:

Where a shareholder of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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

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

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 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

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SINOCLOUD GROUP LIMITED | ANNUAL REPORT 2016

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