**SINOCLOUD GROUP LIMITED**

**(THE "COMPANY")**

(Company Registration No.: 34050)

(Incorporated in Bermuda on 13 August 2003)

## Unaudited Second Quarter and Six Months Financial Statement And Dividend Announcement for the Financial Period Ended 30 September 2018

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

### 1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

**CONSOLIDATED INCOME STATEMENT**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

**(Expressed in Hong Kong thousand dollars)**

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | Group | Group | | Group | Group | |
| | 30.9.2018 | 30.9.2017 | % | 30.9.2018 | 30.9.2017 | % |
| | (Unaudited) | (Unaudited) | +/(-) | (Unaudited) | (Unaudited) | +/(-) |
| **Revenue** | 13,149 | 12,607 | 4 | 26,942 | 26,825 | 0 |
| Other income | 237 | 2,538 | (91) | 2,008 | 22,160 | (91) |
| Employee benefits expense | (3,078) | (2,461) | 25 | (5,569) | (4,969) | 12 |
| Depreciation of property, plant and equipment | (2,263) | (2,852) | (21) | (4,527) | (5,647) | (20) |
| Amortisation of intangible assets | (2,412) | (2,412) | 0 | (4,824) | (4,824) | 0 |
| Operating lease expenses | (1,016) | (1,786) | (43) | (2,652) | (3,573) | (26) |
| Subcontracting fee | - | - | - | - | (1,915) | (100) |
| Bandwidth fee | (3,782) | (981) | NM | (9,173) | (2,778) | NM |
| Other expenses | (4,061) | (1,973) | NM | (6,572) | (4,744) | 39 |
| Foreign exchange adjustment gain | 206 | 253 | (19) | 962 | 482 | 100 |
| Finance costs | (556) | (622) | (11) | (2,030) | (1,403) | 45 |
| Share of associates' loss | - | (324) | (100) | - | (646) | (100) |
| **(Loss)/ Profit before tax** | (3,576) | 1,987 | NM | (5,435) | 18,968 | NM |
| Provision for income tax | (403) | - | NM | (882) | - | NM |
| **(Loss)/ Profit after tax** | (3,979) | 1,987 | NM | (6,317) | 18,968 | NM |
| **(Loss) / Profit attributable to:** | | | | | | |
| Equity holders of the Company | (4,849) | (586) | NM | (8,316) | 7,826 | NM |
| Non-controlling interest | 870 | 2,573 | (66) | 1,999 | 11,142 | (82) |
| | (3,979) | 1,987 | NM | (6,317) | 18,968 | NM |

*NM: Not meaningful*

**1(a)(ii) A consolidated statement (for the group) of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

**SINOCLOUD GROUP LIMITED**
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2018**
**(Expressed in Hong Kong thousand dollars)**

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | 30.9.2018 | 30.9.2017 | % | 30.9.2018 | 30.9.2017 | % |
| | **(Unaudited)** | **(Unaudited)** | +/(-) | **(Unaudited)** | **(Unaudited)** | +/(-) |
| **(Loss)/ Profit for the period** | **(3,979)** | **1,987** | NM | **(6,317)** | **18,968** | NM |
| **Other comprehensive income / (loss)** | | | | | | |
| Currency translation difference arising from consolidation | (7,965) | 253 | NM | (19,298) | 253 | NM |
| **Total comprehensive (loss) / profit for the period** | **(11,944)** | **2,240** | NM | **(25,615)** | **19,221** | NM |
| **Total comprehensive (loss) /profit attributable to** | | | | | | |
| Equity holders of the Company | (9,419) | (333) | NM | (19,894) | 8,308 | NM |
| Non-controlling interest | (2,525) | 2,573 | NM | (5,721) | 10,913 | NM |
| **Total comprehensive (loss) / profit for the period** | **(11,944)** | **2,240** | NM | **(25,615)** | **19,221** | NM |

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

SINOCLOUD GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018
(Expressed in Hong Kong thousand dollars)

| | The Group | | The Company | |
|---|---|---|---|---|
| | As at 30.9.2018 (Unaudited) | As at 31.3.2018 (Audited) | As at 30.9.2018 (Unaudited) | As at 31.3.2018 (Audited) |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 196,796 | 220,800 | - | - |
| Intangible assets | 146,792 | 151,617 | - | - |
| Amount due from subsidiaries (non-trade) | - | - | 116,359 | 104,507 |
| | 343,588 | 372,417 | 116,359 | 104,507 |
| **Current assets** | | | | |
| Trade and other receivables | 111,232 | 169,544 | 15,089 | 31,851 |
| Cash and bank balances | 1,233 | 724 | - | - |
| | 112,465 | 170,268 | 15,089 | 31,851 |
| **TOTAL ASSETS** | 456,053 | 542,685 | 131,448 | 136,358 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 63,555 | 106,101 | 9,447 | 9,448 |
| Short term borrowing | 5,697 | 49,967 | - | - |
| Loans from shareholder | 4,730 | 2,000 | - | - |
| Provision for warranty | 1,155 | 1,266 | - | - |
| | 75,137 | 159,334 | 9,447 | 9,448 |
| **Non-current liabilities** | | | | |
| Convertible bonds | 13,220 | 13,220 | 13,220 | 13,220 |
| Loans from shareholder | 2,344 | 4,074 | - | - |
| Trade payables | 24,911 | - | - | - |
| | 40,475 | 17,294 | 13,220 | 13,220 |
| | | | - | - |
| **TOTAL LIABILITIES** | 115,612 | 176,628 | 22,667 | 22,668 |
| **NET ASSETS** | 340,441 | 366,057 | 108,781 | 113,690 |
| **EQUITY** | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | |
| Share capital | 14,311 | 14,311 | 14,311 | 14,311 |
| Share premium | 473,003 | 473,003 | 473,003 | 473,003 |
| Contributed surplus | 16,456 | 16,456 | 16,456 | 16,456 |
| Translation reserve/ (deficit) | (1,950) | 9,628 | - | - |
| Statutory reserve | 5,863 | 5,863 | - | - |
| Revaluation reserve | 98 | 98 | - | - |
| Other reserve | 15,120 | 15,120 | - | - |
| Accumulated losses | (261,182) | (252,866) | (394,989) | (390,080) |
| | 261,719 | 281,613 | 108,781 | 113,690 |
| **Non-controlling interest** | 78,722 | 84,444 | - | - |
| **TOTAL EQUITY** | 340,441 | 366,057 | 108,781 | 113,690 |

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

### Amount repayable in one year or less, or on demand

| | As at 30.9.2018 In HK$'000 | | As at 31.3.2018 In HK$'000 | |
|---|---|---|---|---|
| | **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| Short term loan from bank | - | 5,697 | - | 6,246 |
| Amount due to directors of the Company | - | 1,020 | - | 1,020 |
| Loan from related party | - | 1,188 | - | 7,445 |
| Short term loan from a financial institution | - | - | - | 43,721 |
| Loans from a shareholder of the Company | - | 4,730 | - | 2,000 |

### Amount repayable after one year

| | As at 30.9.2018 In HK$'000 | | As at 31.3.2018 In HK$'000 | |
|---|---|---|---|---|
| | **Secured** | **Unsecured** | **Secured** | **Unsecured** |
| Loans from a shareholder of the Company | - | 2,344 | - | 4,074 |
| Convertible bonds | - | 13,220 | - | 13,220 |

### Details of any collateral

Not applicable as there are no collateral on the Group's borrowings and debt securities.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

**SINOCLOUD GROUP LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE PERIOD ENDED 30 SEPTEMBER 2018**
(Expressed in Hong Kong thousand dollars)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **30.09.2018** | **30.09.2017** | **30.09.2018** | **30.09.2017** |
| **Cash flow from operating activities** | | | | |
| (Loss)/ Profit for financial period | (3,979) | 1,987 | (6,317) | 18,968 |
| *Adjustments:* | | | | |
| Depreciation of property, plant and equipment | 2,263 | 2,852 | 4,527 | 5,647 |
| Amortisation of intangible assets | 2,412 | 2,412 | 4,824 | 4,824 |
| Share of loss of associates | - | 324 | - | 646 |
| Other income arising from termination of finance lease arrangement | - | - | - | (18,299) |
| Finance costs | 556 | 622 | 2,030 | 1,403 |
| Provision for income tax | 403 | - | 882 | - |
| Operating profit before working capital changes | 1,655 | 8,197 | 5,946 | 13,189 |
| Trade and other receivables | 3,987 | 482 | 1,725 | (3,366) |
| Trade and other payables | (14,667) | 6,715 | (14,821) | (8,687) |
| **Net cash (used in)/ generated from operating activities** | (9,025) | 15,394 | (7,150) | 1,136 |
| **Cash flow from investing activities** | | | | |
| Proceeds from refundable deposit for a potential acquisition | 39,823 | - | 39,823 | - |
| Receipt of repayment from vendors of CSMCG | 13,650 | - | 16,764 | 1,500 |
| Prepayment of system integration fees for Guiyang IDC phase 2 development | - | (38,625) | - | (145,840) |
| **Net cash generated from/ (used in) investing activities** | 53,473 | (38,625) | 56,587 | (144,340) |
| **Cash flow from financing activities** | | | | |
| Proceeds from GY Fund capital injection | - | - | - | 140,764 |
| Proceeds of loan from a shareholder of the Company | 1,000 | 1,730 | 1,000 | 2,730 |
| Proceeds of loan from director of a subsidiary | (3,686) | - | (5,585) | - |
| Repayment of loan / borrowing from a financial institution | (39,880) | - | (39,880) | - |
| Interest paid | (121) | (162) | (1,052) | (492) |
| **Net cash (used in)/ generated from financing activities** | (42,687) | 1,568 | (45,517) | 143,002 |
| **Net increase/ (decrease) in cash and cash equivalents** | 1,761 | (21,663) | 3,920 | (202) |
| Cash and cash equivalents at beginning of the financial period | 1,050 | 22,542 | 724 | 1,081 |
| Effect of exchange rate changes in cash and cash equivalents | (1,578) | - | (3,411) | - |
| **Cash and cash equivalents at end of the financial period** | 1,233 | 879 | 1,233 | 879 |

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

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

| *Group* | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital HK$'000** | **Share premium HK$'000** | **Contributed surplus HK$'000** | **Translation reserve HK$'000** | **Statutory reserve HK$'000** | **Revaluation reserve HK$'000** | **Other deficit HK$'000** | **Accumulated losses HK$'000** | **Non-controlling Interest HK$'000** | **Total equity HK$'000** |
| **Balance as at 1 April 2017** | **10,918** | **438,396** | **16,456** | **(3,785)** | **5,863** | **98** | **(52,475)** | **(199,972)** | **31,277** | **246,776** |
| Loss for the period from 1.4.2017 to 30.6.2017 | - | - | - | - | - | - | - | 8,412 | 8,569 | 16,981 |
| Contribution by and distributions to owners | | | | | | | | | | |
| Write off of translation reserve arising from strike off of subsidiary | - | - | - | 2,958 | - | - | - | (2,958) | - | - |
| GY Fund capital injection | - | - | - | - | - | - | 37,936 | - | 24,188 | 62,124 |
| **Total contribution by and distributions to owners** | - | - | - | 2,958 | - | - | 37,936 | (2,958) | 24,188 | 62,124 |
| **Balance as at 30 June 2017** | **10,918** | **438,396** | **16,456** | **(827)** | **5,863** | **98** | **(14,539)** | **(194,518)** | **64,034** | **325,881** |
| Loss for the period from 1.7.2017 to 30.9.2017 | - | - | - | - | - | - | - | (586) | 2,573 | 1,987 |
| Other comprehensive profit, net of tax | - | - | - | 253 | - | - | - | - | - | 253 |
| Total comprehensive profit | - | - | - | 253 | - | - | - | (586) | 2,573 | 2,240 |
| Contribution by and distributions to owners | | | | | | | | | | |
| GY Fund capital injection | - | - | - | 1,823 | - | - | 43,179 | - | 33,386 | 78,388 |
| **Total contribution by and distributions to owners** | - | - | - | 1,823 | - | - | 43,179 | - | 33,386 | 78,388 |
| **Balance as at 30 September 2017** | **10,918** | **438,396** | **16,456** | **1,249** | **5,863** | **98** | **28,640** | **(195,104)** | **99,993** | **406,509** |

| ***Company*** | Attributable to equity holders of the Company | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Contributed surplus** | **Accumulated losses** | **Total equity** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| **Balance as at 1 April 2018** | **14,311** | **473,003** | **16,456** | **(390,080)** | **113,690** |
| Loss for the period from 1.4.2018 to 30.6.2018 | - | - | - | (2,325) | (2,325) |
| **Balance as at 30 June 2018** | **14,311** | **473,003** | **16,456** | **(392,405)** | **111,365** |
| Loss for the period from 1.7.2018 to 30.9.2018 | - | - | - | (2,584) | (2,584) |
| **Balance as at 30 September 2018** | **14,311** | **473,003** | **16,456** | **(394,989)** | **108,781** |

| ***Company*** | Attributable to equity holders of the Company | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Contributed surplus** | **Accumulated losses** | **Total equity** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| **Balance as at 1 April 2017** | **10,918** | **438,396** | **16,456** | **(325,744)** | **140,026** |
| Loss for the period from 1.4.2017 to 30.6.2017 | - | - | - | (2,424) | (2,424) |
| **Balance as at 30 June 2017** | **10,918** | **438,396** | **16,456** | **(328,168)** | **137,602** |
| Loss for the period from 1.7.2017 to 30.9.2017 | - | - | - | (2,412) | (2,412) |
| **Balance as at 30 September 2017** | **10,918** | **438,396** | **16,456** | **(330,580)** | **135,190** |

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

| | Issued and fully paid-up ordinary shares | Share capital HK$'000 |
|---|---|---|
| **Balance as at 30 June 2018 and 30 September 2018** | **14,310,670,617** | **14,311** |

On 28 November 2017, the Company entered into two separate convertible bonds agreements with Mr Lam Cho Ying Terence Joe and Mr Soo Kok Beng Peter ("**Subscribers**") respectively, for bonds in aggregate principal amount of S$2,256,000 to be issued by the Company, due on 27 November 2019 ("**Convertible Bonds**"). The Convertible Bonds are convertible into 1,128,000,000 new shares in the capital of the Company at a conversion price of S$0.002 for each share. As at 30 September 2018 and as at the date of this announcement, no conversion has taken place.

The total number of shares that may be issued on conversion of all the outstanding convertibles of the Company as at 30 September 2018 is 1,128,000,000 (30 September 2017: 376,000,000). The convertible securities as at 30 September 2018 relate to the Convertible Bonds. Save for the above, the Company does not have any other convertible securities.

There were no treasury shares and subsidiary holdings as at 30 September 2018 and 30 September 2017.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 September 2018 was 14,310,670,617 (31 March 2018: 14,310,670,617).

There were no treasury shares as at 30 September 2018 and 31 March 2018.

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

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

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

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

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

The figures have not been audited nor reviewed by the Group's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 March 2018. The adoption of the new and amended International Financial Reporting Standards (IFRS) and Interpretations of IFRS (INT IFRS) that are mandatory for financial year beginning on or after 1 April 2018 does not result in substantial changes to the Group's financial statements.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Please refer to paragraph 4 above.

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

| | **3 Months Ended 30.9.2018** | **3 Months Ended 30.9.2017** | **6 Months Ended 30.9.2018** | **6 Months Ended 30.9.2017** |
|---|---|---|---|---|
| (Loss)/ Profit attributable to equity holders of the Company (HK$'000) | (4,849) | (586) | (8,316) | 7,826 |
| Weighted average number of shares in issue | 14,310,670,617 | 10,917,813,474 | 14,310,670,617 | 10,917,813,474 |
| **(Loss)/ Profit per ordinary share (HK cents)** | | | | |
| - Based on weighted average number of ordinary shares in issue | **(0.03)** | **(0.005)** | **(0.06)** | **0.07** |
| - On a fully diluted basis (Please see note below) | **(0.03)** | **(0.005)** | **(0.06)** | **0.07** |

**Note**:
The convertible bonds in aggregate principal amount of S$2,256,000 which expired on 26 May 2017 has no dilutive effect for the three-month and six-month financial period ended 30 September 2017. The Convertible Bonds expiring on 27 November 2019 has no dilutive effect for the three-month and six-month financial period ended 30 September 2018.

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

| | As at 30.9.2018 | As at 31.3.2018 |
|---|---|---|
| Net asset value of the Company per ordinary share | **HK$0.008** | **HK$0.008** |
| Net asset value of the Group per ordinary share | **HK$0.018** | **HK$0.020** |

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Following the completion of the Group's acquisition of 63% interest in SinoCloud 01 Limited on 1 October 2015, SinoCloud 01 Limited ("**SC01**" and together with its subsidiaries comprising SinoCloud 01 Limited, SinoCloud 01 (HK) Limited, SinoCloud Data (Guiyang) Limited and Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**GYZD**"), the "**S01 Group**") are treated as subsidiaries of the Group. The Group has consolidated the profit or loss and financial position of the S01 Group into the Group's financial statements. On 7 March 2017, the Group acquired an additional 18% interest in SC01 and the S01 Group became a 81% subsidiary of the Group. Since 15 May 2017 and as at 30 June 2017, the Company's effective interest in GYZD was reduced from 81% to 66.42% as a result of an initial investment of RMB54.0 million by Guiyang Gaoxin Big Data Fund Company ("**Guiyang Fund**") in GYZD ("**Initial Guiyang Fund Investment**"). On 6 July 2017, the Company's effective interest in GYZD was reduced from 66.42% to 48.6%, as a result of additional investment of RMB66.0 million ("**Subsequent Guiyang Fund Investment**") by Guiyang Fund in GYZD. Please refer to the Company's announcements on 16 May 2017 and 6 July 2017 for further information on the Initial Guiyang Fund Investment and the Subsequent Guiyang Fund Investment. On 6 October 2017, the Group completed the acquisition of an additional 19.0% equity interest in SC01 and accordingly, SC01 became a 100.0% owned subsidiary of the Group, and the Company's effective interest in GYZD increased from 48.6% to 60.0%. The remaining stake of 40% in GYZD not held by the Group shall be treated as non-controlling interest and will be reported separately in the Group's financial statements for the financial period ended 30 September 2018.

**(A) REVIEW OF FINANCIAL RESULTS**

**Revenue**

Revenue generated in the three months ended ("**3M**") 30 September 2018 increased by HK$0.5 million, from HK$12.6 million in the 3M 30 September 2017 to HK$13.1 million in the 3M 30 September 2018. Further, revenue increased slightly by HK$0.1 million, from HK$26.8 million in the six months ended ("**6M**") 30 September 2017 to HK$26.9 million in the 6M 30 September 2018. The increase was attributable to an increase in revenue contribution from GYZD, due to an increase in demand for its internet data centre ("**IDC**") services.

**Other income**

Other income decreased by HK$2.3 million, from HK$2.5 million in the 3M 30 September 2017 to HK$0.2 million in the 3M 30 September 2018. Other income of HK$0.2 million in the 3M 30 September 2018 relates to recovery of a receivable written-off during the financial year ended 31

March 2017 ("**FY2017**"), while other income of HK$2.5 million in the 3M 30 September 2017 relates to a government subsidy received by GYZD.

Other income of HK$2.0 million in the 6M 30 September 2018 comprised (i) government subsidy received by GYZD of HK$1.8 million; and (ii) recovery of a receivable written-off in FY2017 of HK$0.2 million.

Other income of HK$22.2 million in the 6M 30 September 2017 comprised (i) government subsidy received by GYZD of HK$3.9 million; and (ii) a reversal of interest expenses accrued in prior years in respect of a finance lease arrangement of GYZD of HK$18.3 million. The reversal of interest expense was due to interest savings as a result of an early settlement by the subsidiary – GYZD, with the lessor of GYZD.

**Operating expenses**

Employee benefits expenses increased by HK$0.6 million, from HK$2.5 million in the 3M 30 September 2017 to HK$3.1 million in the 3M 30 September 2018, and increased by HK$0.6 million, from HK$5.0 million in the 6M 30 September 2017 to HK$5.6 million in the 6M 30 September 2018, mainly due to annual performance bonus provided to the employees in the PRC during the 3M 30 September 2018. No such bonus was provided during 3M and 6M 30 September 2017.

Depreciation of property, plant and equipment decreased by HK$0.6 million, from HK$2.9 million in the 3M 30 September 2017 to HK$2.3 million in the 3M 30 September 2018, and decreased by HK$1.1 million, from HK$5.6 million in the 6M 30 September 2017 to HK$4.5 million in the 6M 30 September 2018. The decrease in depreciation expenses was mainly due to the full depreciation of an equipment during the financial year ended 31 March 2018 ("**FY2018**") and depreciation of RMB against HK$ as the property, plant and equipment of GYZD are denominated in RMB whereas the reporting currency of the Group is HK$.

Amortisation of intangible assets remained at HK$2.4 million in both 3M 30 September 2018 and 3M 30 September 2017, and remained at HK$4.8 million in both 6M 30 September 2018 and 6M 30 September 2017. It relates to the amortisation of intangible assets of customer contract and favorable lease arising from the acquisition of SC01.

Operating lease expenses decreased by HK$0.8 million, from HK$1.8 million in the 3M 30 September 2017 to HK$1.0 million in the 3M 30 September 2018, and decreased by HK$0.9 million, from HK$3.6 million in the 6M 30 September 2017 to HK$2.7 million in the 6M 30 September 2018. The decrease was mainly due to lower rental expense incurred in 3M and 6M September 2018 due to relocation of GYZD's office as well as reassessment of operating lease expenses accrued and payable in respect of the GYZD's office.

There were no subcontracting fee incurred in the 3M 30 September 2018, 3M 30 September 2017 and 6M 30 September 2018. Subcontracting fee of HK$1.9 million in the 6M 30 September 2017 related to outsource fees payable to subcontractors for some of the project implementation process in GYZD.

Bandwidth fee increased by HK$2.8 million, from HK$1.0 million in the 3M 30 September 2017 to HK$3.8 million in the 3M 30 September 2018, and increased by HK$6.4 million, from HK$2.8 million in the 6M 30 September 2017 to HK$9.2 million in the 6M 30 September 2018. The increase was mainly due to additional bandwidth service acquired for service expansion.

Other expenses, comprising primarily office overhead, and legal and professional fees, increased by HK$2.1 million, from HK$2.0 million in the 3M 30 September 2017 to HK$4.1 million in the 3M 30 September 2018, and increased by HK$1.9 million, from HK$4.7 million in the 6M 30 September 2017 to HK$6.6 million in the 6M 30 September 2018. The increase was mainly due to an increase in consultancy service fees incurred by GYZD in relation its operation.

Foreign exchange adjustment gain relates to gain on translation from RMB to HK$ (as the reporting currency of GYZD is RMB whereas reporting currency of the Group is HK$). Such gain decreased slightly by HK$0.1 million, from HK$0.3 million in 3M 30 September 2017 to HK$0.2 million in 3M 30 September 2018, and increased by HK$0.5 million, from HK$0.5 million in the 6M 30 September 2017 to HK$1.0 million in the 6M 30 September 2018.

Finance costs remained at HK$0.6 million in both 3M 30 September 2018 and 3M 30 September 2017, and increased by HK$0.6 million, from HK$1.4 million in the 6M 30 September 2017 to HK$2.0 million in the 6M 30 September 2018. The increase was due to the interest expense incurred from a short term loan of RMB35.0 million provided by a financial institution to GYZD in the 3M 30 June 2018. Such short term loan was fully repaid during 3M 30 September 2018.

Share of associates' loss amounted to HK$0.3 million and nil in the 3M 30 September 2017 and 3M 30 September 2018 respectively, and amounted to HK$0.6 million and nil in the 6M 30 September 2017 and 6M 30 September 2018 respectively. Such loss in 3M 30 September 2017 and 6M 30 September 2017 relates to the Company's investment in China Satellite Mobile Communications Group Limited ("**CSMCG**"), which was fully impaired during FY2018. As a result, no share of loss of associate was recognised in the 3M 30 September 2018 and 6M 30 September 2018.

**Income tax**

Income tax amounted to HK$0.4 million in the 3M 30 September 2018 (nil in 3M 30 September 2017) and HK$0.9 million in the 6M 30 September 2018 (nil in 6M 30 September 2017), which relates to the provision of income tax of GYZD during the respective financial period.

**Net loss after taxation**

As a result of the aforesaid, the Group recorded a net loss after tax of HK$4.0 million and HK$6.3 million in the 3M 30 September 2018 and 6M 30 September 2018 respectively, as compared to a net profit of HK$2.0 million and HK$19.0 million in the 3M 30 September 2017 and 6M 30 September 2017 respectively.

## (B) REVIEW OF FINANCIAL POSITION

**Non-Current Assets**

Non-current assets of the Group decreased by HK$28.8 million, from HK$372.4 million as at 31 March 2018 to HK$343.6 million as at 30 September 2018. Non-current assets comprised (i) property, plant and equipment; and (ii) intangible assets.

(i) Property, plant and equipment

The net book value of property, plant and equipment decreased by HK$24.0 million, from HK$220.8 million as at 31 March 2018 to HK$196.8 million as at 30 September 2018. The decrease was mainly due to (i) depreciation charge of HK$4.5 million during 6M 30 September 2018; and (ii) exchange difference of HK$19.5 million arising from depreciation of RMB against HK$.

(ii) Intangible assets

Intangible assets decreased by HK$4.8 million, from HK$151.6 million as at 31 March 2018 to HK$146.8 million as at 30 September 2018, due to amortisation charge during the period. The intangible assets relate to the business combination of SC01, comprising (i) goodwill of HK$124.1 million, representing the excess value of total purchase consideration over the fair value of the net identifiable assets; (ii) customer contract of HK$9.7 million; and (iii) favorable lease of HK$12.9 million as at 30 September 2018.

**Current Assets**

Current assets decreased by HK$57.8 million, from HK$170.3 million as at 31 March 2018 to HK$112.5 million as at 30 September 2018. Current assets comprised (i) trade and other receivables; and (ii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables decreased by HK$58.3 million, from HK$169.5 million as at 31 March 2018 to HK$111.2 million as at 30 September 2018.

Trade and other receivables as at 30 September 2018 comprised (a) trade receivables of HK$66.7 million; (b) other receivables and prepayment of HK$29.7 million; and (c) loan and deposit from vendors of CSMCG of HK$14.8 million.

(a) Trade receivables increased by HK$4.0 million, from HK$62.7 million as at 31 March 2018 to HK$66.7 million as at 30 September 2018. The increase was in line with the increase in revenue in 6M 30 September 2018 contributed by the IDC business, partially offset by translation loss from depreciation of RMB against HK$. The management of the Company had assessed the aging of the trade receivables as at 30 September 2018, and taking into account the debtors' payment patterns and track records, it is of the opinion that no provision for impairment is necessary.

(b) Other receivables and prepayment decreased by HK$1.9 million, from HK$31.6 million as at 31 March 2018 to HK$29.7 million as at 30 September 2018. The balance as at 30 September 2018 comprised (i) prepayment of HK$8.4 million in respect of GY IDC Phase II equipment; and (ii) aggregate deposits and prepayments of HK$21.3 million primarily in respect of the IDC business.

(c) Loan and deposit from vendors of CSMCG (the "**CSMCG Vendors**") decreased by HK$16.8 million, from HK$31.6 million as at 31 March 2018 to HK$14.8 million as at 30 September 2018, due to repayment made by the CSMCG Vendors during 6M 30 September 2018. On 7 May 2018, the Company entered into a supplemental repayment agreement with the CSMCG Vendors to extend the repayment date of the outstanding sum ("**Repayment Agreement**"). Please refer to the announcement of the Company dated 7 May 2018 for details on the Repayment Agreement. As of the date of this announcement, HK$14.8 million remained outstanding from the CSMCG Vendors and the CSMCG Vendors had made regular repayment to the Group in accordance with the schedule set out in the Repayment Agreement.

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

(ii) Cash and bank balances

Cash and cash equivalents increased by HK$0.5 million, from HK$0.7 million as at 31 March 2018 to HK$1.2 million as at 30 September 2018. Please refer to "Cashflows" on the movement in cash and cash equivalents.

**Current Liabilities**

Current liabilities decreased by HK$84.2 million, from HK$159.3 million as at 31 March 2018 to HK$75.1 million as at 30 September 2018. Current liabilities comprised mainly (i) trade and other payables; (ii) short term borrowing; (iii) loans from shareholder; and (iv) provision for warranty.

(i) Trade and other payables

Trade and other payables decreased by HK$42.5 million, from HK$106.1 million as at 31 March 2018 to HK$63.6 million as at 30 September 2018. Trade and other payables as at 30 September 2018 comprised (a) trade payables of HK$22.8 million; (b) other payables of HK$37.8 million; (c) customer deposits of HK$0.8 million; and (d) amount due to directors of HK$2.2 million.

(a) Trade payables decreased by HK$27.7 million, from HK$50.5 million as at 31 March 2018 to HK$22.8 million as at 30 September 2018. Trade payables as at 30 September 2018 relate to (i) outstanding balance owing to an equipment supplier upon termination of the finance lease arrangement under GYZD of HK$0.2 million; (ii) operating lease expenses of HK$2.1 million; (iii) outstanding balance owing to bandwidth suppliers of HK$2.0 million; and (iv) outstanding balance owing to subcontracting suppliers of HK$18.5 million incurred by GYZD.

The operating lease expenses payable decreased by HK$24.8 million, from HK$26.9 million as at 31 March 2018 to HK$2.1 million as at 30 September 2018 after a reclassification of HK$24.9 million from current liabilities to non-current liabilities. Reclassification is due to reassessment of operating lease expenses accrued and payable in respect of GYZD's office to be repayable to the landlord after the financial year ending 31 March 2019 ("**FY2019**").

(b) Other payables decreased by HK$11.8 million, from HK$49.6 million as at 31 March 2018 to HK$37.8 million as at 30 September 2018. Other payables as at 30 September 2018 relate to (i) development fees in relation to GYZD's IDC business of HK$21.8 million; (ii) income tax payable of HK$7.3 million; and (iii) accrued operating expenses of the Group of HK$8.7 million.

(c) Customer deposits decreased by HK$4.2 million, from HK$5.0 million as at 31 March 2018 to HK$0.8 million as at 30 September 2018. Customer deposits as at 30 September 2018 relate to the receipt of deposits from customers of GYZD, where the service has yet been provided.

(d) Amount due to directors of the Company and a director of a subsidiary of the Company decreased by HK$6.3 million, from HK$8.5 million as at 31 March 2018 to HK$2.2 million as at 30 September 2018. The loans were provided for operation purpose, and are interest-free, unsecured and repayable on demand.

(ii) Short term borrowing

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

Short term loan from a bank decreased by HK$0.2 million, from HK$6.2 million as at 31 March 2018 to HK$5.7 million as at 30 September 2018. The decrease was due to depreciation of RMB against HK$ as the loans were denominated in RMB. The loan bears an interest rate of 8.28% per annum and is repayable on or before 9 March 2019. The loan is guaranteed by Shenzhen Zhongdian Lechu Data Technology Co., Limited ("**Shenzhen Co**"), the holding company of GYZD.

Short term loan from a financial institution – Northern International Trust Co. Limited 北方國際信托股份有限公司 of HK$43.7 million as at 31 March 2018 was fully repaid as at 30

September 2018. The loan bears an interest rate of 8.5% per annum and guaranteed by Guiyang Zhongdian Guiyun Communication Development Co., Limited, a 75%-subsidiary of Shenzhen Co, and a director of the Company.

(iii) Loans from shareholder

Loans from a shareholder of the Company increased by HK$2.7 million, from HK$2.0 million as at 31 March 2018 to HK$4.7 million as at 30 September 2018, due to reclassification of HK$2.7 million loan from non-current to current. The loans are interest-bearing at 6% per annum, unsecured and repayable on demand.

(iv) Provision for warranty

Provision for warranty decreased by HK$0.1 million, from HK$1.3 million as at 31 March 2018 to HK$1.2 million as at 30 September 2018, due to depreciation of RMB against HK$. Provision for warranty relates to the after sales technical services to be provided for the IDC business in FY2018.

**Non-current Liabilities**

Non-current liabilities increased by HK$23.2 million, from HK$17.3 million as at 31 March 2018 to HK$40.5 million as at 30 September 2018. Non-current liabilities comprised (i) convertible bonds; (ii) loans from shareholder; and (iii) trade payables.

(i) Convertible bonds

Convertible bonds relate to the Convertible Bonds of an aggregate amount of S$2.26 million (equivalent to HK$13.2 million) entered into by the Company with the Subscribers in November 2017, which bears interest rate at 12% per annum at a conversion price of S$0.002 for each Share. The Convertible Bonds are due on 27 November 2019.

(ii) Loans from shareholder

Loans from a shareholder of the Company decreased by HK$1.8 million, from HK$4.1 million as at 31 March 2018 to HK$2.3 million as at 30 September 2018, due to reclassification of HK$2.7 million to current liabilities. The decrease is partially offset by an additional loan provided by a shareholder of the Company of HK$1.0 million in the 3M 30 September 2018. The loan is interest-bearing at 6% per annum, unsecured and repayable on demand.

(iii) Trade payables

Trade payables relate to accruals for operating lease of HK$24.9 million. Accrued operating lease expenses of HK$24.9 million was reclassified from current liabilities to non-current liabilities during the 3M 30 September 2018. Reclassification is due to reassessment of operating lease expenses accrued and payable in respect of GYZD's office to be repayable to the landlord after FY2019.

**Working Capital**

The Group reported a positive working capital of HK$37.3 million as at 30 September 2018, as compared to a positive working capital of HK$10.9 million as at 31 March 2018.

**(C) CASH FLOWS**

**(a) 3M 30 September 2018**

Net cash used in operating activities for the 3M 30 September 2018 amounted to HK$9.0 million. This was mainly due to (i) an operating profit before changes in working capital of HK$1.7 million; (ii) a decrease in trade and other receivables of HK$4.0 million; and (iii) a decrease in trade and other payables of HK$14.7 million.

Net cash generated from investing activities for the 3M 30 September 2018 amounted to HK$53.5 million. This was mainly due to (i) proceeds from refundable deposit for a potential acquisition of HK$39.8 million; and (ii) receipt of repayment from vendors of CSMCG of HK$13.7 million.

Net cash used in financing activities of HK$42.7 million in the 3M 30 September 2018 relates to (i) short term loan from a director of a subsidiary of HK$3.7 million; (ii) repayment of loan/borrowing from a financial institution of HK$39.9 million; (iii) interest paid of HK$0.1 million; and (iv) loan from a shareholder of the Company of HK$1.0 million.

As a whole, the Group generated cash and cash equivalents of HK$1.8 million in the 3M 30 September 2018. The cash and cash equivalents as at 30 September 2018 amounted to HK$1.2 million.

**(b) 6M 30 September 2018**

Net cash used in operating activities for the 6M 30 September 2018 amounted to HK$7.2 million. This was due to (i) an operating profit before changes in working capital of HK$5.9 million; and (ii) a decrease in trade and other receivables of HK$1.7 million; and (iii) a decrease in trade and other payables of HK$14.8 million.

Net cash generated from investing activities for the 6M 30 September 2018 amounted to HK$56.6 million. This was mainly due to (i) proceeds from refundable deposit for a potential acquisition of HK$39.8 million; and (ii) receipt of repayment from vendors of CSMCG of HK$16.8 million.

Net cash used in financing activities of HK$45.5 million in the 6M 30 September 2018 relates to (i) short term loan from a director of a subsidiary of HK$5.6 million; (ii) repayment of loan/borrowing from a financial institution of HK$39.9 million; (iii) interest paid of HK$1.1 million; and (iv) loan from a shareholder of the Company of HK$1.0 million.

As a whole, the Group generated cash and cash equivalents of HK$3.9 million in the 6M 30 September 2018. The cash and cash equivalents as at 30 September 2018 amounted to HK$1.2 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group derives its revenue primarily from GYZD, which has been generating positive results since early 2016.

In May 2017 and July 2017, Guiyang Fund injected a total of RMB120 million into GYZD, with a resultant interest in 40% in GYZD, as of 6 July 2017. Consequently, the Group's effective interest in GYZD was reduced to 48.6%. With the funds received from Guiyang Fund, GYZD was able to

expand its capacity, enhance its business network and further develop its IDC business in the PRC. Subsequent to 30 September 2017, on 6 October 2017, the Group completed the acquisition of an additional 19% equity interest in SC01 and accordingly, SC01 became a 100.0% owned subsidiary of the Group, and the Company's effective interest in GYZD increased from 48.6% to 60.0%. Due to recent changes in its end-users requirements, the expected completion date of Guiyang IDC phase II development, with a capacity of hosting 1,000 racks, had been rescheduled to the second half of 2019. Please refer to the Company's announcement dated 4 July 2018 for information.

The business environment of the IDC industry where the Group operates in remains steady. The Group is focusing its efforts on strengthening its IDC business to capture the continuing growth from the IDC market in the PRC. Furthermore, the Group will be looking for other IDC related investment opportunities which will enable the Group to maximise its return in a long run.

Investment in and amount due from CSMCG have been fully impaired in FY2018. Notwithstanding that CSMCG had signed a master distributor agreement with a global broadband services and technology company for the distribution of mobile satellite products and services in the PRC, the execution of such agreement will be subject to approval of product type and in-country service license as required by the relevant PRC regulatory and, the outcome is uncertain. Nevertheless, CSMCG remains a 45%-associate of the Group. The management will continue monitoring CSMCG closely and will endeavour to recover the amount due from CSMCG to the Group on a best efforts basis. As at the date of this announcement, the required approval has not been obtained.

## 11. Dividend

**If a decision regarding dividend has been made :-**

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

None.

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

Nil (3M 30 September 2017: nil).

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

## 12. If no dividend has been declared/recommended, a statement to that effect

No dividend is declared/recommended.

**13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No IPT general mandate has been obtained by the Group from the Company's shareholders.

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

We, Chan Andrew Wai Men and Chu Yin Ling, Karen, being directors of the Company do hereby confirm on behalf of the Board of Directors that, to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial statements for the 3 months ended 30 September 2018 to be false or misleading in any material aspect.

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)**

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

**BY ORDER OF THE BOARD**

**Chan Andrew Wai Men**
**Chairman and Chief Executive Officer**

**Chu Yin Ling, Karen**
**Executive Director**

8 November 2018

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

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

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