

SinoCloud Group Limited

Sustainability Report 2020

SinoCloud Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") started as an information technology and professional services provider in 2003, serving the banking and financial services industry in the People's Republic of China (the "**PRC**").

The Group recognises the importance of business expansion and diversification to meet ever-evolving information technology ("**IT**") demands. In October 2015, the Group expanded its business to include the provision of IDC services with its acquisition of 63% effective equity interests in Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**Guiyang Zhongdian**"), an IDC asset in the city of Guiyang, Guizhou province, the PRC. Currently, the Group has an effective equity interest of 60% in Guiyang Zhongdian, where the remaining 40% is owned by Guiyang Gaoxin Big Data Fund Company.

Guiyang Zhongdian is principally engaged in the business of operating IDC services, cloud computing and big data services, with a hosting capacity of 5,000 racks. Development of hosting capacity of 5,000 racks will be divided into phases, which shall be tied to its target capacity requirement as well as commissioning schedule, in order to minimise the burden on capital expenditure. As such, the current expansion of hosting capacity of 1,500 racks out of the 5,000 shall only continue when the respective customer orders are expected to be secured. The Group has focused its efforts and resources in growing and developing its business in the IDC industry.

The Company had, on 30 October 2020, obtained the approval of the shareholders of the Company ("**Shareholders**") at a special general meeting for the proposed diversification of the Group's existing business to include the businesses in the following areas ("**Proposed Diversification**"):-

(i) Tourism – investment in and operation of travel agencies, accommodation and transportation services in coaches, yacht and private jet;

(ii) Food and Beverage – investment in and operation of food and beverage outlets (being restaurants, cafes and bars, fast food outlets, catering and bakery) and trading of food and beverage products; and

(iii) Entertainment – investment in and operation of shopping and experience centres, theme parks, nightclubs, e-gaming and e-sports franchise and facilities;

(collectively the "**New Businesses**").

The Company has actively sought out opportunities to improve Shareholders' long-term return. The Proposed Diversification would reduce the Group's reliance on and mitigation against volatility of the existing business, by diversifying its revenue and income stream.

The COVID-19 pandemic has affected many industries, with the tourism, food and beverage and entertainment sectors appearing to be most affected. However, the pandemic has created a window of opportunity where the valuation of certain businesses is relatively tempted.

For the avoidance of doubt, the Group remains committed to the continuance of the existing business in the provision of IDC services.

The management of the Company recognizes that sustainability is a key component of the Group's long term business strategy. This Sustainability Report ("**Report**") focuses on the sustainability practices and strategies of the Group. We seek to meet the interests of our stakeholders by providing non-financial information of the Group and demonstrate our efforts to report to Shareholders and other stakeholders on the steps that we are taking to achieve a sustainable business model and our achievements and action plans to contribute to the society and a more sustainable environment.

In today's investment climate, non-tangible financial factors are becoming increasingly important to our stakeholders. Stakeholders are beginning to look beyond economic and operational factors in evaluating management and corporate accountability. This Report is based on economic, social and environmental issues that are material to our Group and serve as a platform for us to communicate our achievements and plans to our Stakeholders.

Board Statement

We are pleased to present our sustainability report for the financial year ended 30 June ("**FY**") 2020. Sustainability is highly regarded by the Board of Directors and top management, which is an integral part of the Group's philosophy. We believe that we can play our part in contributing to environmental preservation by minimising the impact of our operations on the environment. We will continue our efforts in generating meaningful and sustainable impacts for our stakeholders.

In FY2020, the outbreak of COVID-19 pandemic has brought upon unprecedented challenges, and has created substantial adverse impact on global economy, including the Group's IDC business in the People's Republic of China ("**PRC**"), resulting in decrease in revenue, impairment of financial assets and impairment of intangible assets. We stay committed to prioritising the safety of our employees in compliance with local regulations on the necessary measures to ensure that they are well-prepared in keeping themselves safe, as well as to ensure no discontinuation of service under a safe environment.

The board of directors of the Company ("**Board**" or "**Directors**") oversees the management to monitor and promote accountability, integrity and transparency for the continued sustainability of its businesses and value creation for its stakeholders in the long run, in order to enable the Group to manage and address the Economic, Environmental, Social, and Governance ("**EESG**") factors, which are important to our businesses. It is widely accepted that good EESG practices contribute to the overall long-term success of the Group and form an important part under the keen competition.

Report Scope and Sustainability Reporting Framework

All data and statistics provided in this Report are in relation to the Group's operations, addressing the activities and data that fall within the Group for the 12-month financial year from 1 July 2019 to 30 June 2020 ("**FY2020**"), and the figures are represented in Hong Kong dollars.

This Report focuses on addressing our Group's EESG issues in line with Rules 711A and 711B of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). With this information, we aspire to provide stakeholders with an accurate, complete and meaningful overview on how we manage these sustainability issues across our business sectors.

This Report adopts the reporting framework set out under the Global Reporting Initiatives (GRI) G4 Guidelines. We have prepared the Report in accordance with the GRI G4 – core level standards, and based on a Group-wide materiality assessment in consultation with our Board, as we believe it is internationally recognised and is widely adopted. The GRI content index and relevant references are disclosed on pages 9 to 10 of this Report.

This Report, together with the Corporate Governance Report on pages 12 to 50 of our Annual Report 2020, illustrates the Group's EESG factors and the policies, practices and performance of the business operations.

We welcome all feedback on this Report to enable us to consistently improve our policies and systems. Please send your feedback and comments to enquiry@sinocloudgroup.com.

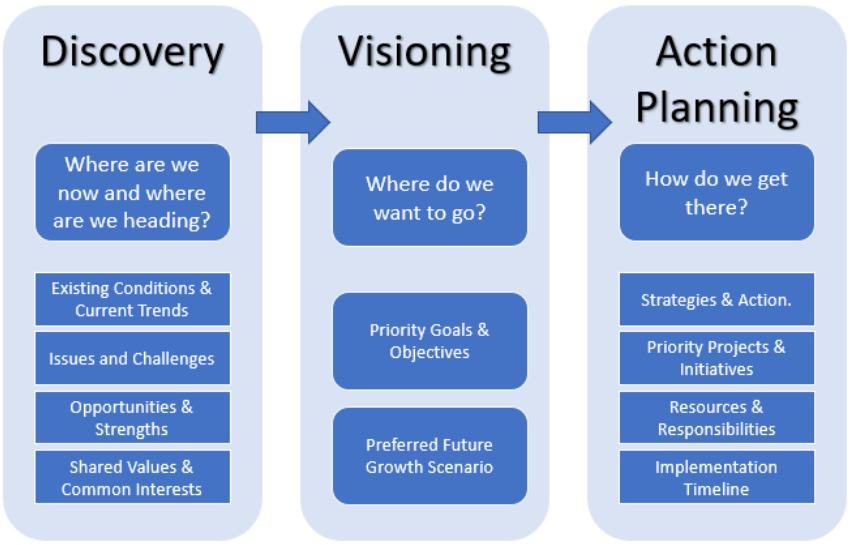
Materiality Assessment

Based on our Group-wide materiality assessment, we have outlined our strategic sustainability priorities through these steps:

1. Defining key issues which impact the execution of our business strategy;
2. Identifying critical areas that affect our businesses and stakeholders;
3. Prioritising these critical factors and validate internally as pressing issues to address; and
4. Embedding best practices within our business operation processes where applicable.

The Group identified the specific EESG factors which are material to the Group based on our knowledge of our respective business areas, the challenges faced by the industry and the corresponding implications for the Group's businesses and operations. We also considered the insights that we gained from our day-to-day engagements and consultations with various stakeholders to establish the direction for our sustainability reporting.

The materiality assessment is endorsed by the Board, and these priorities are reviewed on a yearly basis. We have since reviewed our material issues compared to what we have early identified during the commencement of the preparation of this report and have updated these issues in view of today's operational context.



Material EESG Factors

The Group has identified the following material EESG factors that are important to the sustainability of our organisation and business, ranked according to risk and prioritisation:

(a) Economic Performance
(b) Corporate Governance
(c) Employees
(d) Environment
(e) Community
(f) Corporate Communication

Our Focus, Commitments & Targets

With our material EESG factors identified and key stakeholders in mind, we have also mapped our sustainability priorities, impact to stakeholders and boundaries under the key focus areas set out below. We believe this approach will cover critical areas of our businesses, is sustainable, and can align the Group with its profitability.

We envision that these initiatives will lead to increased value creation, along with positive impact to our operating natural environment and societies. We are committed to ensure measurable targets and goals towards our journey to create sustainable value for all our stakeholders in the Group's long-term business strategy.

Focus	**Impact to Stakeholder**	**FY2020 Performance**	**Commitment and Target for FY2021 and onwards**
Economic • Performance • Financial Strength	All our internal and external stakeholders' look to the Group to deliver on financial performance	• Group revenue – HK$33.3 million • Net Loss – HK$191.2 million • Net assets value attributable to equity holders – HK$125.0 million	• To improve operating results • New business initiatives including diversification • Prudent capital management

Focus	Impact to Stakeholder	FY2020 Performance	Commitment and Target for FY2021 and onwards
Corporate Governance • Risk management	Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental and health	• Complied with relevant legislations governing the Group • Generally adhered to the Principles and Provisions (except where otherwise explained) set out in the Code of Corporate Governance 2018 ("**Code**"), details as set out in the Annual Report 2020 (pages 12 to 50)	• Compliance with relevant legislations governing the Group • Continue to enhance and improve on corporate governance practices and adherence to the Principles and Provisions of the Code
Employee • Staff retention • Reward and remuneration • Employee training and development	Develop human capital and retain staff who are important assets to the Group	• Provide competitive remuneration package to retain staff	• Commitment to retain worthy and high performance staff • To provide necessary on-job training and implement succession planning for key management positions
Environmental • Paper management • Recycling, and reuse of paper	Issues ranging from environmental health management, i.e. reduce wastages, efficacy, recycle/reuse and conservation is key element impacting all our stakeholders	• Reduced reliance on paper, for example, Annual Report 2020, letter to shareholder, Proxy Forms issued by way of electronic means	• Promote environmentally friendly workplace by creating awareness on caring for Green and Healthy Environment via email to remind them to print only when necessary • Promote electronic communication
Community Involvement • Employee participation	Our ability to innovate also translates to how we manage the business continuity and build a strong relationship with our community	• Closely communicate with staff, allow staff working from home where necessary, and split local staff of Guiyang Zhongdian into different groups as a safety measure • Ensure working conditions are in line with government policy under COVID-19 pandemic	• Advocate businesses on the benefits of cloud technology to enable flexibility and scalability of resources, enhanced IT security via outsourcing of IDC services and reducing carbon footprint through sharing of IDC resources

Focus	Impact to Stakeholder	FY2020 Performance	Commitment and Target for FY2021 and onwards
Corporate Communication • Building relationship with stakeholders	An open, constant flow of communication using available platforms is important in all aspects of our operations, and applies to all our stakeholder groups, in order to build trusted partnerships with all our stakeholders	• Quarterly and full year results are announced via SGXNET • Annual general meeting / special general meeting • Respond to shareholders' questions via SGXNET and Company's website	• Ensure all communication mediums and platforms are clearly set out and are available • Transparent and open communications by way of announcements on SGXNET to all stakeholders • Shareholders' meeting with the presence of the Board of Directors at least once per annum

Economic Performance

The Group's revenue has decreased by 48.5% to HK$33.3 million for FY2020, from HK$64.7 million for the financial period from 1 April 2018 to 31 June 2019, due to the decrease in customer demand and service fee reduction. Please refer to the "Message from Chairman and CEO" section (page 4 to 8) and the audited financial statements section (page 63 to 147) of our Annual Report 2020 for more information on our economic performance. The Group has positioned itself to further expand its IDC business in the PRC by developing a hosting capacity of 1,500 racks, in addition to the existing 660 racks. The development will be divided in phases in order to reduce the burden on capital expenditure. Following Shareholders' approval of the Proposed Diversification, the Company will explore business opportunity or investment under the New Businesses.

Corporate Governance

Our scope of corporate governance activities are set out in pages 12 to 50 of the Annual Report for FY2020. Our Group's operating policies and procedures are designed to ensure that appropriate segregation of duties and controls are in place to minimise risk and potential threat.

The Group advocates ethical business practices and adopts zero tolerance for bribery and corruption in its dealings and operations. All employees shall abide by and comply with rules and guidelines set out in respective procedures handout.

Our internal audit function for FY2020 has been outsourced to BT Corporate Governance Limited (formerly known as Baker Tilly Hong Kong Risk Assurance Limited) ("**BT**") which reports to the Chairman of the Audit Committee on internal control matters and seek clarification from the Chief Executive Officer and/or Chief Financial Officer of the Company on administrative matters. BT reviews the adequacy and effectiveness of the Group's material internal controls on an annual basis.

The Group promotes transparency and have a whistleblowing policy in place, in which any employee of the Group may, in confidence, raise concerns and report any suspicions of non-compliance on regulations, policies, fraud, and etc., to the appropriate department for resolution without any prejudicial implications to these employees. For FY2020, the Group did not receive any whistleblowing reports.

The Group has to comply with the rules and regulations in all places we do business. Our employees understand that they are responsible for understanding and complying with all rules and regulations that are required in the business and operations of the Group. In this way, we proactively avoid both the monetary and reputational risks associated with sanctions and fines for non-compliance. For FY2020, the Group did not receive any fines or non-monetary sanctions for non-compliance.

For more information on our Board's involvement, please refer to the "Corporate Governance Report" section on pages 12 to 50 of our Annual Report 2020.

Employees

Our staff are our key assets. Our Group's framework for managing employees emphasizes performance, achievements, and activities irrespective of employment status. We expect our employees to put the Group's interests into practice and raise their level of professionalism. Our employees' concept of work focuses on performance and achievement through this approach. This approach has firmly taken root across the Group.

Our personnel development is anchored in each employee's aspiration to learn and grow by setting goals on his or her own initiative. Our basic policy for personnel development is to offer on-the-job training complemented and enhanced by off-the-job group training. At each workplace, we clearly define the roles of staff responsible for different aspects of training under a system in which each employee sets his or her own annual education plan as a means for raising motivation to learn by systematically addressing both the workplace and employee needs and interests. Moreover, to meet the needs of the ever-changing business environment, we are focused on nurturing human resources with advanced expertise and responsiveness to change, as well as systematic identification of those who can demonstrate their talents in the marketplace.

The Group acknowledges the importance of social equity and the provision of equal opportunities in an environment that is safe and healthy for its employees; this includes hiring without prejudice, regardless of age, gender and ethnicity. Please refer to the "Corporate Governance" section of the Company's 2020 Annual Report for information on the composition of the Board. The Group has zero tolerance on hiring of child labour and requires its service providers and sub-contractors to be in-sync on this before engaging their services.

To achieve this:-

(a) We will conduct regular reviews to ensure that our remuneration package is in line with industry standard and commensurate with the job.
(b) We will offer a sustainable performance bonus based on the Group's and the employee's performance.
(c) We will identify and promote deserving staff with potential to develop their career in the organisation.
(d) We will align our human resource policies to comply with labour laws and regulations in respect of minimum wage requirements, social security contribution requirements and work hours etc.

Guiyang Zhongdian, the Company's principal subsidiary, conducts annual review of the remuneration package of its staff. The management of Guiyang Zhongdian will ensure that the human resource policies are in line with the relevant labour laws and regulations of the PRC. In addition, the Company has a performance share plan in place to reward all management and staff in accordance with their performance and Group's performance objective. For FY2020, the Company did not issue any performance shares.

Environment

Preserving the environment is necessary for the long-term sustainability of our business, and they are mutually dependent. While creating value in our business, we aim to minimise the impact that our activities have on the environment and proactively seek alternative means for more effective and sustainable use of resources. Our Group's mission is to adopt and implement environmentally green solutions in our business and we expect our business partners and service providers to commit and adhere to the same standards. Nevertheless, electricity being a major element in IDC operation, we aim at using low electricity reliance equipment as much as possible.

Our Group has the following policy in place to address the following issues:-

(a) Implement systematic cuts to paper usage and waste volumes;
(b) Engage each employee in thinking about the environment and making his or her own contribution actively via recycling of used paper;
(c) Promote proactive environmental communication, within and outside the Group; and
(d) Shut down unnecessary equipment in order to save power within the Group.

We obtained our shareholders' approval to issue electronic copies of our annual report starting from FY2019. As a result, we managed to reduce printed copies for all meeting materials to Shareholders and all parties, as hardcopy of our annual report will only be provided upon request by shareholders. For FY2020, due to the COVID-19 pandemic, no physical copies of annual report, notice of annual general meetings, and proxy forms have been distributed to the shareholders, and softcopy of the aforementioned documents were published on SGXNET and the Company's website.

Corporate Communication

The Group is committed to creating long-term value for all its stakeholders and will continue to maintain ongoing communication and engagement with its stakeholders. Details of the communication and engagement with our shareholders are set out in the section on "Shareholders Rights and Responsibilities" of the Corporate Governance Report on pages 38 to 40 of our Annual Report 2020.

The Group will conduct general meeting annually to provide Shareholders an opportunity to voice their views. For FY2020, due to the COVID-19 pandemic, the Company's annual general meeting ("**AGM**") was held by way of electronic means (via live webcast and live audio stream). Shareholders were given the opportunity to submit their questions via email to the Company prior to the AGM, and the Company have addressed the substantial and relevant questions and uploaded on SGXNET and the Company's website prior to the AGM.

Other than our Shareholders, we will try to engage with both internal and external stakeholders such as our customers, supplier and regulators in setting up our future goals. We believe that through collaboration and partnerships that we can accelerate sustainability in our Company and in the world.

GRI Content Index

General Standard Disclosures

GRI Standard	Disclosure	Reference/Description
102-1	Name of the organisation	SinoCloud Group Limited
102-2	Activities, brands, products, and services	Page 3 of the Annual Report 2020
102-3	Location of headquarters	Company's website at https://www.sinocloudgroup.com/ and page 11 of the Annual Report 2020
102-4	Location of operations	Company's website at https://www.sinocloudgroup.com/ and page 11 of the Annual Report 2020
102-5	Ownership and legal form	Pages 106 to 110 of the Annual Report 2020
102-6	Markets served	Note 34 to the Audited Financial Statements (Geographical information) on page 131 of the Annual Report 2020
102-7	Scale of the organisation	Pages 4 to 8, and 63 to 67 of the Annual Report 2020
102-8	Information on employees and other workers	Pages 9 to 10 of the Annual Report 2020, and page 7 of this Report
102-10	Significant changes to the organisation	Not applicable as there have been no significant changes
102-14	Statement from the most senior decision-maker	Pages 4 to 8 of the Annual Report 2020 and page 2 of this Report
102-16	Values, principles, standards, and norms of behaviour	Minimising our environmental footprint and caring for our people
102-18	Governance structure	Pages 12 to 50 of the Annual Report 2020
102-40	List of stakeholder groups	Pages 148 to 149 of the Annual Report 2020 and page 8 of this Report
102-43	Approach to stakeholder engagement	Page 8 of this Report
102-44	Key topics and concerns raised	Pages 3 to 4 of this Report
102-45	Entities included in the consolidated financial statements	Pages 106 to 110 of the Annual Report 2020
102-46	Defining report content and topic boundaries	Page 3 of this Report
102-47	List of material topics	Page 5 of this Report
102-48	Restatement of information	None
102-49	Changes in reporting	No significant changes
102-50	Reporting period	Page 3 of this Report
102-51	Date of most recent report	29 November 2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Page 3 of this Report
102-54	Claims of reporting in accordance with the GRI Standards	Page 3 of this Report
102-55	GRI content index	Pages 9 to 10 of this Report
102-56	External assurance	No external assurance obtained for this Report

Specific Standard Disclosures

GRI Standard	Disclosure	Reference/Description
103-1	Explanation of the material topic and its boundary	Pages 2 to 3 of this Report
103-2	The management approach and its components	Pages 6 to 8 of this Report
103-3	Evaluation of the management approach	Pages 6 to 8 of this Report
302-1	Energy consumption within the organisation	Page 8 of this Report
404-1	Average hours training per year per employee	The Group will identify the necessary on-job training to our employees in order to maintain their skills up to date. We are in the process of formalising and planning the training going forward.
409-1	Operations and suppliers at significant risk for incidents of child labour	Pages 7 to 8 of this Report.
413-1	Operations with local community engagement, impact assessments and development programs	Pages 7 of this Report.

This Sustainability Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.

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

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.