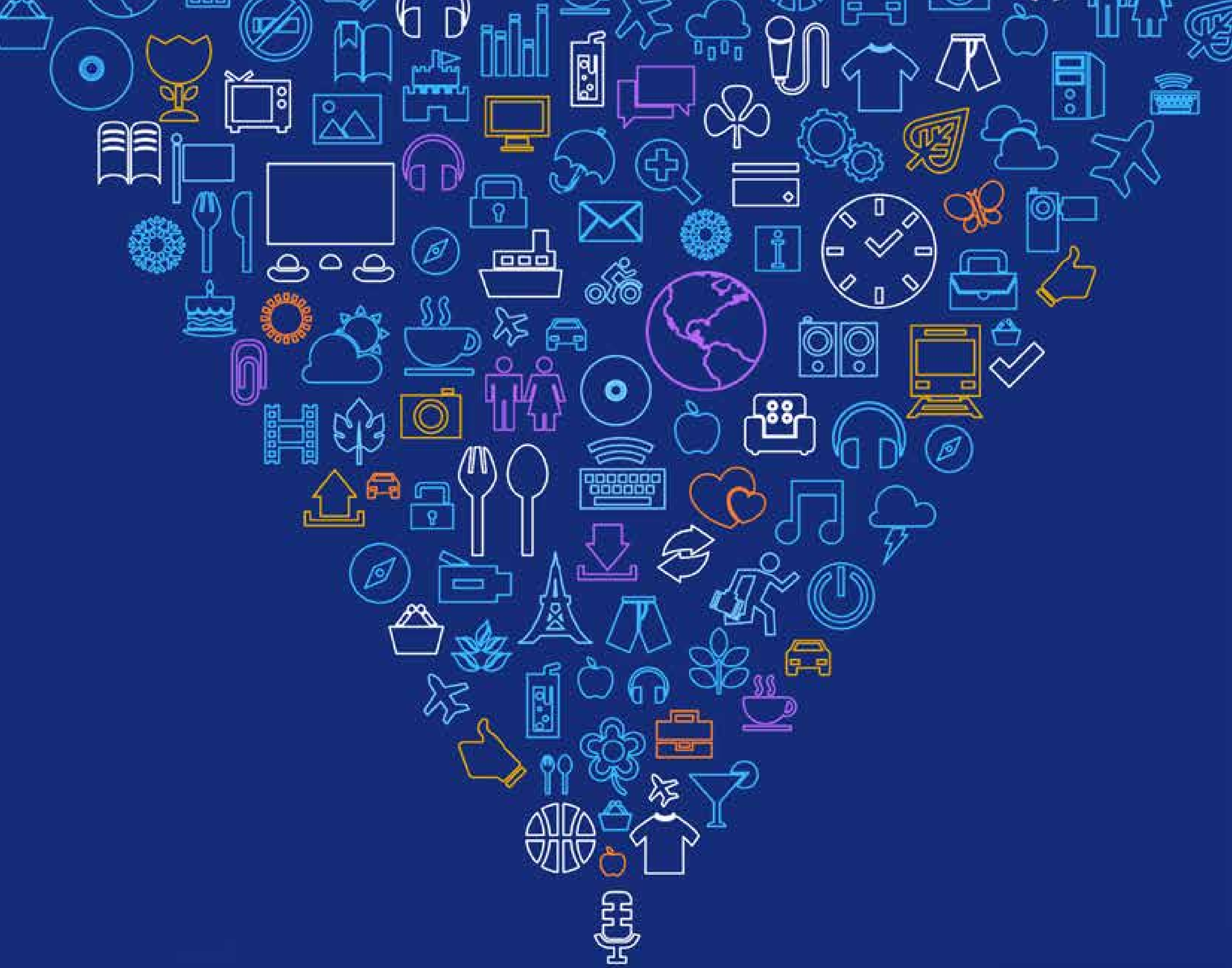

SINOCLOUD GROUP LIMITED

ANNUAL REPORT 2018

Contents

Achieving Our Goal

Corporate **Profile**

SinoCloud Group Limited (the "Company", and together with its subsidiaries, the "Group"), incorporated in Bermuda in 2003, was listed on Catalist of the Singapore Exchange Securities Trading Limited on 21 May 2004.

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. Since 2013, aside from maintaining IT services as a core business, the Group began to identify other IT-related business initiatives and diversified its businesses in mobile satellite services ("MSS") in the PRC.

In October 2015, the Group expanded its IT-related business to include the provision of internet data center ("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. Guiyang Zhongdian is principally engaged in the business of operating IDC services, cloud computing and big data services, with a hosting capacity of up to 5,000 racks. 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.

In view of the business potential of the IDC industry, the Group has focused its efforts and resources in growing and developing 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 2018 Annual Report of SinoCloud Group Limited ("SinoCloud", and together with its subsidiaries, the "Group") for the financial year ended 31 March ("FY") 2018.

Against the backdrop of subdued global economic growth, global trade tensions along with business headwinds in the form of rising labour costs, the increasingly competitive landscape presented challenges to the Group's operations. Despite the challenging business environment, our team has continued to chart steady growth; seeking new opportunities for investments as we garner momentum in expanding our business in the Internet Data Centre ("IDC") market.

THE GROWING NEED AND DEMAND FOR DATA CENTRES

The IDC market remains promising with tremendous opportunities for growth, driven by strong demand for data centres in the People's Republic of China ("PRC"). For instance, rapid technological advancements have fuelled the expansion of growth in consumer devices related to the Internet of Things ("IoT") where the ability of data centre operators to collect, process, transmit and share data is critical in successfully servicing clients. Today more than ever, data centres are vital in the global ecosystem as increased digital connectivity has translated to sharp growth in the amount of data generated, consumed, stored and transferred.

This is the case particularly in the PRC as end-user demand for data centres has now exceeded the available supply as organizations seek enhanced connectivity and scalable solutions for their growing businesses. Government investments earmarked to stimulate the PRC's technological development have also led to increasing adoption of cloud-based services and Big Data analytics, adding further fuel to data centre demand.

POSITIONING TO CAPTURE GROWTH OPPORTUNITIES

On 17 May 2018, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Zhongdian"), a subsidiary of the Company, entered into a letter of intent ("LOI") with Zhongdian Zhiyun Holdings Limited ("ZDZY") to acquire a 100% equity interest in ZDZY's two wholly-owned subsidiaries ("Proposed Acquisition"), namely Zhongtong Keyun Big Data Technology (Lian Yun Gang) Company Limited and Zhongtong Keyun Real Estate (Lian Yun Gang) Company Limited (collectively, the "Target Companies").

Established in 2014 in the Lian Yun Gang city, Jiangsu Province, the Target Companies are in the business of operating IDCs in the PRC. The Proposed Acquisition will give the Group access to the land use rights owned by one of the Target Companies, amounting to 36,000 square meters with a building that spans 28,000 square meters of gross floor area. This translates to capacity to house 5,000 racks. Parties to the LOI have until 31 December 2018 to enter into a definitive agreement in respect of the Proposed Acquisition.

Through the Proposed Acquisition as well as the construction in progress of phase two of Guiyang Zhongdian IDC, the Group will continue to strengthen its IDC business, which contributed positively to our growth during the year. We will also continue to seek new investment opportunities to expand and enhance our business network and customer base in the IDC industry.

OPERATIONS AND FINANCIAL REVIEW

Driven by the Group's burgeoning IDC services segment, the Group's revenue increased 78% year-on-year to HK$89.5 million for FY2018. This increase was mainly attributable to an increase in revenue contribution from Guiyang Zhongdian in light of increasing demand for IDC services.

Similarly, the Group's other income increased significantly from HK$3.3 million for FY2017 to HK$22.7 million for FY2018. This increase can be attributed to two factors. Firstly, Guiyang Zhongdian received a government subsidy amounting to HK$4.0 million. Secondly, the Group reported a reversal of interest expense accrued in prior years in respect to a finance lease arrangement for Guiyang Zhongdian amounting to HK$18.5 million. The reversal of interest expense was due to interest savings as a result of an early settlement by the subsidiary - Guiyang Zhongdian, with the lessor of Guiyang Zhongdian during FY2018 ("Reversal of Interest Expense").

Employee benefit expenses increased marginally from HK$10.2 million for FY2017 to HK$10.6 million for FY2018, due to an increase in staff in Guiyang Zhongdian. Conversely, depreciation expenses declined from HK$11.3 million for FY2017 to HK$10.1 million for FY2018 while amortisation expenses remained at HK$9.6 million for FY2017 and FY2018. There was

Message from Chairman and CEO

"The Group's revenue increased 78% year-on-year to HK$89.5 million for FY2018."

no depreciation charged for the cost incurred for the construction of phase two of the Guiyang Zhongdian IDC and the call centre in Guiyang as the construction is in progress.

Finance costs declined by HK$3.8 million to HK$3.2 million for FY2018. This was attributed to the termination of finance lease arrangements for Guiyang Zhongdian during FY2018.

Other expenses, comprising mainly office overheads in the IDC business, marketing expenses, legal and professional fees, and foreign exchange differences, decreased by HK$2.1 million, from HK$12.9 million in FY2017 to HK$10.8 million in FY2018.

The Group reported impairment of its investment in an associate, China Satellite Mobile Communications Group Limited ("CSMCG"), of HK$26.4 million for FY2018, as compared to HK$34.7 million for FY2017. Further, in FY2018, the Group made a provision for impairment of HK$22.7 million in respect of the amount due from CSMCG. In December 2017, CSMCG 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, subject to the approval of product type and in-country service license as required by the relevant PRC regulatory authorities. Due to the uncertainty in obtaining the requisite approval from the relevant PRC authorities, change of market potential in the satellite business where CSMCG operates in, and the net liabilities position of CSMCG, the management of the Group is of the view that the investment in CSMCG and amount due from CSMCG to be recovered is nil under a prudent approach, coupled with other assessment factors including uncertainty in CSMCG obtaining financial support and no revenue being generated.

Overall, the Group reported a loss attributable to equity shareholders of the Company of HK$49.9 million for FY2018, as compared to HK$45.8 million for FY2017. Notwithstanding the overall loss position of the Group, It is encouraging to note that had the one-time gain on the Reversal of Interest Expense in FY2018 been excluded, Guiyang Zhongdian will still report a profit before tax of HK$29.4 million for FY2018, being 46.3% higher than that of HK$20.1 million for FY2017. This growth was driven by the Group's thriving operations at Guiyang Zhongdian.

PROMISING SECTOR OUTLOOK

While adopting a prudent approach to investing, we remain focused on strengthening our IDC services segment to strategically capture growth opportunities. The growth in cloud services will continue its rapid advancement, with the booming e-commerce sector fuelling a boom in demand for data centres in the Chinese mainland. Overall, the Asia Pacific region is predicted to become the biggest data centre market in the world in 2020, according to CBRE Research. Similarly, PricewaterhouseCooper puts market growth in the double-digit range, at over 20 per cent a year[1]. Through various growth initiatives in place, we remain poised to capture the growth opportunities in this market.

APPRECIATION

On behalf of the Board, I would like to express my continued appreciation to our shareholders for their enduring belief in us as we chart long-term, sustainable growth. We are relentless in our support to enhance shareholder value and thank you for your support in our vision for the company.

I would like to thank Mr Terence Luk, who resigned on 1 November 2017, for his contribution to the Group during his tenure.

I would also like to express thanks to our customers, suppliers and business associates who have supported us during the year. With your support, we will continue on the path towards growth and look forward to reaching new milestones together in the year ahead.

CHAN ANDREW WAI MEN
Chairman and Chief Executive Officer

22 June 2018

[1] *The Business Times article dated 28 April 2018 titled "From Boring to Booming".*

Board of Directors

MR CHAN ANDREW WAI MEN
Chairman and Chief Executive Officer

Mr Chan Andrew Wai Men was appointed as Non-Executive Chairman of our Company in November 2014, and currently serves as our 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 a Director of our Company on 28 July 2017.

MS CHU YIN LING, KAREN
Executive Director and Chief Financial Officer

Ms Chu Yin Ling, Karen was appointed as Financial Controller of our Company in July 2009, and subsequently 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 of 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. Ms Chu was last re-elected as a Director of our Company on 28 July 2016 and will be due for re-election at the forthcoming annual general meeting of our Company.

MR ZHANG DAI
Executive Director

Mr Zhang Dai was appointed as Executive Director of our Company in April 2017. He is currently the director and chief executive officer of SinoCloud Asset Management Limited, a wholly-owned subsidiary of our Company. Mr Zhang was the primary founder of Guiyang Zhongdian Gaoxin Digital Technologies Limited, a subsidiary of our Company. He has over 20 years of experience in the telecommunication industry with various executive positions held in telecommunication companies in the PRC, including general manager of Beiyou Dongxing Telecommunications Technology Company, and the following companies held by China Communication Services Corporation Limited (a listed company on the main board of Hong Kong Stock Exchange): Zhejiang Feilan New Media Company, Beijing Feilan Telecommunications Technology Company and China Comservice Jinyu (Beijing) Telecommunications Technology Company. Mr Zhang has extensive experience and relationship resources in telecommunication service, system planning, system application, operation, sales and marketing, and in particular, the construction of large-scale data centres. Mr Zhang holds a Master's Degree in Software Engineering from the Beijing University of Posts and Telecommunications. Mr Zhang was last re-elected as a Director of our Company on 28 July 2017.

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 Accountants, 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. Mr Lee is currently a director of other companies, namely PGG Wrightson Ltd, Hyflux Ltd, Raffles United Holdings Ltd and Lung Kee (Bermuda) Holdings Limited. Mr Lee was last re-elected as a Director of our Company on 27 July 2015 and will be due for re-election at the forthcoming annual general meeting of our Company.

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 (Singapore) 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 a Director of our Company on 28 July 2016.

MR ALEXANDER SHLAEN
Independent Director

Mr Alexander Shlaen was appointed as an Independent Director of our Company in February 2015. He is currently the chief executive officer 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 a Director of our Company on 28 July 2017.

Key Management

MR CHAN ANDREW WAI MEN
Chairman and Chief Executive Officer
Executive Director of Guiyang Zhongdian Gaoxin Digital Technologies Limited

Mr Chan Andrew Wai Men is responsible for strategic planning, overall management and business development of the Group. As Chairman of the Company, he is responsible for 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.

MS CHU YIN LING, KAREN
Executive Director and Chief Financial Officer

Ms Chu Yin Ling, Karen is responsible for overseeing financing activities, compliance, operation and corporate secretarial functions of the Group.

MR ZHANG DAI
Chief Executive Officer of SinoCloud Asset Management Limited
Executive Director of Guiyang Zhongdian Gaoxin Digital Technologies Limited

Mr Zhang Dai is responsible for the oversight of the internet data centre ("IDC") business of the Group, as well as assisting the Chief Executive Officer of the Company in the overall strategic expansion and investment strategies of the IDC business in the PRC.

MR XU YONG
General Manager of Guiyang Zhongdian Gaoxin Digital Technologies Limited

Mr Xu Yong is responsible for the oversight of the operating activities and business development of Guiyang Zhongdian Gaoxin Digital Technologies Limited.

Corporate Information

BOARD OF DIRECTORS
Chan Andrew Wai Men
(Chairman and Chief Executive Officer)
Chu Yin Ling, Karen
(Executive Director and Chief Financial Officer)
Zhang Dai
(Executive Director)
Lee Joo Hai
(Independent Director)
Phuah Lian Heng
(Independent Director)
Alexander Shlaen
(Independent Director)

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
Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda
Tel: 441 295 1443
Fax: 441 295 9216

PRINCIPAL PLACE OF BUSINESS
Hong Kong Office
Unit 1301A, 13/F, Kowloon Centre,
33 Ashley Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Tel: 852 31012800
Fax: 852 31012801
E-mail: enquiry@sinocloudgroup.com

Beijing Office
8 Building, No.201 South Hejia Village,
Chaoyang District, Beijing 100024, China

Guiyang Office
Room B294, Venture Building,
Jinyang Technology Industrial Zone,
Hi-Tech Industrial Developement Area,
Guiyang, Guizhou, China
Tel and Fax: 86 851 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 Su Chun Keat
(since financial year ended 31 March 2017)

PRINCIPAL BANKERS
Shanghai Commercial Bank Limited
Central Branch
12 Queens Road, Central,
Hong Kong

SPONSOR
ZICO Capital Pte. Ltd.
8 Robinson Road,
#09-00, ASO Building,
Singapore 048544

Corporate **Governance Report**

SinoCloud 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 2018 ("**FY2018**"), the Group has generally 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 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 Management to achieve this objective and 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, internal controls, external audit reports and resource allocation of the Group;
- 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 appointments 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 ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"), each of which operates 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 as fiduciaries and make decisions in the interests of the Company.

Corporate **Governance Report**

The Board has adopted a set of guidelines on matters that require its approval which include, *inter alia*, 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 the appointment of new Directors to the Board, each of the Directors was given an orientation on the Group's business strategies and operations. A formal letter of appointment will be provided to the newly appointed Director upon his/her appointment, setting out, among other matters, his/her duties and obligations as a Director. The Company will arrange and fund training for first-time Directors in the areas of accounting, legal and industry-specific knowledge where necessary.

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 be updated (i) by the management of the Company ("**Management**") on the business of the Group through regular presentations and meetings; and (ii) by the external auditors on new and revised financial reporting standards which are relevant to the Group.

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 FY2018, 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**
Number of meetings held	**4**	**4**	**1**	**1**
	Attendance			
Mr Chan Andrew Wai Men	4	4*	1*	1*
Mr Luk Chung Po, Terence [(1)]	-	1*	-	-
Ms Chu Yin Ling, Karen	4	4*	1*	1*
Mr Zhang Dai	3	1*	-	-
Mr Lee Joo Hai	4	4	1	1
Mr Phuah Lian Heng	4	4	1	1
Mr Alexander Shlaen	3	4	1	1

* By invitation

Note:-

(1) Mr Luk Chung Po, Terence resigned as an Executive Director on 1 November 2017.

Corporate **Governance Report**

BOARD COMPOSITION AND GUIDANCE

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 FY2018, changes to the composition of the Board were made. As at the date of this annual report, the compositions of the Board and Board Committees are as follows:

		Board Committee Membership		
Name	**Designation of Board Members**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Mr Chan Andrew Wai Men	Chairman and Chief Executive Officer	-	-	-
Ms Chu Yin Ling, Karen	Executive Director and Chief Financial Officer	-	-	-
Mr Zhang Dai	Executive Director	-	-	-
Mr Lee Joo Hai	Independent Director	Chairman	Member	Member
Mr Phuah Lian Heng	Independent Director	Member	Member	Chairman
Mr Alexander Shlaen	Independent Director	Member	Chairman	Member

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.

Corporate **Governance Report**

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.

Although Mr Lee Joo Hai and Mr Phuah Lian Heng (the "**Two IDs**") served on the Board for more than nine years from the date of their first appointments, the NC rigorously reviewed their past contributions to the Group and considered that they are independent in character and judgement and there was no circumstance which would likely affect or appear to affect their judgements. Their lengths of services and in-depth knowledge of the Group's business are viewed by the Board as valuable during Board deliberations. The opinion was arrived at after careful assessment by the NC and the Board (save for Mr Lee Joo Hai and Mr Phuah Lian Heng). The rigorous reviews comprised reviews of, but not limited to, the following factors: (a) the lengths of services of the Two IDs have not compromised the objectivities of independent Directors and their commitments and abilities to discharge their duties as independent Directors; (b) the abilities of the Two IDs to continue exercising independent judgement in the best interests of the Company, as they do not have any relationship with the Company, its related corporations, substantial shareholders or its officers which could materially impair their exercises of judgements; (c) the abilities of the Two IDs to express their objectives and independent views during Board and Board Committee meetings; and (d) the Two IDs, through their years of involvements with the Company, have gained valuable insights and understandings of the Group's business and together with their diverse experiences and expertise, have contributed and will continue to contribute effectively as independent Directors by providing impartial and autonomous views at all times.

The Board also recognises the contributions of the Two IDs who, over time, have developed deep insights into the Group's business and operations, and who are therefore able to provide invaluable contributions to the Board as a whole. Taking into account the above factors and also having weighed the need to refresh the Board against tenure for relative benefit, the Board (excluding Mr Lee Joo Hai and Mr Phuah Lian Heng) is of the view that Mr Lee Joo Hai and Mr Phuah Lian Heng continue to be considered independent notwithstanding they have served on the Board for more than nine years from the respective dates 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 of the Company ("**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 and the other Directors, and they will provide feedback to the Chairman after such meeting, if necessary.

Corporate **Governance Report**

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 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, there is no immediate necessity to separate the functions of the Chairman and the CEO 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, *inter alia*, the following:

- 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.

As the CEO, Mr Chan Andrew Wai Men is responsible for strategic planning, overall management and business development of the Group.

The Board believes that there is a sufficient 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 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.

Corporate **Governance Report**

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 Alexander Shlaen (Chairman), Mr Phuah Lian Heng and Mr Lee Joo Hai, all of whom are independent and non-executive Directors. 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. At the forthcoming AGM, Ms Chu Ying Ling, Karen and Mr Lee Joo Hai will be retiring pursuant to Bye-law 104 of the Company's Bye-Laws. All of the aforementioned Directors, being eligible for re-election, have offered themselves for re-election. The NC has recommended to the Board that Ms Chu Ying Ling, Karen and Mr Lee Joo Hai be nominated for re-election at the forthcoming AGM. As a member of the NC, Mr Lee Joo Hai has abstained from voting on any resolutions in respect of the assessment of his own performance for re-appointment as a Director. In making its recommendations, the NC has considered, amongst others, the Directors' overall contribution and performance to the Board.

Corporate **Governance Report**

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.

All the Directors have declared their board representations. When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. 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. The Board will review the maximum number of board representations of Directors when the need arises.

The Company does not have any alternate director on its Board.

The profile of each Director is set out below:

Name of Director	Date of first appointment	Date of last re-election	Current directorships or chairmanships held in other listed companies	Past directorships or chairmanships held in other listed companies (preceding three years)
Mr Chan Andrew Wai Men	7 November 2014	28 July 2017	Nil	Nil
Ms Chu Yin Ling, Karen	14 August 2015	28 July 2016 (to be re-elected at the forthcoming AGM)	Nil	Nil
Mr Zhang Dai	1 April 2017	28 July 2017	Nil	Nil
Mr Lee Joo Hai	1 March 2004	27 July 2015 (to be re-elected at the forthcoming AGM)	1. PGG Wrightson Ltd 2. Hyflux Limited 3. Raffles United Holdings Ltd 4. Lung Kee (Bermuda) Holdings Limited	1. IPC Corporation Limited
Mr Phuah Lian Heng	1 March 2004	28 July 2016	Nil	1. AA Group Holdings Limited
Mr Alexander Shlaen	1 February 2015	28 July 2017	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.

Corporate **Governance 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 satisfactory for FY2018, 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 FY2018.

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

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.

Corporate **Governance Report**

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.

The Company currently does not have a formal procedure for Directors to seek independent and professional advice for the furtherance of their duties. However, Directors may, on a case-to-case basis, propose to the Board for such independent and professional advice, the cost of which 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 (Chairman), Mr Lee Joo Hai and Mr Alexander Shlaen, all of whom are independent and non-executive Directors. 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 SinoCloud Group Limited 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 did not engage any remuneration consultant for FY2018.

Corporate **Governance Report**

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.

If necessary and when required, the RC has access to appropriate expert advice in the field of executive compensation outside the Company.

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 that 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 which comprise 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 of the Company, 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 AGM. 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 RC has assessed and is satisfied that the Non-Executive Independent Directors are not overly-compensated to the extent that their independence is compromised. Directors' fees of S$196,000 for FY2018 (with payment made in quarterly, in arrears) had been approved by shareholders of the Company at the last AGM held on 28 July 2017. Directors' fees of S$196,000 for the financial year ending 31 March 2019 (with payment to be made quarterly, in arrears) are recommended by the Board and subject to the approval of shareholders of the Company at the forthcoming AGM. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.

Corporate **Governance Report**

The PSP was approved by the shareholders of the Company at the Special General Meeting held on 26 July 2013 and is administered by the RC. The PSP is a share incentive scheme which will allow the Company to, *inter alia*, 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. Further information on the PSP is set out in the "Directors' Statement" section of this annual report.

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 FY2018 are as follows:

Remuneration Bands	Salary	Performance bonus	Directors' fees	Others	Total
	%	%	%	%	%
Directors					
S$250,000 to S$500,000	-	-	-	-	-
Below S$250,000					
Mr Chan Andrew Wai Men	100	-	-	-	100
Mr Luk Chung Po, Terence (1)	100	-	-	-	100
Ms Chu Yin Ling, Karen	100	-	-	-	100
Mr Zhang Dai	100	-	-	-	100
Mr Lee Joo Hai	-	-	100	-	100
Mr Phuah Lian Heng	-	-	100	-	100
Mr Alexander Shlaen	-	-	100	-	100
Key Management Personnel(2)					
Below S$250,000					
Mr Xu Yong	100	-	-	-	100

Notes:

(1) Mr Luk Chung Po, Terence resigned as an Executive Director on 1 November 2017.

(2) The Company has only one (1) key management personnel (who is not a Director or CEO) receiving remuneration during FY2018.

The Code recommends the disclosure of the remuneration of each Director, the CEO and at least the Group's top five (5) key management personnel (who are not Directors or CEO). 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 Director, the CEO and the key management personnel (who are not Directors or CEO) given the confidentiality and sensitivity of remuneration matters, and 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 brings.

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 Xu Yong (General Manager of Guiyang Zhongdian Gaoxin Digital Technologies Limited, a subsidiary of the Company in the PRC) who is a substantial shareholder of the Company as at the date of this annual report, there is no person occupying a managerial position in the Group who is a relative of a Director, the CEO, or substantial shareholder of the Company pursuant to Rule 704(10) of the Catalist Rules.

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 of the Company, it is the aim of the Board to provide the shareholders of the Company 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, given 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 interests of shareholders of the Company 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 98 to 110 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, the 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 the 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, the CFO and the 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 2018.

Corporate **Governance Report**

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 (Chairman), Mr Phuah Lian Heng and Mr Alexander Shlaen, all of whom are independent and non-executive Directors. The AC reports to the Board and meets at least four (4) 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 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 of RT LLP as the Company's external auditors. The fees for audit services rendered by the external auditors to the Group for FY2018 amounted to approximately HK$1.3 million. There were no non-audit services rendered by the external auditors to the Group for FY2018. The AC reviews the independence of the external auditors at least once a year and is satisfied with their independence.

Corporate **Governance Report**

The AC had reviewed the audit plans and audit reports for FY2018 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.

The AC had reviewed the financial statements of the Group before the quarterly results announcements. In the process, the AC considered the key areas of management's estimates and judgement applied for key financial issues including impairment testing, provisioning policies, critical accounting policies and other significant matters that might affect the integrity of the financial statements and considered the report from the external auditors, including their findings on the key areas of audit focus. The external auditors had included key audit matters ("**KAMs**") in its audit report for the financial year ended 31 March 2018. Please refer to pages 33 to 34 of this annual report. In assessing each KAM, the AC took into consideration the track records, latest development, reasonableness of the estimates and key assumptions used. The AC concluded that the management's accounting treatment and estimates in each of the KAMs were appropriate.

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, or to the member of the AC. The AC has reviewed arrangements by which staff of the Group 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 and/or the CFO on administrative matters. 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 carried out its function in accordance to the Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. 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 FY2018 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.

Corporate **Governance Report**

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 FY2018, the Board has resolved that no dividend shall be payable as the Group reported losses for FY2018.

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 (i) the loan agreement entered into between the Company and Mr Chan Andrew Wai Men ("**Mr Chan**") (Chairman and Chief Executive Officer of the Company) for an interest-free and unsecured loan amounting to HK$1,000,000 ("**Loan**"); and (ii) the rental agreement entered into between Guiyang Zhongdian Gaoxin Digital Technologies Limited, a wholly-owned subsidiary of the Company, and 贵阳中电贵云通讯产业发展有限公司, a 28.5% owned company of Mr Zhang Dai (Executive Director of the Company) for the annual rental of the office premises at No.3, Yunzhan Road, Vocational Education City West District, Qingzhen City, Guizhou Province, China for RMB400,000, there are no other material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of the CEO or any Director or controlling shareholders of the Company, either still subsisting at the end of FY2018, or if not then subsisting, entered into since the end of the previous financial year.

DEALINGS IN SECURITIES

To provide guidance to the Group's Directors and employees on their dealings in the Company's securities, the Company has adopted its own code of best practices on securities transactions, which is 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 Company's securities 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 announcement of the Group's full year financial statements, as the case may be, and ending on the date of announcements of the relevant results, or when they are in possession of unpublished price-sensitive information of the Group. They should not deal in the Company's securities on short-term considerations. They are also advised to observe all applicable insider trading laws at all times even when dealing in securities within the permitted trading period.

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. The Company does not have a mandate from its shareholders for any interested person transactions pursuant to Rule 920(1)(a)(i) of the Catalist Rules.

In FY2018, there were no IPTs entered into between the Company or its subsidiaries and any of its interested persons exceeding S$100,000.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were payable or paid to ZICO Capital Pte. Ltd. in FY2018.

Directors' **Statement**

For the Financial Year Ended 31 March 2018

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 2018 and the statement of financial position of the Company as at 31 March 2018.

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 2018, and of 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	(Chairman and Chief Executive Officer)
Ms Chu Yin Ling, Karen	(Company Secretary, Chief Financial Officer and Executive Director)
Mr Zhang Dai	(Executive Director)
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' **Statement**

For the Financial Year Ended 31 March 2018

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		
	As at 1.4.2017	As at 31.3.2018	As at 21.04.2018	As at 1.4.2017	As at 31.3.2018	As at 21.04.2018
The Company						
Ordinary shares of HK$ 0.001 (2017: $ 0.001) each fully paid						
Mr. Chan Andrew Wai Men	457,671,000	957,671,000	957,671,000	-	-	-
Mr Zhang Dai	260,000,000	2,900,000,000	2,900,000,000	-	-	-
Ms. Chu Yin Ling, Karen	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.

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)

Directors' **Statement**

For the Financial Year Ended 31 March 2018

Share options and performance shares (Continued)

(ii) Performance shares (Continued)

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 PSP to end of financial year under review	Aggregate number of Performance Shares vested since commencement of the Company 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 Lee Joo Hai	-	6,000,000	6,000,000	-
Mr Phuah Lian Heng	-	5,000,000	5,000,000	-
Ms Chu Yin Ling, Karen	-	16,000,000	16,000,000	-

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.

Directors' **Statement**

For the Financial Year Ended 31 March 2018

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 Section 201B(5) of the Singapore Companies Act.

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 statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2018 prior to their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group; and

(vi) interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("Catalist Rules")).

(vii) re-appointment of the external auditors of the Group.

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.

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.

Directors' **Statement**

For the Financial Year Ended 31 March 2018

Audit committee (Continued)

In appointing the external auditors for the Company, subsidiaries and the associated companies, the Company has complied with Rules 712 and 715 of the Catalist Rules.

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.

On behalf of the Board of Directors

CHAN ANDREW WAI MEN
Chairman and Chief Executive Officer

CHU YIN LING, KAREN
Executive Director

22 June 2018

Independent **Auditor's Report**

to the members of SinoCloud Group Limited
For the Financial Year Ended 31 March 2018

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of SinoCloud Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our auditor's report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $17,473,000 (2017: $42,235,000) during the year ended 31 March 2018 and, as of that date, the Group's cash and cash equivalents available for use amounting to $724,000 while the current liabilities and capital commitment due in one year amounting to $159,334,000 and $174,475,000 respectively. The Group is highly dependent on the borrowings from financial institution, loan from related party, the realisation of cash flows from the current trade and other receivables and generation of additional cash flow from its operating activities. These factors indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern notwithstanding the net assets of approximately $366,057,000 as at 31 March 2018 and positive operating cash flow of $9,026,000 during the year ended 31 March 2018. Our opinion is not modified in respect of this matter.

Independent **Auditor's Report**

to the members of SinoCloud Group Limited
For the Financial Year Ended 31 March 2018

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, an in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	**How the matter was addressed in the audit**
Impairment of investments in associates - China Satellite Mobile Communications Group Limited ("China Satellite Group") and amount due from China Satellite Group In 2018, the Group had fully recognised impairment loss of HK\$26.4 million and HK\$22.7 million on its investments in China Satellite Group and amount due from China Satellite Group. Management is required to assess at the end of each reporting period whether there is any indication that the investments may be impaired. The recoverable amount of investments in China Satellite Group and amount due from China Satellite Group was determined using the value in use which involves significant judgments and estimations by management. The significant estimates and disclosures on the impairment loss on receivables are disclosed in the Note 3.1(ii)(b), Note 7 and Note 10 respectively.	Our audit procedures focused on evaluating and challenging the key assumptions used by the Management in the impairment assessment of the investment in China Satellite Group. We have performed the following procedures: • Challenged the discounted cash flow used by management with respect to the assumptions; • Evaluated the growth rates and discount rates used in the discounted cash flow; • Assessed the accuracy of the computation of the discounted cash flow; and • Considered the financial position of China Satellite Group.

Key Audit Matters (Continued)

Key audit matters	**How the matter was addressed in the audit**
Impairment of receivables from vendors of China Satellite Group ("Vendors") In 2018, the Group had outstanding receivables from Vendors amounting to HK$31.6 million which constituted 5.8% of the total assets and 18.6% of the current assets of the Group. Management is required to assess at the end of each reporting period whether there is any indication that the receivables may be impaired. The recovery of the receivables from the Vendors is dependent on the intention and payment history from the Vendors. During the financial year, the Group has recovered HK$12.2 million from the Vendors. Subsequent to year end and before the date of this report, the Group has entered into a supplemental repayment agreement with Vendors to extend the repayment date of the outstanding balances and additional HK$3.1 million was recovered from the Vendors. The significant estimates and disclosure on the impairment loss on investment in associates are disclosed in the Note 3.1(ii)(b), Note 9(ii) and Note 9(iii) respectively.	Our audit procedures focused on evaluating management's impairment assessment of those receivables which include: • Considered the ability of the vendors on repayment; • Checked to the subsequent repayments from the vendors; and • Assessed the age of the receivables and the terms and conditions of the supplemental repayment settlement agreement.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs. We have nothing to report in this regard.

Independent **Auditor's Report**

to the members of SinoCloud Group Limited
For the Financial Year Ended 31 March 2018

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent **Auditor's Report**

to the members of SinoCloud Group Limited
For the Financial Year Ended 31 March 2018

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Su Chun Keat.

RT LLP
Public Accountants and
Chartered Accountants

Singapore
Date: 22 June 2018

Statements of **Financial Position**

AS AT 31 MARCH 2018

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

	Note	Group		Company	
		2018	2017	2018	2017
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	220,800	59,705	-	-
Intangible assets	5	151,617	161,266	-	-
Investment in subsidiaries	6	-	-	-	-
Investment in associates	7	-	27,688	-	53,550
Amount due from subsidiaries (non-trade)	8	-	-	104,507	58,581
		372,417	248,659	104,507	112,131
Current assets					
Trade and other receivables	9	169,544	89,848	31,851	44,046
Amount due from associates (non-trade)	10	-	22,719	-	-
Cash and bank balances		724	1,081	-	-
		170,268	113,648	31,851	44,046
TOTAL ASSETS		542,685	362,307	136,358	156,177

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

Statements of **Financial Position**

AS AT 31 MARCH 2018

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

	Note	Group		Company	
		2018	2017	2018	2017
		$'000	$'000	$'000	$'000
LIABILITIES					
Current liabilities					
Trade and other payables	11	106,101	58,193	9,448	2,931
Lease obligations	12	-	14,244	-	-
Convertible bond	14	-	13,220	-	13,220
Short-term borrowing	13	49,967	7,622	-	-
Loans from shareholder	15	2,000	-	-	-
Provision for warranty	16	1,266	-	-	-
		159,334	93,279	9,448	16,151
Non-current liabilities					
Lease obligations	12	-	20,252	-	-
Convertible bonds	14	13,220	-	13,220	-
Loans from shareholder	15	4,074	2,000	-	-
		17,294	22,252	13,220	-
TOTAL LIABILITIES		176,628	115,531	22,668	16,151
NET ASSETS		366,057	246,776	113,690	140,026
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	17	14,311	10,918	14,311	10,918
Share premium	18	473,003	438,396	473,003	438,396
Contributed surplus	19	16,456	16,456	16,456	16,456
Translation reserve/ (deficit)	20	9,628	(3,785)	-	-
Statutory reserve	21	5,863	5,863	-	-
Revaluation reserve	22	98	98	-	-
Other reserve/ (deficit)	23	15,120	(52,475)	-	-
Accumulated losses	24	(252,866)	(199,972)	(390,080)	(325,744)
		281,613	215,499	113,690	140,026
Non- controlling interest		84,444	31,277	-	-
TOTAL EQUITY		366,057	246,776	113,690	140,026

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

Consolidated Statement of **Comprehensive Income**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018
(Amounts in thousands Hong Kong dollar "$'000")

	Note	2018 $'000	2017 $'000
Revenue	25	89,472	50,168
Other income	26	22,754	3,341
Employee benefits expense	27	(10,604)	(10,222)
Depreciation of property, plant and equipment	4	(10,097)	(11,317)
Amortisation of intangible assets	5	(9,649)	(9,649)
Impairment of:			
- investment in associates	7	(26,400)	(34,650)
- amount due from associates	10	(22,719)	-
- trade receivables	9	-	(692)
Operating lease expenses		(5,504)	(5,946)
Provision for warranty	16	(1,201)	-
Subcontracting fee	28	(27,619)	-
Bandwidth fee	29	(10,000)	-
Other expenses	30	(10,820)	(12,852)
Finance costs		(3,229)	(7,026)
Share of associates' loss	7	(1,288)	(2,842)
Loss before tax	31	(26,904)	(41,687)
Income tax expense	32	(7,994)	(431)
Loss for the financial year		(34,898)	(42,118)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss Currency translation difference arising from consolidation			
- Gain / (loss)	20	17,425	(117)
Other comprehensive income/(loss) for the financial year, net of tax		17,425	(117)
Total comprehensive loss for the financial year		(17,473)	(42,235)

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

Consolidated Statement of **Comprehensive Income**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018
(Amounts in thousands Hong Kong dollar "$'000")

	Note	2018 $'000	2017 $'000
(Loss) / Profit attributable to:			
Equity holders of the Company		(49,936)	(45,846)
Non-controlling interest		15,038	3,728
		(34,898)	(42,118)
Total comprehensive (loss) / profit attributable to:			
Equity holders of the Company		(39,481)	(45,948)
Non-controlling interest		22,008	3,713
		(17,473)	(42,235)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
Basic loss per share	33 (i)	(0.40)	(0.42)
Diluted loss per share	33 (ii)	(0.40)	(0.42)

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

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

2018
Group

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Translation reserve	Statutory reserve	Revaluation reserve	Other (deficit)/ reserve	Accumulated losses	Non-controlling Interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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 financial year	-	-	-	-	-	-	-	(49,936)	15,038	(34,898)
Other comprehensive loss, net of tax	-	-	-	10,455	-	-	-	-	6,970	17,425
Total comprehensive loss for the year	**-**	**-**	**-**	**10,455**	**-**	**-**	**-**	**(49,936)**	**22,008**	**(17,473)**
Dissolved of a subsidiary	-	-	-	2,958	-	-	-	(2,958)	-	-
Capital injection by a shareholder of a subsidiary [Note 23]	-	-	-	-	-	-	83,418	-	53,336	136,754
Issue of new shares for acquisition of additional subsidiary shares in a subsidiary [Note 17 and 23]	3,393	34,607	-	-	-	-	(15,823)	-	(22,177)	-
Total transactions with owners, recognized directly in equity	**3,393**	**34,607**	**-**	**2,958**	**-**	**-**	**67,595**	**(2,958)**	**31,159**	**136,754**
Balance as at 31 March 2018	**14,311**	**473,003**	**16,456**	**9,628**	**5,863**	**98**	**15,120**	**(252,866)**	**84,444**	**366,057**

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

Consolidated Statement of **Changes in Equity**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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

2017
Group

	Attributable to equity holders of the Company									
	Share capital $'000	Share premium $'000	Contributed surplus $'000	Translation reserve $'000	Statutory reserve $'000	Revaluation reserve $'000	Other deficit $'000	Accumulated losses $'000	Non-controlling Interest $'000	Total equity $'000
Balance as at 1 April 2016	10,918	438,396	16,456	(3,683)	5,863	98	(49,466)	(154,126)	60,555	325,011
Loss for the financial year	-	-	-	-	-	-	-	(45,846)	3,728	(42,118)
Other comprehensive loss, net of tax	-	-	-	(102)	-	-	-	-	(15)	(117)
Total comprehensive loss	-	-	-	(102)	-	-	-	(45,846)	3,713	(42,235)
Total transactions with owners, recognized directly in equity										
Acquisition of additional shares in a subsidiary [Note 23]	-	-	-	-	-	-	(3,009)	-	(32,991)	(36,000)
Balance as at 31 March 2017	10,918	438,396	16,456	(3,785)	5,863	98	(52,475)	(199,972)	31,277	246,776

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

Consolidated Statement of **Cash Flows**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018
(Amounts in thousands Hong Kong dollar "$'000")

	Note	2018 $'000	2017 $'000
Operating activities			
Loss for the financial year		(26,904)	(41,687)
Adjustments:			
Depreciation of property, plant and equipment	4	10,097	11,317
Amortisation of intangible assets	5	9,649	9,649
Property, plant and equipment written off		50	-
Share of associates' loss	7	1,288	2,842
Impairment of investment in associates	7	26,400	34,650
Impairment of amount due from associates	10	22,719	-
Impairment of trade receivables	9	-	692
Provision for warranty	16	1,201	-
Interest expense		3,229	7,026
Interest income		(1)	(7)
Operating profit before working capital changes		47,728	24,482
Trade and other receivables		(69,966)	(25,620)
Trade and other payables		39,258	10,671
Cash generated from operations		17,020	9,533
Income tax paid		(7,994)	(431)
Net cash generated from operating activities		9,026	9,102
Investing activities			
Additions to property, plant and equipment		(156,778)	(8,798)
Amount due from an associate (non-trade)		-	(174)
Interest income received		1	7
Net cash used in investing activities		(156,777)	(8,965)

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

Consolidated Statement of **Cash Flows**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018
(Amounts in thousands Hong Kong dollar "$'000")

	2018 $'000	2017 $'000
Financing activities		
Repayment of short term borrowing	(2,084)	-
Repayment of lease obligations	(36,233)	(19,499)
Repayment of loan from third party	(4,681)	-
Proceeds of loan borrowing	41,453	7,622
Proceeds of loan from director of the Company	500	500
Proceeds of loan from director of a subsidiary	5,418	318
Interest paid	(3,229)	(7,026)
Proceeds of loan from a shareholder of the Company	4,074	2,000
Proceeds of loan from third party	-	5,001
Proceeds from capital injection by a shareholder of a subsidiary	136,754	-
Net cash generated from/ (used in) financing activities	141,972	(11,084)
Net decrease in cash and cash equivalents	(5,779)	(10,947)
Cash and cash equivalents at beginning of the financial year	1,081	12,037
Effects of exchange rate changes in cash and cash equivalents	5,422	(9)
Cash and cash equivalents at end of financial year	724	1,081

Reconciliation of liabilities arising from financing activities

			Non-cash changes $'000			
	1 April 2017 $'000	**Cash flows $'000**	**Foreign exchange impact**	**Interest Expense**	**Other**	**31 March 2018 $'000**
Lease obligations	34,496	(36,233)	1,737	-	-	-
Short term borrowings	7,622	38,014	2,976	1,355	-	49,967
Loan from director	2,101	5,918	1,226	-	(780)	8,465
Loan from a shareholder of the Company	2,000	3,801	-	273	-	6,074
Loan from third party	5,001	(4,681)	305	-	-	625
Convertible bond	13,220	(1,601)	-	1,601	-	13,220

Note A:

In the financial year ended 31 March 2017, the Group acquired additional shares in a subsidiary, SinoCloud 01 Limited with a consideration of $36,000,000. The consideration was offset against the convertible loan receivable amounting to $36,000,000 and there was no actual cash movement.

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

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

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 2018 were authorised for issue in accordance with a resolution of the Board of Directors on the date of the Directors' Statement.

2. BASIS OF PREPARATION

Going concern assumption

The Group incurred a net loss of $17,473,000 (2017: $42,235,000) during the year ended 31 March 2018 and, as of that date, the Group's cash and cash equivalents available for use amounting to $724,000 while the current liabilities and capital commitment due in one year amounting to $159,334,000 and $174,475,000 respectively. The Group is highly dependent on the borrowings from financial institution, loan from related party and the realisation of current trade and other receivables and generation of additional cash flow from its operating activities notwithstanding the net assets of approximately $366,057,000 as at 31 March 2018 and positive operating cash flow of $9,026,000 during the year ended 31 March 2018.

The directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements and that debts owing will be paid and when they fall due. 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"). Guiyang Zhongdian Gaoxin Digital Technologies Limited ("GYZD") IDC is under phase II development with a capacity of hosting 1,000 racks which is expected to be completed in early 2019. The increased capacity, from an existing capacity of 660 racks to 1,660 racks, will enable GYZD to expand its IDC business in Guizhou province and obtain financing to support its investing activity, as well as generate additional positive operating cash flows.

The ability of the Group to generate additional positive 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 GYZD;

(ii) the expected improvement in the achievement of certain utilisation rate of IDC services by GYZD;

(iii) obtain financing by GYZD for its operating and investing activities; and

(iv) financial support from a director/shareholder that he will provide continuing financial support to the Group as and when its liabilities fall due.

The financial statements are prepared in accordance with the historical cost basis, 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.

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

2. BASIS OF PREPARATION (Continued)

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 2017, 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 except for the following:

IAS 7 Statement of cash flows

The amendments to IAS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in the Consolidated Statement of Cash Flows.

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
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 15: Clarification to IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to annual improvements 2014-2016 on IAS 28 Investments in associates and Joint Ventures	1 January 2018
IFRS 9 (2014) Financial Instruments	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to annual Improvements 2015-2017 on IFRS 3 Business Combinations	1 January 2019
Amendments to annual Improvements 2015-2017 on IAS 12 Income Taxes	1 January 2019

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key standards issued but not yet effective (Continued)

Description	Effective for annual periods beginning on or after
Amendments to annual Improvements 2015-2017 on IAS 23 Borrowing Costs	1 January 2019
Amendments to long-term interests in associates and joint ventures on IAS 28 Investments in associates and Joint Ventures	1 January 2019
Amendments to IFRS 9 Financial Instruments	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

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 except for IFRS 9,15 and 16. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key standards issued but not yet effective (Continued)

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.

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

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

(i) Subsidiaries (Continued)

(a) *Basis of consolidation (Continued)*

- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(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.

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 acquiree 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(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.

(ii) Associates

Associates are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(ii) Associates

(b) Equity method of accounting (Continued)

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.

Subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's statement of financial position. 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

a. 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.

b. 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 end of the reporting period 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

b. Transactions and balances (Continued)

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.

c. 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.

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

(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.

(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 machineries	5-15	-
Motor vehicles	5-10	5% to 10%
Furnitures, 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 the end of each reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

(i) Goodwill

Goodwill (including assembled workforce) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(ii) Other intangible assets (Continued)

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.

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

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

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 to ten 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 the end of each reporting 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 end of each reporting 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 statement of financial postion.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(ii) Recognition and derecognition (Continued)

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 the end of the each reporting period 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 end of reporting 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 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.

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

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 end of reporting period 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.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, 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 end of the reporting period are included in current borrowings in the statement of financial position 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 end of the reporting period 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.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

Construction contracts

Revenue from construction contracts are recognised using the percentage-of-completion method. The percentage-of-completion is measured by reference to the stage of completion of the contract activity at the end of each reporting period. When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(i) Retirement benefits (Continued)

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 end of the reporting period.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(iii) Share-based compensation (Continued)

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 end of the reporting period 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.

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 end of the reporting period; and

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

- based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, 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.

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 statement of the financial position 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 statement of financial position.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.1 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.

(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% (2017: 45%) of the voting rights of China Satellite Group and the remaining 55% (2017: 55%) is held by 11 individual shareholders, each holding 1.1% to 9.1% (2017: 1.1% to 9.1%) individually.

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 consent during shareholders' meetings, which has been renewed on 29 September 2014; and

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Significant accounting estimates and judgements (Continued)

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

(a) *Significant influence over an associate (Continued)*

(ii) the current board composition of China Satellite Group. As at 31 March 2018, 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.

(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.

(a) *Impairment of non-financial assets*

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 investment in associates, goodwill and assembled workforce are disclosed in Note 7, 5(b) and 5(c) respectively to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Significant accounting estimates and judgements (Continued)

(ii) Key Sources of Estimation Uncertainty (Continued)

(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 9, 10 and 38(b)(iii) to the financial statements.

<u>Recoverability of advances and earnest deposits to third parties</u>

In assessing the recoverability of the advances and earnest deposit to third parties amounting to $31,608,000, management made the following critical estimates and assumptions in arriving at the following conclusion:

- Pursuant to a supplemental repayment agreement entered on 7 May 2018, the amount of the advances and earnest deposit will be settled via the following arrangement:
    - o Repayment of $1,000,000 or above in each of the month commencing 1 May 2018; or
    - o Repayment of $3,000,000 or above in every 3 months commencing 1 May 2018.

Management is in the views that is no recoverability issue for the carrying amount as management is confident the above arrangement will be fulfilled as a total of $3,114,000 has been received as at date of this report.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Significant accounting estimates and judgements (Continued)

(ii) Key Sources of Estimation Uncertainty (Continued)

(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.

As disclosed in Note 32, the Group has unrecognised tax losses and capital allowances carried forward amounting to $4,615,354 and $Nil respectively (2017: $5,794,484 and $6,240 respectively). Tax losses and capital allowances, that do not expire, amounting to $4,615,354 and $Nil respectively (2017: $5,794,484 and $6,240 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.

(d) *Construction contracts*

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the past experience and knowledge of the project engineers to determine the progress of the construction.

If the total contract costs of on-going contracts to be incurred had been higher/lower by 5% from management's estimates, the Group's revenue would have been lower/higher by $393,490 and $457,547 respectively.

(e) *Provision for warranty*

The provision for warranty is based on estimates from known and expected warranty work to be performed after sale of goods. The actual warranty expense incurred could differ from the provision made. The carrying amount of the Company's provision for warranty as at 31 March 2018 was $1,266,000 (2017: $Nil).

If the future expected warranty claims increased by 5%, the carrying amount of the Company's provision for warranty would have been $1,266,000 higher. Further details of provision for warranty are discussed in Note 16 to the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements	Software platform	Plant and machineries	Motor vehicles	Furniture, fixtures, computer and other equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
As at 1 April 2016	15,668	5,523	60,723	670	627	-	83,211
Additions	5,252	1,804	1,672	-	70	-	8,798
Currency translation differences	(932)	(328)	(3,620)	(40)	(32)	-	(4,952)
As at 31 March 2017	19,988	6,999	58,775	630	665	-	87,057
As at 1 April 2017	19,988	6,999	58,775	630	665	-	87,057
Additions	-	-	-	-	18	156,760	156,778
Written off	-	-	-	-	(84)	-	(84)
Currency translation differences	2,153	755	6,101	68	303	8,577	17,957
As at 31 March 2018	22,141	7,754	64,876	698	902	165,337	261,708

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold improvements	Software platform	Plant and machineries	Motor vehicles	Furniture, fixtures, computer and other equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000		$'000
Accumulated depreciation							
As at 1 April 2016	4,414	185	12,496	109	108	-	17,312
Depreciation of the financial year	3,408	576	7,165	61	107	-	11,317
Currency translation differences	(337)	(23)	(904)	(6)	(7)	-	(1,277)
As at 31 March 2017	7,485	738	18,757	164	208	-	27,352
As at 1 April 2017	7,485	738	18,757	164	208	-	27,352
Depreciation of the financial year	3,508	735	5,671	63	120	-	10,097
Written off	-	-	-	-	(34)	-	(34)
Currency translation differences	997	120	2,334	21	21	-	3,493
As at 31 March 2018	11,990	1,593	26,762	248	315	-	40,908
Carrying amount							
As at 31 March 2018	10,151	6,161	38,114	450	587	165,337	220,800
As at 31 March 2017	12,503	6,261	40,018	466	457	-	59,705

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 $Nil (2017: $40,019,000) and $Nil (2017: $14,300) respectively.

5. INTANGIBLE ASSETS

Group	Goodwill	Customer contract	Favourable lease	Assembled workforce	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
As at 31 March 2017 and 31 March 2018	124,136	36,338	14,623	643	175,740
Accumulated amortisation and impairment loss					
As at 1 April 2016	-	4,432	393	-	4,825
Charge for the financial year	-	8,863	786	-	9.649
As at 31 March 2017	-	13,295	1,179	-	14,474
As at 1 April 2017	-	13,295	1,179	-	14,474
Charge for the financial year	-	8,863	786	-	9.649
As at 31 March 2018	-	22,158	1,965	-	24,123
Carrying amount					
As at 31 March 2018	124,136	14,180	12,658	643	151,617
As at 31 March 2017	124,136	23,043	13,444	643	161,266

5. INTANGIBLE ASSETS (Continued)

(a) *Customer contract and favorable leases*

The intangible assets included customer contract and favorable leases 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.

(b) *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.

As at 31 March 2018, 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.

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 16.3%. Management is of the view that 10 years is an appropriate forecast period as the Group expect the customers to award contracts over the same relevant forecast period. 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.

(c) Assembled workforce

Assembled workforce which was to be subsumed in goodwill was presented separately as management was of the view that the assembled workforce is not materials and will be tested for impairment together with the goodwill.

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For the financial year ended 31 MARCH 2018

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	2017
	$'000	$'000
Unquoted equity shares, at cost	60,166	60,166
Impairment loss (Note A)	(60,166)	(60,166)
	-	-

Details of the Group's subsidiaries as at 31 March 2018 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%)	
			2018 %	2017 %
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)	Management Office	Hong Kong	100	100
SinoCloud Assets Management Company Limited (i) (ii)	Investment holding	BVI, Hong Kong	100	100
SinoCloud 01 Limited (i) (ii)	Investment holding	BVI, Hong Kong	100	81
Armarda International Inc (i) (ii)	Dormant	BVI, Hong Kong	100	100
Armarda Technology (Singapore) Pte Limited (ii) (iii)	Dormant	Singapore	-	100
Held by SinoCloud Assets Management Company Limited				
SinoCloud Asset Management Limited (ii)	Investment holding	Hong Kong	100	100
中云时代数据科技(北京)有限公司(ii)	Provision of internet data centre management	PRC	100	100

6. INVESTMENT IN SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of ownership interest (%) 2018 %	2017 %
Held by SinoCloud 01 Limited				
SinoCloud 01 (HK) Limited (ii)	Investment holding	Hong Kong	100	81
SinoCloud Data (Guiyang) Limited (ii)	Provision of Internet Data Service	PRC	100	81
Guiyang Zhongdian Gaoxin Digital Technologies Limited (ii)	Provision of Internet Data Service	PRC	60	81

(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) Dissolved on 4 April 2017.

Note A - Impairment testing of investments in subsidiaries

The carrying amount of the investments in subsidiaries was fully impaired since financial year 2010.

The summarized financial information below represents amounts of non-wholly owned subsidiary of the Group that has material non-controlling interests before intragroup eliminations:

	Guiyang Zhongdian Gaoxin Digital Technologies Limited 2018 $'000	2017 $'000
Current assets	137,535	44,937
Non-current assets	220,797	59,627
Current liabilities	153,445	72,619
Non-current liabilities	-	20,212
Equity attributable to owners of the company	177,643	7,049
Non-controlling interests	27,243	4,684

6. INVESTMENT IN SUBSIDIARIES (Continued)

	Guiyang Zhongdian Gaoxin Digital Technologies Limited	
	2018	2017
	$'000	$'000
Revenue	89,472	50,168
Other income	22,736	3,289
Expenses	(72,398)	(33,778)
Profit for the year	39,810	19,679
Profit attributable to owners of the company	23,886	15,940
Profit attributable to the non-controlling interests	15,924	3,739
Other comprehensive income attributable to owners of the company	9,954	32
Other comprehensive income attributable to non-controlling interests	6,636	7
Other comprehensive income for the year	16,590	39
Total comprehensive income attributable to owners of the Company	33,840	15,972
Total comprehensive income attributable to non-controlling interests	22,560	3,746
Total comprehensive income for the year	56,400	19,718
Net cash inflow from operating activities	2,118	24,577
Net cash outflow from investing activities	(192,956)	(28,225)
Net cash inflow from financing activities	185,383	3,894
Net cash (outflow)/ inflow	(5,455)	246

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At beginning of the financial year	27,688	108,980	53,550	132,000
Share of loss	(1,288)	(2,842)	-	-
Impairment loss	(26,400)	(34,650)	(53,550)	(34,650)
Reclassified to trade and other receivables				
Advances to third parties (Note 9)	-	(24,700)	-	(24,700)
Earnest deposits to third parties (unsecured) (Note 9)	-	(19,100)	-	(19,100)
At end of the financial year	-	27,688	-	53,550

7. INVESTMENT IN ASSOCIATES (Continued)

	Group 2018 $'000	Group 2017 $'000
Representing:		
Goodwill	16,468	42,866
Share of net liabilities	(16,468)	(15,178)
	-	27,688

The movement in accumulated impairment loss is as follows:

	Group 2018 $'000	Group 2017 $'000
At beginning of the financial year	115,882	81,232
Impairment loss charged to profit or loss	26,400	34,650
At end of the financial year	142,282	115,882

The above impairment loss relate to China Satellite Group.

Details of the Group's associates as at 31 March 2018 are as follows:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion of the Group's effective interest (%) 2018 %	2017 %
Held by the Company				
China Satellite Mobile Communications Group Limited ("CSMCG") (i)(ii)	Investment holding	BVI	45	45
Held by CSMCG				
China Mobile Satellite Communications Group Ltd ("CMSCG") (ii)	Provision of mobile satellite communication services and distribution for satellite phones	Hong Kong	45	45
China Satellite Mobile (HK) Limited (ii)	Investment holding	Hong Kong	45	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.

7. INVESTMENT IN ASSOCIATES (Continued)

Impairment testing for China Satellite Group

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 discount rate applied to the cash flow projection is 17.5%.

The key basis and assumptions used for the valuation were the new business model with Viasat Inc ("Viasat") for the distribution of mobile satellite products and services in the PRC, pending for the approval of product type and in-country service license as required by the relevant PRC regulatory.

Due to the uncertainty in getting approval from the relevant PRC regulator, change of market potential in satellite business where CSMCG operated in and net liabilities position of CSMCG, the management in the view that the investment in CSMCG to be recovered is nil under a prudent approach, coupled with other assessment factors including uncertainty in seeking financial support and no revenue being generated. As a result, an impairment of $26,400,000 was also provided for investment in associates.

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	
	2018	2017
	$'000	$'000
Current assets	273	273
Current liabilities	36,868	34,003
Revenue	-	1,250
Total comprehensive loss for the financial year	(2,865)	(6,315)

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

	Group	
	2018	2017
	$'000	$'000
Net liabilities	(36,595)	(33,730)
Proportion of the Group's ownership interest	45%	45%
Share of net liabilities	(16,468)	(15,178)
Goodwill on acquisition	158,750	158,748
Impairment loss	(142,282)	(115,882)
	-	27,688

8. AMOUNT DUE FROM SUBSIDIARIES (NON-TRADE)

	Company	
	2018	2017
	$'000	$'000
Due from subsidiaries	197,569	151,643
Less: Impairment loss	(93,062)	(93,062)
	104,507	58,581

There has been no movement in impairment loss account for the financial year ended 31 March 2018 and 31 March 2017.

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.

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables	63,373	35,280	-	-
Less: Allowance of impairment loss	(692)	(692)	-	-
	62,681	34,588	-	-
Other receivables	5,880	319	-	-
Refundable deposits (i)	44,327	2,888	-	-
Advances to third parties (unsecured) (ii)	24,700	24,700	24,700	24,700
Earnest deposits to third parties (unsecured) (iii)	6,908	19,100	6,908	19,100
Due from a director (non-trade) (iv)	-	780	-	-
Trade and other receivables	144,496	82,375	31,608	43,800
Prepayments (v)	25,048	7,473	243	246
	169,544	89,848	31,851	44,046

(i) Refundable deposits

Refundable deposits consists of a refundable deposit placed by one of the subsidiaries, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("GYZD") to Zhongdian Zhiyun Holdings Limited ("ZDZY") for a potential acquisition of an Internet Date Centre in Lian Yun Gang in the PRC amounting to $43,658,000. GYZD will cooperate with Guiyang Gaoxin Big Data Fund Company to acquire 100% equity interest in ZDZY's two (2) wholly-owned subsidiaries, namely Zhongtong Keyun Big Data Technology (Lian Yun Gang) Company Limited and Zhongtong Keyun Real Estate (Lian Yun Gang) Company Limited (collectively the "Targets"). The deposit had been secured by a pledge of the 82.5% equity interests in each of the Targets as collateral in favour of GYZD which has a fair value higher than the refundable deposit.

9. TRADE AND OTHER RECEIVABLES (Continued)

(ii) Advances to third parties (unsecured)

During the financial year ended 31 March 2016, the Company announced that the Company 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 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 $24,700,000 to $43,800,000, 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.

As the Company had decided not to proceed with the additional acquisition of 25.19% interest in China Satellite Mobile Communications Group Limited ("CSMCG Group"), the amount of $24,700,000 was reclassified to other receivables from investment in associates. A settlement agreement had been signed with the vendors on 21 June 2017.

Subsequently to the financial year end, the Company entered into a supplemental repayment agreement with vendors on 7 May 2018.

(iii) Earnest deposits to third parties

In the financial year ended 31 March 2015, the Company granted interest-free earnest deposits amounting to $19,100,000 to another 5 shareholders of CMSCG Group and the Group have 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 the Company had decided not to proceed with the additional acquisition of 25.19% interest in China Satellite Mobile Communications Group Limited ("CSMCG Group"), the amount of $19,100,000 was reclassified to other receivables from investment in associates. A settlement agreement had been signed with the vendors on 21 June 2017. During the financial year ended 31 March 2018, $12,192,000 was received. As at financial year end, there is an outstanding amount of $6,908,000.

Subsequently to the financial year end, the Company entered into a supplemental repayment agreement with vendors on 7 May 2018 and total of $3,114,000 was received as at the date of this report.

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

9. TRADE AND OTHER RECEIVABLES (Continued)

(iv) Due from a director (non-trade)

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

(v) Prepayments

Prepayments is mainly consists of prepayment for renovation, server equipment, software development and construction projects amounting to $22,451,000 (2017:$5,600,000).

10. AMOUNT DUE FROM ASSOCIATES (NON-TRADE)

	Group	
	2018	2017
	$'000	$'000
Due from associates	22,719	22,719
Less: Impairment loss	(22,719)	-
	-	22,719

As disclose in note 7 above, Management has used the value-in-use (discounted cash flow) method to determine the recoverable amount of the investment in associates and amount due from associates. The recoverable amount is determined based on estimates of forecast cash inflows from discount receivable and discounted to present value at 17.5%.

Based on the assessment, the carrying amounts of the investment in associates and amount due from associates were higher than their recoverable amounts as at 31 March 2018. Accordingly, an impairment loss of $22,719,000 (2017: $Nil) was recognised in the profit or loss for the financial year ended 31 March 2018.

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

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables	50,532	19,420	-	-
Other payables (i)	43,519	28,315	5,953	1,592
Accrued operating expenses	2,920	3,318	1,046	1,339
Deposits	40	38	-	-
Amount due to directors (non-trade) (ii)	1,020	1,300	-	-
Amount due to a subsidiary (non-trade) (ii)	-	-	2,449	-
Loan from third party(ii)	625	5,001	-	-
Loan from director(ii)	7,445	801	-	-
	106,101	58,193	9,448	2,931

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

11. TRADE AND OTHER PAYABLES (Continued)

(i) Other payables

Other payables consists of project payable for the Internet Date Centre ('IDC") in PRC amounting to approximately $14,422,000 (2017: $ 7,200,000) and salary payable to key management personnel amounting to approximately $11,164,000 (2017: $5,800,000).

(ii) The balances are interest-free, unsecured and repayable on demand.

12. LEASE OBLIGATIONS

Group	Minimum lease payments	Interest	Present value of payments
	$'000	$'000	$'000
2018			
Current portion:			
- Not later than one year	-	-	-
2018			
Non-current portion:			
- Between one and five years	-	-	-
2017			
Current portion:			
- Not later than one year	17,614	3,370	14,244
2017			
Non-current portion:			
- Between one and five years	22,036	1,784	20,252

The Group leases certain plants and equipment from non-related parties under finance leases. The average lease term is 5 years. In 2018, the average effective borrowing rate was 9.5% (2017: 9.5%). Interest rates are fixed at the contract date, and thus expose the group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The leases were fully repaid during the financial year.

13. SHORT-TERM BORROWINGS

	Group	
	2018	2017
	$'000	$'000
At beginning of the financial year	7,622	-
Additions	41,453	8,750
Less: repayment	(2,084)	(1,128)
Currency translation differences	2,976	-
At end of the financial year	49,967	7,622

During the financial year, the loans were unsecured and guaranteed by shareholder of the Company which have the effective interest rate of 8.28% and 8.50% per annum and repayable on 9 March 2019 and 25 January 2019 respectively.

14. CONVERTIBLE BONDS

In the financial year ended 31 March 2016, the Company issued a 12% convertible bonds which is denominated in Singapore Dollars at a nominal value of $13,200,000 (S$2,256,000). 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.

During the financial year, the Company reissued a 12% convertible bonds which is denominated in Singapore Dollars at a nominal value of $13,200,000 (S$2,256,000). 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 1,128,000,000 shares per S$0.002 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 approximately to the market interest rate.

14. CONVERTIBLE BONDS (Continued)

The carrying amount of the liability component of the convertible bonds at the end of reporting period is derived as follows:

	Group and Company	
	2018	2017
	$'000	$'000
Face value of convertible bonds issued on 28 November 2017 / 25 May 2015	13,220	13,220
Equity conversion component on initial recognition	-	-
Liability component on initial recognition	13,220	13,220
Accumulated amortisation of interest expense	1,596	2,920
Accumulated payments of interest	(1,596)	(2,920)
Liability component as at 31 March	13,220	13,220

15. LOANS FROM SHAREHOLDERS

The loans are unsecured and repayable after two years of the date drawdown and interest is fixed at 6% per annum. Management is of the view that no discounting is required on the effect of any discounting is not material.

16. PROVISION FOR WARRANTY

	Group	
	2018	2017
	$'000	$'000
Provision for warranty	1,266	-

The Group and the Company give one to three year warranties on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience and management's best estimation.

Movement in provision for warranty is as follows:

	Group	
	2018	2017
	$'000	$'000
At beginning of the financial year	-	-
Currency translation differences	65	-
Provision made	1,201	-
At end of the financial year	1,266	-

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17. SHARE CAPITAL

Group and Company	2018 Number of ordinary shares of $0.001 each	2018 $'000	2017 Number of ordinary shares of $0.001 each	2017 $'000
Authorised				
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	10,917,813,474	10,918	10,917,813,474	10,918
Consideration shares allotted	3,392,857,143	3,393	-	-
At end of the financial year	14,310,670,617	14,311	10,917,813,474	10,918

As at 31 March 2018, 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.

Consideration shares allotted

On 6 October 2017, the Company issued and allotted a total of 3,392,857,143 new ordinary shares at par value of $0.001 to the 3 individual vendors as part of the purchase consideration for the acquisition of additional of 19% equity interest in SinoCloud 01 Limited and its subsidiaries. The related share issue cost amounted to $194,000 was recognized in the profit or loss.

18. SHARE PREMIUM

	Group and Company 2018 $'000	Group and Company 2017 $'000
At beginning of the financial year	438,396	438,396
Issuance of new ordinary shares:		
- For placement shares allotted (i) (Note 17)	34,607	-
At end of the financial year	473,003	438,396

(iii) On 7 June 2017, the Company entered into a Sales and Purchase Agreement with Guiyang Tech to acquire additional 19% equity interest for a purchase consideration of $38,000,000 through a Variable Interest Entity ("VIE") arrangements. The purchase consideration was settled through the following arrangements:

- consideration share allotted 3,392,857,143 at par value of $0.001 per share (Note 17)
- the remaining balance of $34,607,143 is recognized as share premium.

19 CONTRIBUTED SURPLUS

	Group and Company	
	2018	2017
	$'000	$'000
Capital Reorganisation 2010 [(i)]		
At beginning and end of the financial year	43,348	43,348
Capital Reorganisation 2015 [(ii)]		
At beginning and end of the financial year	(26,892)	(26,892)
Total contributed surplus	16,456	16,456

(i) Capital Reorganization 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 Reorganization 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. 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.

20. TRANSLATION RESERVE/ (DEFICIT)

	Group	
	2018	2017
	$'000	$'000
At beginning of the financial year	(3,785)	(3,683)
Net currency translation difference of financial statements of foreign subsidiaries	17,425	(117)
Dissolved of a subsidiary	2,958	-
Less: Non-controlling interests	(6,970)	15
At end of the financial year	9,628	(3,785)

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	
	2018 $'000	2017 $'000
At beginning and end of the financial year	98	98

23. OTHER RESERVE/ (DEFICIT)

	Group	
	2018 $'000	2017 $'000
At beginning of the year	(52,475)	(49,466)
Capital injection by a shareholder of a subsidiary	83,418	-
Acquisition during the year	(15,823)	(3,009)
At end of the financial year	15,120	(52,475)

In the financial year ended 31 March 2017, the Company acquired additional equity interest of 18% in non-controlling interest of SinoCloud 01 group which completed on 7 March 2017.

In the financial year ended 31 March 2018, the Company acquired additional equity interest of 19% in non-controlling interest of SinoCloud 01 group which completed on 6 October 2017.

The Group recognised any premiums or discounts on purchase of equity instruments from non-controlling interest of these subsidiaries subsequent to obtaining control.

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24. ACCUMULATED LOSSES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At beginning of the financial year	(199,972)	(154,126)	(325,744)	(280,472)
Loss for the year	(49,936)	(45,846)	(64,336)	(45,272)
Dissolved of a subsidiary	(2,958)	-	-	-
At end of the financial year	(252,866)	(199,972)	(390,080)	(325,744)

25. REVENUE

	Group	
	2018	2017
	$'000	$'000
Data centre service fee	51,661	50,108
Sale of equipment and electronic chips	29,118	60
Construction revenue	8,693	-
	89,472	50,168

26. OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Interest waiver for early settlement of finance lease	18,476	-
Interest income	1	7
Government grant	4,260	3,217
Others	17	117
	22,754	3,341

27. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018	2017
	$'000	$'000
Salaries and allowances	10,365	10,044
Contributions to defined contribution retirement plans	71	84
Other welfare and benefits	168	94
	10,604	10,222

Employee benefit expense include directors' remuneration as disclosed in Notes 31 and 34.

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28. SUBCONTRACTING FEE

	Group	
	2018	2017
	$'000	$'000
Subcontract charge	27,619	-

Subcontracting fee is the fee charged by the subcontractors for construction projects, equipment and etc.

29. BANDWIDTH FEE

	Group	
	2018	2017
	$'000	$'000
Bandwidth charge	10,000	-

Bandwidth fee is refer to cloud computing charges.

30. OTHER EXPENSES

	Group	
	2018	2017
	$'000	$'000
Building management fees	72	63
Entertainment expenses	347	868
Foreign exchange loss, net	681	91
Marketing expenses	1,388	423
Property, plant and equipment written off	50	-
Professional fees paid / payable by cash	1,879	2,504
Travelling expenses	766	1,687
Audit fees	1,337	1,528
Others [i]	4,300	5,688
	10,820	12,852

(i) Other expenses mainly comprise of office overhead such as broadband charges, utilities, printing and communication charges amounted to $2,551,000 (2017: $2,100,000)

Notes to the **Financial Statements**

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31. LOSS BEFORE TAX

This is determined after charging the following:

	Group	
	2018	2017
	$'000	$'000
Directors' remuneration		
- directors of the Company	3,858	2,814
- directors of subsidiaries	259	1,183
Directors' fees		
- directors of the Company	1,133	1,099
Audit fees		
- auditors of the Company	1,218	1,178
- other auditors	119	350

There were no non-audit fees paid to the Company's external auditor for the financial year ended 31 March 2018 and 2017.

32. INCOME TAX EXPENSE

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

	Group	
	2018	2017
	$'000	$'000
Current income tax		
- current year	7,994	431

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32. INCOME TAX EXPENSE (Continued)

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

	Group	
	2018	2017
	$'000	$'000
Loss before taxation	(26,904)	(41,687)
Tax at the applicable tax rate of 16.5% (2017: 16.5%)	(4,439)	(6,878)
Tax effect of		
- different tax rates in other countries	4,186	1,857
- tax rebate	(714)	(302)
- losses incurred in tax free jurisdiction	2,877	2,787
- expenses non-deductible for tax purposes	1,591	2,168
- non-taxable income	(121)	(148)
- unutilised tax losses not recognised	4,614	947
Tax expense	7,994	431

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% (2017: 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 subsidiaries in PRC are subject to corporate income tax of 25% (2017: 25%) and withholding tax of 5% (2017: 5%) on its dividend to the holding company. One of the subsidiaries, Guiyang Zhongdian Gaoxin Digital Technologies Limited is entitled to 10% of tax rebate for taxable profit from its business activities in PRC according to the prevailing tax rules and regulation in PRC. The tax rebate is subject to the annual approval from tax authority in PRC.

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 preceding years.

32. INCOME TAX EXPENSE (Continued)

BVI

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

As at 31 March 2018, the Group has unused tax losses and capital allowances carried forward amounting to $4,615,354 and $Nil respectively (2017: $5,794,484 and $6,240 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.

33. LOSS 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	
	2018	2017
	$'000	$'000
Net loss attributable to equity holders of the Company	(49,936)	(45,846)
Weighted average number of ordinary shares outstanding for basic loss per share	12,563,117	10,917,813
Basic loss per share (cents)	(0.40)	(0.42)

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.

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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	
	2018	2017
	$'000	$'000
Payment made on behalf of an associate	-	175
Amount due from director	-	780
Amount due to directors	1,020	1,300
Key management personnel compensation		
Directors of the Company		
- Salary and related costs	3,858	2,760
- Pension contributions	39	54
- Directors' fee	1,133	1,099
Directors of subsidiaries		
- Salary and related costs	259	1,183
Other key management personnel		
- Salary and related costs	3,240	3,171
	8,529	8,267
Categories of total compensation:		
- Short-term employment benefits	8,490	8,213
- Post-employment benefits	39	54
	8,529	8,267

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.

35. COMMITMENTS

i. Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, are as follows:

	Group	
	2018	2017
	$'000	$'000
Property, plant and equipment	174,475	-

ii. Operating lease commitments (non-cancellable)

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 end of the reporting period but not recognised as liabilities are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one year	6,847	5,863
Later than one year but not later than five years	13,579	13,508
	20,426	19,371

36. SEGMENT INFORMATION

The Group has 2 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: 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 2: Internet Data Centre services: Provision of a high performance internet data centre, cloud computing and big data services in the PRC.

36. SEGMENT INFORMATION (Continued)

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 miscellaneous 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.

Business segments

2018

	Mobile satellite services	Internet Data Centre Services	All other segments	Total
	$'000	$'000	$'000	$'000
Revenue (including other income) from external parties	-	112,209	17	112,226
Segment (loss)/profit	(1,288)	49,158	(71,545)	(23,675)
Finance costs	-	-	-	(3,229)
Loss before tax	-	-	-	(26,904)
Income tax	-	-	-	(7,994)
Loss for the financial year	-	-	-	(34,898)
Segment assets	-	358,332	184,353	542,685

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2018

	Mobile satellite services $'000	Internet Data Centre Services $'000	All other segments $'000	Total $'000
Segment liabilities	-	138,807	37,821	176,628
Other segment items				
Capital expenditure	-	156,760	18	156,778
Depreciation of plant and equipment	-	10,073	24	10,097
Amortisation of intangible assets	-	9,649	-	9,649
Impairment of investment in associates	-	-	26,400	26,400
Impairment of amount due from associates	-	-	22,719	22,719
Share of associates' loss	1,288	-	-	1,288

2017

	Mobile satellite services $'000	Internet Data Centre Services $'000	All other segments $'000	Total $'000
Revenue (including other income) from external parties	-	53,458	51	53,509
Segment loss	(2,842)	25,502	(57,321)	(34,661)
Finance costs	-	-	-	(7,026)
Loss before tax	-	-	-	(41,687)
Income tax	-	-	-	(431)
Loss for the financial year	-	-	-	(42,118)
Segment assets	50,409	220,893	91,005	362,307

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

36. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2017

	Mobile satellite services	Internet Data Centre Services	All other segments	Total
	$'000	$'000	$'000	$'000
Segment liabilities	-	89,334	26,197	115,531
Other segment items				
Capital expenditure	-	8,798	-	8,798
Depreciation of plant and equipment	-	11,283	34	11,317
Amortisation of intangible assets	-	9,649	-	9,649
Impairment of trade receivables	-	-	692	692
Impairment of investment in associates	34,650	-	-	34,650
Share of loss of associates' loss	2,842	-	-	2,842

The Group has neither balances nor transactions between segments for the financial year ended 31 March 2018 and 2017.

Reconciliations of reportable segment revenues

	Group	
	2018	2017
	$'000	$'000
Total revenue for reportable segments	112,226	53,509
Less: Income from all other segments included as other income (Note 26)	(22,754)	(3,341)
	89,472	50,168

Revenues of approximately $23,836,000 (2017: $25,786,000) 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 and investments in associates as presented in the consolidated balance sheet.

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:

	Group			
	Revenue		Non-current assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Hong Kong	17	51	151,617	189,032
PRC	112,209	53,458	220,800	59,627
	112,226	53,509	372,417	248,659

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:

	Group	
	2018	2017
	$'000	$'000
Internet data centre services	89,472	50,168
Government grant	4,260	3,217
Interest income	1	7
Other income	18,493	117
	112,226	53,509

37. EVENTS AFTER THE REPORTING PERIOD

Grant of extension for repayment in relation to loans and earnest deposits granted to certain vendors of China Satellite Mobile Communications Group Limited

On 7 May 2018, the Company entered into a supplemental repayment agreement with Tong Chor Ho, Geng Qiu Sheng, Jin Da Gang and Liu Yong Ning (the "New Pledging Parties") to extend the repayment date of the Sums Outstanding (the "Supplemental Repayment Agreement").

Pursuant to the Supplemental Repayment Agreement, the Company and the New Pledging Parties agreed that the Sums Outstanding shall be payable in full by the New Pledging Parties to the Company before 31 December 2019 in the following repayment manner:

(i) HK$ 1.0 million or above in each of the month commencing 1 May 2018; or

(ii) HK$ 3.0 million or above in every 3 months commencing 1 May 2018,

The Extension of Repayment is not expected to have any impact on the net tangible assets per share and earnings per share of the Group for the financial year ending 31 March 2019.

Letter of intent in relation to the proposed acquisition of an internet data centre in Lian Yun Gang, the PRC

On 17 May 2018, the Group announced that one of the subsidiaries, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("GYZD") entered into a letter of intent (the "LOI") with Zhongdian Zhiyun Holdings Limited ("ZDZY"). GYZD is an entity established in the People's Republic of China ("PRC") and the Company has an effective interest of 60% in GYZD while the remaining 40% is owned by Guiyang Gaoxin Big Data Fund Company ("GYF").

The LOI sets out the intentions of GYZD and ZDZY, whereby GYZD will cooperate with GYF to acquire 100% equity interest in ZDZY's two (2) wholly-owned subsidiaries, namely Zhongtong Keyun Big Data Technology (Lian Yun Gang) Company Limited ("Target 1") and Zhongtong Keyun Real Estate (Lian Yun Gang) Company Limited ("Target 2") (collectively the "Targets") (the "Proposed Acquisition").

Pursuant to the terms of the LOI, GYZD paid a refundable deposit of RMB34,950,000 ("Deposit") to ZDZY to facilitate its ongoing discussion of the Proposed Acquisition. The Deposit had been secured by a pledge by ZDZY of the 82.5% equity interests in each of the Targets ("Share Pledge") as collateral in favour of GYZD.

38. 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.

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

38. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies (Continued)

(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.

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 2018	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	32,093	112,403	-	-	144,496
Amount due from associates (non-trade)	-	-	-	-	-
Cash and bank balances	267	451	-	6	724
	32,360	112,854	-	6	145,220
Financial liabilities					
Trade and other payables	5,246	97,279	3,085	491	106,101
Convertible bond	-	-	13,220	-	13,220
Short term borrowings	-	49,967	-	-	49,967
Loan from shareholder	6,074	-	-	-	6,074
Finance lease obligation	-	-	-	-	-
	11,320	147,246	16,305	491	175,362
Net financial assets / (liabilities)	21,040	(34,392)	(16,305)	(485)	(30,142)
Less: Net financial (assets)/ liabilities denominated in the respective entities functional currencies	(21,040)	24,688	-	-	3,648
Foreign currency exposure	-	(9,704)	(16,305)	(485)	(26,494)

Notes to the **Financial Statements**
For the financial year ended 31 MARCH 2018

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2017	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	45,039	37,336	-	-	82,375
Amount due from associates (non-trade)	22,719	-	-	-	22,719
Cash and bank balances	634	441	-	6	1,081
	68,392	37,777	-	6	106,175
Financial liabilities					
Trade and other payables	2,778	53,224	1,701	490	58,193
Convertible bond	-	-	13,220	-	13,220
Short term borrowings	-	7,622	-	-	7,622
Loan from shareholder	2,000	-	-	-	2,000
Finance lease obligation	55	34,441	-	-	34,496
	4,833	95,287	14,921	490	115,531
Net financial assets / (liabilities)	63,559	(57,510)	(14,921)	(484)	(9,356)
Less: Net financial (assets)/ liabilities denominated in the respective entities functional currencies	(63,559)	51,556	-	-	(12,003)
Foreign currency exposure	-	(5,954)	(14,921)	(484)	(21,359)

Notes to the **Financial Statements**
For the financial year ended 31 MARCH 2018

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2018	Hong Kong dollar	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other receivables	31,608	-	-	31,608
Amount due from subsidiaries	104,507	-	-	104,507
	136,115	-	-	136,115
Financial liabilities				
Trade and other payables	5,871	3,086	491	9,448
Convertible bond	-	13,220	-	13,220
	5,871	16,306	491	22,668
Net financial assets / (liabilities)	130,244	(16,306)	(491)	113,447
Less: Net financial assets denominated in the Company's functional currency	(130,244)	-	-	(130,244)
Foreign currency exposure	-	(16,306)	(491)	(16,797)

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2017	Hong Kong dollar	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other receivables	43,800	-	-	43,800
Amount due from subsidiaries	58,581	-	-	58,581
	102,381	-	-	102,381
Financial liabilities				
Trade and other payables	739	1,701	491	2,931
Convertible bond	-	13,220	-	13,220
	739	14,921	491	16,151
Net financial assets / (liabilities)	101,642	(14,921)	(491)	86,230
Less: Net financial assets denominated in the Company's functional currency	(101,642)	-	-	(101,642)
Foreign currency exposure	-	(14,921)	(491)	(15,412)

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.

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity (Continued)

If the Hong Kong dollar strengthens by 10% (2017: 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
2018				
Loss for the year	-	-	(1,631)	(49)
Other comprehensive loss, net of tax	-	(970)	-	-
2017				
Loss for the year	-	-	(1,492)	(48)
Other comprehensive loss, net of tax	-	(595)	-	-

* Against Renminbi, the functional currency of a PRC subsidiary

Company	Singapore dollar	United States dollar
	$'000	$'000
2018		
Loss for the year	(1,631)	(49)
2017		
Loss for the year	(1,492)	(49)

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.

38. 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 2018, 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, loans from shareholder and borrowings, the Group and the Company do not have financial instruments exposed to interest rate risk as at 31 March 2018. 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Between 2 to 5 years - fixed rates				
Financial liabilities				
Lease obligations (Note 12)	-	20,252	-	-
Loan from shareholders (Note 15)	4,074	2,000	-	-
Within 1 year - fixed rates				
Financial liabilities				
Lease obligations (Note 12)	-	14,244	-	-
Loan from shareholders (Note 15)	2,000	-	-	-
Short term borrowing (Note 13)	49,967	7,622	-	-
Within 1 year - floating rates				
Financial asset				
Cash and bank balances	724	1,081	-	-

Notes to the **Financial Statements**

For the financial year ended 31 MARCH 2018

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) *Interest rate risk (Continued)*

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.

(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 2018, the Group has cash at bank balances deposited with banks in the PRC denominated in RMB amounting to $450,000 (RMB 361,000) [2017: $383,000 (RMB 339,000)]. 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.

Cash and cash equivalents available for use amounted $724,000 and the Group is dependent on the cash derived from the collection through the realization of receivables.

Notes to the **Financial Statements**

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Financial Liabilities

Group	On demand or not later than 1 year	Between 1 and 2 years	Between 2 and 5 years
	$'000	$'000	$'000
2018			
Non-derivative instruments			
Trade and other payables	106,101	-	-
Short term borrowings	53,516	-	-
Loan from shareholder	3,271	4,334	-
Lease obligations	-	-	-
Convertible bond	-	13,220	-
	162,888	17,554	-
2017			
Non-derivative instruments			
Trade and other payables	58,193	-	-
Short term borrowings	8,250	-	-
Loan from shareholder	121	2,110	-
Lease obligations	15,625	15,625	3,922
Convertible bond	13,220	-	-
	95,409	17,735	3,922

Company	On demand or not later than 1 year	Between 1 and 2 years
	$'000	$'000
2018		
Non-derivative instruments		
Trade and other payables	9,448	-
Convertible bonds	-	13,220
	9,448	13,220
2017		
Non-derivative instruments		
Trade and other payables	2,931	-
Convertible bonds	13,220	-
	16,151	-

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Financial Assets

Company	On demand or not later than 1 year	Between 1 and 2 years
	$'000	$'000
2018		
Trade and other receivables	31,608	-
Amount due from subsidiaries	-	104,507
	31,608	104,507
2017		
Trade and other receivables	43,800	-
Amount due from subsidiaries	-	58,581
	43,800	58,581

The Group's financial assets are due within one year.

(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 end of the reporting period, the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics without collaterals, are analysed as follows:

- Approximately $53,954,000 (2017: $34,588,000) of the Group's trade receivables were due from 3 (2017: 3) major customers who are private limited companies operating in Hong Kong and PRC.

- Approximately $6,908,000 (2017: $19,100,000) unsecured earnest deposits are paid to 5 individual shareholders of the China Satellite Group as disclosed in Note 9(iii).

- Approximately $Nil (2017: $22,719,000) due from associates (non-trade) mainly pertaining to financial guarantee provided to the China Satellite Group as disclosed in Note 10.

Based on assessments conducted by the management on the fair value of the collaterals as at 31 March 2018, the management expects that any credit risk from advances to third parties (unsecured) amounting to $24,700,000 (2017: $24,700,000) and earnest deposits to third parties amounting to $6,908,000 (2017: $19,100,000) can be fully mitigated by the collaterals as disclosed in Note 9(ii) and Note 9(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 statement of financial position.

Notes to the **Financial Statements**

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38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The credit term granted to trade receivables range from 30 to 60 days (2017: 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 and PRC. 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	
	2018	2017
	$'000	$'000
By geographical areas		
- Hong Kong	57	31
- People's Republic of China	68,129	34,501
- British Virgin Islands	31,983	44,955
	100,169	79,487

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

	Group	
	2018	2017
	$'000	$'000
Not past due and not impaired [(i)]	57,808	47,905
Past due but not impaired		
- Past due 0 to 3 months	16,536	9,031
- Past due 3 to 6 months	25,809	11,276
- Past due over 6 months	16	11,275
	42,361	31,582
Impaired receivables	692	692
Less: Allowance for impairment loss	(692)	(692)
	100,169	79,487

(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.

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Included in the balance are other receivables with total carrying amount of approximately $5,880,000 (2017: $3,384,000) 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	
	2018	2017
	$'000	$'000
Balance at beginning of the year	-	42,084
Convertible loan receivable	-	(42,084)
Balance at end of the year	-	-

Included in the Group's receivables are customers with total carrying amount of $42,361,000 (2017: $31,582,000), 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables (including cash and bank balances)	145,220	106,175	136,115	102,381
Financial liabilities				
Financial liabilities at amortised cost	175,362	115,531	22,668	16,151

38. 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 13, 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 24. The Group's and Company's strategies, which were unchanged from 2016 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 2018 and 2017.

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

39. 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 the end of the reporting 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 associates), trade and other payables (including amount due to a subsidiary), lease obligations, loan from shareholder, convertible loan payable 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 end of the reporting 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 end of the reporting date, there are no financial instruments in this category.

Shareholders' **Information**

As at 20 June 2018

Share Capital

Authorised share capital	- HK$100,000,000
Issued and fully paid-up	- HK$14,310,670.62
No. of ordinary shares (excluding treasury shares)	- 14,310,670,617
No. of treasury shares held	- Nil
No. of subsidiary holdings	- 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 20 June 2018, 60.25% 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	44,698	0.00
1,001 - 10,000	584	14.36	3,582,000	0.03
10,001 - 1,000,000	2,979	73.23	690,212,648	4.82
1,000,001 and above	452	11.11	13,616,831,183	95.15
	4,068	100.00	14,310,670,617	100.00

Top 20 Shareholders

No.	Name	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	6,299,211,046	44.02
2	Lim & Tan Securities Pte Ltd	1,721,831,700	12.03
3	Xu Yong	730,357,143	5.10
4	Bi Wei Na	506,250,000	3.54
5	Raffles Nominees (Pte) Ltd	266,286,800	1.86
6	Zhang Dai	260,000,000	1.82
7	Phillip Securities Pte Ltd	249,270,734	1.74
8	Xu Yu Chi	245,000,000	1.71
9	Qin Rupeng	217,500,000	1.52
10	UOB Kay Hian Pte Ltd	195,258,283	1.36
11	OCBC Securities Private Ltd	128,265,800	0.90
12	Wong Yu Chiu	105,000,000	0.73
13	Koh Wee Meng	90,000,000	0.63
14	Ong Puay Hoon Irene	85,900,000	0.60
15	Stephen Kang Yew Jin	85,000,000	0.59
16	Maybank Kim Eng Securities Pte Ltd	84,947,500	0.59
17	Low Poh Kuan	76,800,500	0.54
18	DBS Nominees Pte Ltd	65,544,851	0.46
19	Tan Sze Seng	64,200,000	0.45
20	Dai Fang	44,600,000	0.31
		11,521,224,357	80.50

Shareholders' **Information**

As at 20 June 2018

Substantial Shareholders

	Direct Interest		Deemed Interest	
Name	No. of shares	% of issued share capital [(1)]	No. of shares	% of issued share capital [(1)]
Zhang Dai	2,900,000,000 [(2)]	20.26	-	-
Xu Hong Na	1,070,750,000 [(3)]	7.48	-	-
Chan Andrew Wai Men	957,671,000 [(4)]	6.69	-	-
Xu Yong	730,357,143	5.10	-	-

Notes:

(1) Based on the Company's issued share capital of 14,310,670,617 shares as at 20 June 2018.

(2) Zhang Dai holds 2,640,000,000 shares out of 2,900,000,000 shares through nominee company(ies).

(3) Xu Hong Na holds 1,070,750,000 shares through nominee company(ies).

(4) Chan Andrew Wai Men holds 957,671,000 shares through nominee company(ies).

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of SinoCloud Group Limited (the "**Company**") will be held at Room 307, Level 3, 32 Maxwell Road, #03-01, Maxwell Chambers, Singapore 069115 on Friday, 27 July 2018 at 10.00 a.m. (Singapore time) to transact 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 2018 together with the Independent Auditor's Report thereon.
(Resolution 1)

2 To re-elect the following persons as directors of the Company ("**Directors**"), each of whom will retire by rotation pursuant to Bye-law 104 of the Company's Bye-Laws and each of whom, being eligible, will offer himself/herself for re-election as a Director:

(a) Ms Chu Yin Ling, Karen **(Resolution 2(a))**
(b) Mr Lee Joo Hai **(Resolution 2(b))**

See Explanatory Note (i)

3 To approve the payment of Directors' fees of S$196,000 for the financial year ending 31 March 2019, to be paid quarterly in arrears. (2018: S$196,000) **(Resolution 3)**

4 To re-appoint RT LLP as the auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 4)

5 To transact any other business that may be transacted at an Annual General Meeting of the Company.

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 to:

(a) (i) allot and 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

Notice of **Annual General Meeting**

(b) (notwithstanding the authority conferred by this Resolution 5 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 5 was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution 5 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 5(a)(i) and (ii) does not exceed 100% of the total number of issued Shares (excluding Shares held as treasury shares and subsidiary holdings, if any) (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 and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of passing this Resolution 5, after adjusting for:

(a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing this Resolution 5, provided that such share options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

(3) in exercising the authority conferred by this Resolution 5, 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 5 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.” **(Resolution 5)**

See Explanatory Note (ii)

Notice of **Annual General Meeting**

7 In the event that Resolution 5 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 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 to:

(a) (i) allot and 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 pursuant to this Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6(a)(i) and (ii) does not exceed 100% of the total number of issued Shares (excluding Shares held as treasury shares and subsidiary holdings, if any) (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 6) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (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 and subsidiary holdings, if any) shall be based on the number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of passing this Resolution 6, after adjusting for:

(a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing this Resolution 6, provided that such share options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) 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." **(Resolution 6)**

See Explanatory Note (iii)

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 as may be required to be allotted and issued pursuant to the vesting of awards granted by the Company 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 and subsidiary holdings, if any) from time to time and 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." **(Resolution 7)**

See Explanatory Note (iv)

By Order Of The Board

Chu Yin Ling, Karen
Executive Director and Company Secretary
4 July 2018

Notice of **Annual General Meeting**

Explanatory Notes

(i) Ms Chu Yin Ling, Karen will, upon re-election as a Director, remain as an Executive Director and Chief Financial Officer of the Company.

Mr Lee Joo Hai will, upon re-election as a Director, remain as an Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. The Board considers Mr Lee Joo Hai to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Save for their respective shareholdings in the Company as disclosed in the section entitled "**Directors' Statement**" of the Company's 2018 Annual Report, there are no relationships (including immediate family relationships) between the abovementioned Directors and the other Directors, the Company or its 10% shareholders. Further detailed information on Ms Chu Yin Ling, Karen and Mr Lee Joo Hai can be found under the sections entitled "**Board of Directors**" and "**Corporate Governance Report**" of the Company's 2018 Annual Report.

(ii) Resolution 5 (to be passed as a special resolution) is to empower the Directors, from the date of the passing of Resolution 5 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 and subsidiary holdings, if any) 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 and subsidiary holdings, if any) at the time that Resolution 5 is passed, after adjusting for new Shares arising from the conversion or exercise of the Instrument or any convertible securities, the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time when Resolution 5 is passed, and any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Resolution 5, 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 6 (to be passed as an ordinary resolution) is to empower the Directors, in the event that Resolution 5 is not passed, from the date of the passing of 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 and subsidiary holdings, if any) with a sub-limit of 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) 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 and subsidiary holdings, if any) at the time that Resolution 6 is passed, after adjusting for new Shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time when Resolution 6 is passed, and 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.

Notice of **Annual General Meeting**

(iv) Resolution 7 (to be passed as an ordinary resolution) is to empower the Directors 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 and subsidiary holdings, if any) from time to time and 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, 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.

Notice of **Annual General Meeting**

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 bermudas, sandals, shorts and slippers at Maxwell Chambers, the venue of the Annual General Meeting of the Company. Your cooperation 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, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. 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. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

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