

Board Statement

The Group is committed to upholding good corporate governance and best business practices that cultivate and promote accountability, integrity and transparency for the continued sustainability of its businesses and value creation for its stakeholders in the long-run. The board of directors of the Company, along with the management team of the Group, sets out a framework for the Group's sustainability efforts that will enable the Group to manage and address the Economic, Environmental, Social, and Governance ("EESG") factors, which are important to our businesses.

As this is the Group's first sustainability report, while we strive to fully disclose digestible and understandable information, we believe that there are many areas in this Report that can be improved upon. Going forward, we are looking at ways to implement a more robust methodology for data tracking and information compilation. As of now, we are not able to provide any comparatives since this is our first year of reporting.

The Group recognises the potential of the IDC industry and has focused its efforts and resources in growing and developing this business, particularly in the third and fourth tier cities in the PRC. This is especially so following implementation of new Cybersecurity Laws in China which has seen Apple announcing plans to build a data centre in Guizhou province to store cloud data for Chinese users as part of its US\$1 billion regional investment. Such plan adds credibility to the management's business acumen and foresight to delve into the IDC sector in 2015. With the continued growth of Internet of Things, the IDC market is expected to continue on its accelerated growth path.

Report Scope and Sustainability Reporting Framework

All data and statistics provided in this Report are in relation to the Group's operations. This Report addresses the activities and data that fall within the Group's financial year from 1 April 2017 to 31 March 2018 ("FY2018"), and the figures are represented in Hong Kong dollars.

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

This Report adopts the reporting framework set out under the Global Reporting Initiatives (GRI) G4 Guidelines. We have prepared the Report in accordance with the GRI G4 – core level standards, and is based on a Group-wide materiality assessment in consultation with our Board.

This Report, together with the Corporate Governance Report on pages 9 to 26 of our Annual Report 2018, illustrates the Group's EESG factors and the policies, practices and performance of the business operations.

Since this is the Group's first sustainability report, the Group believes that there are many areas in this Report that can be improved upon over time. Our action plan to implement a more robust methodology for data tracking and information compilation will enable the Group to produce a more comprehensive sustainability report in future. It will also allow the Group to regularly review and improve on its processes, procedures and practices that are currently in-place for its businesses.

[We welcome all feedback on this Report. Please send your feedback and comments to enquiry@sinocloudgroup.com.](mailto:enquiry@sinocloudgroup.com)



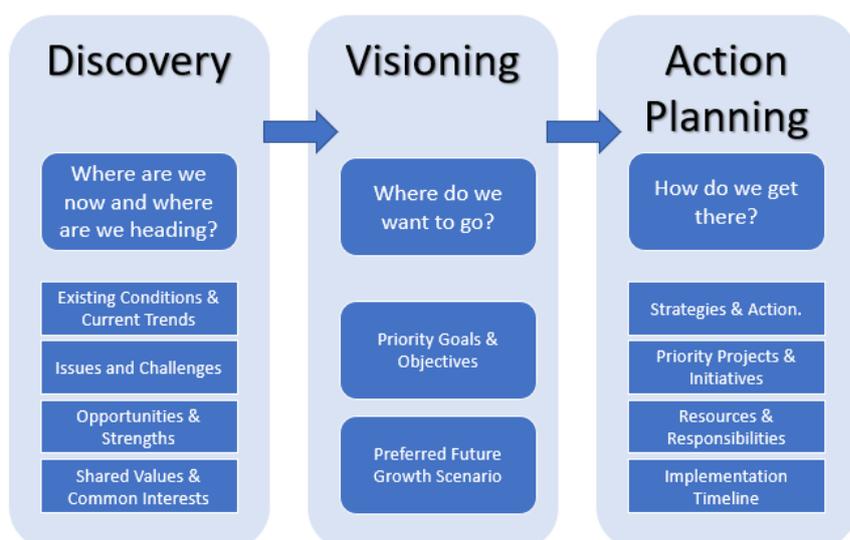
Materiality Assessment

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

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

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

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



Material EESG Factors

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

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

Our Focus, Commitments & Targets

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

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

Focus	Impact to stakeholder	FY2018 Performance	Commitment and Target
Economic Performance Financial Strength	All our internal and external stakeholders look to the Group to deliver on financial performance	<ul style="list-style-type: none"> • Group revenue – HK\$89.5 million • Net Loss – HK\$34.9 million • Net assets value - HK\$366.1 million 	<ul style="list-style-type: none"> • Revenue growth • New business initiatives • To improve operation results • Prudent capital management

<p>Corporate Governance</p> <ul style="list-style-type: none"> • Corporate governance • Risk management 	<p>Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental and health</p>	<ul style="list-style-type: none"> • Results and necessary reporting requirements complied with and results released on time • No incident of legal/regulatory non-compliance 	<ul style="list-style-type: none"> • Commitment to release financial results on time • Continuous strengthening of the enterprise risk management framework
<p>Employee</p> <ul style="list-style-type: none"> • Staff retention • Reward and remuneration 	<p>Develop human capital and retain staff who are important assets to the Group</p>	<ul style="list-style-type: none"> • No major attrition or loss of key management staff to competitors 	<ul style="list-style-type: none"> • Commitment to retain worthy and high performance staff • Improve training programme and implement succession planning for key management positions
<p>Environmental</p> <ul style="list-style-type: none"> • Paper management • Recycling & reuse of paper 	<p>Issues ranging from environmental health management, i.e. reduce wastages, efficacy, recycle/reuse and conservation is key element impacting all our stakeholders</p>	<ul style="list-style-type: none"> • Reduced reliance on paper 	<ul style="list-style-type: none"> • Promote environmentally friendly working place by creating awareness on caring for Green and Healthy Environment via advocating messages on email signatories of staff to remind them to print only when necessary
<p>Community Involvement</p> <ul style="list-style-type: none"> • Employee participation 	<p>Our ability to innovate also translates to how we manage the business continuity and build a strong relationship with our community</p>	<p>Provide hiring opportunities and growing our employees in line with our business expansion</p>	<ul style="list-style-type: none"> • Advocate businesses on the benefits of cloud technology to enable flexibility and scalability of resources, enhanced IT security via outsourcing of IDC services and reducing carbon footprint through sharing of IDC resources

<p>Corporate Communication</p> <ul style="list-style-type: none"> • Building relationship with stakeholders 	<p>An open, constant flow of communication using available platforms is important in all aspects of our operations, and applies to all our stakeholder groups, in order to build trusted partnerships with all our stakeholders</p>	<ul style="list-style-type: none"> • Quarterly and full year announcement are made available 	<ul style="list-style-type: none"> • Ensure all communication mediums and platforms are clearly set out and are available • Transparent and open announcements to all stakeholders in relation to the Group’s quarterly and full year financial results
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Economic Performance

The Group’s revenue has increased 78% year-on-year to HK\$89.5 million for FY2018. More details about the Group’s economic performance and data can be obtained from the financial statements on pages 37 to 110 of our Annual Report 2018. The Group has positioned itself to further capitalise on the increasing demand for data centers in the PRC which has exceeded supply.

Corporate Governance

Our scope of corporate governance activities are set out in pages 9 to 26 of our Annual Report 2018. Our Group’s operating policies and procedures are designed to ensure that appropriate segregation of duties and controls are in place to minimise risk and potential threat.

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

Our internal audit function is outsourced to Baker Tilly Hong Kong Risk Assurance Limited (“Baker Tilly HK”) which reports to the Chairman of the Audit Committee on internal control matters and seek clarification from the Chief Executive Officer and/or Chief Financial Officer of the Company on administrative matters. Baker Tilly HK reviews the adequacy and effectiveness of the Group’s material internal controls on an annual basis.

The Group promotes transparency and have a whistleblowing policy in place, in which any employee of the Group may, in confidence, raise concerns and report any suspicions of non-compliance on regulations, policies, fraud, etc. to the appropriate department for resolution without any prejudicial implications to these employees.

The Group has to comply with the rules and regulations in all places we do business. Our employees understand that they are responsible for understanding and complying with all rules and regulations that are required in the business and operations of the Group. In this way, we proactively avoid both the monetary and reputational risks associated with sanctions and fines for non-compliance. For FY2018, the Group did not receive any fines or non-monetary sanctions for non-compliance.

For more information on our Board’s involvement, please refer to the “Corporate Governance Report” section on pages 9 to 26 of our Annual Report 2018.

Employees

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

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

Our Group acknowledges the importance of social equity and the provision of equal opportunities in an environment that is safe and healthy for its employees; this includes hiring without prejudice, regardless of age, gender and ethnicity. The Group has zero tolerance on hiring of child labour and requires its service providers and sub-contractors to be in-sync on this before engaging their services.

To achieve this:-

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

Environment

Preserving the environment is necessary for the long-term sustainability of our business, and they are mutually dependent. While creating value in our business, we aim to minimise the impact that our activities have on the environment and proactively seek alternative means for more effective and sustainable use of resources. Our Group's mission is to adopt and implement environmentally green solutions in our business and we expect our business partners and service providers to commit and adhere to the same standards.

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

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

Community

The Group feels strongly about contributing to the societies and communities that the Group operates in. We have been creating jobs and contributing economically as part of the Group's corporate social responsibility.

Corporate Communication

The Group is committed to creating long-term value for all its stakeholders and will continue to maintain ongoing communication and engagement with its stakeholders. Details of the communication and engagement with our shareholders are set out in the section on "Shareholders Rights and Responsibilities" of the Corporate Governance Report on pages 24 to 25 of our Annual Report 2018.

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

GRI Content Index

General Standard Disclosures

GRI Standard	Disclosure	Reference/Description
102-1	Name of the organisation	SinoCloud Group Limited
102-2	Activities, brands, products, and services	Page 3 of the Annual Report 2018
102-3	Location of headquarters	Company's website at https://www.sinocloudgroup.com/ or page 8 of the Annual Report 2018
102-4	Location of operations	Company's website at https://www.sinocloudgroup.com/ or page 8 of the Annual Report 2018
102-5	Ownership and legal form	Pages 73 to 77 of the Annual Report 2018
102-6	Markets served	Page 4 of the Annual Report 2018
102-7	Scale of the organisation	Pages 4 to 5, and 37 to 40 of the Annual Report 2018
102-8	Information on employees and other workers	Page 7 of the Annual Report 2018, and pages 6 to 7 of this Report
102-10	Significant changes to the organisation	Not applicable as there have been no significant changes
102-14	Statement from the most senior decision-maker	Pages 4 to 5, and 27 to 31 of the Annual Report 2018
102-16	Values, principles, standards, and norms of behaviour	Minimising our environmental footprint and caring for our people
102-18	Governance structure	Pages 9 to 26 of the Annual Report 2018
102-40	List of stakeholder groups	Pages 111 to 112 of the Annual Report 2018
102-43	Approach to stakeholder engagement	Page 8 of this Report
102-44	Key topics and concerns raised	Pages 2 to 3 of this Report

102-45	Entities included in the consolidated financial statements	Pages 73 to 77 of the Annual Report 2018
102-46	Defining report content and topic boundaries	Pages 2 to 3 of this Report
102-47	List of material topics	Page 3 of this Report
102-48	Restatement of information	Not applicable as this is the Group's first Sustainability Report
102-49	Changes in reporting	Not applicable as this is the Group's first Sustainability Report
102-50	Reporting period	Page 2 of this Report
102-51	Date of most recent report	This is the Group's first Sustainability Report
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Page 3 of this Report
102-54	Claims of reporting in accordance with the GRI Standards	Page 2 of this Report
102-55	GRI content index	This Report is in accordance with GRI G4 – Core level standards
102-56	External assurance	No external assurance obtained for this Report

Specific Standard Disclosures

GRI Standard	Disclosure	Reference/Description
103-1	Explanation of the material topic and its boundary	Pages 4 to 6 of this Report
103-2	The management approach and its components	Pages 4 to 6 of this Report
103-3	Evaluation of the management approach	Pages 3 to 6 of this Report
302-1	Energy consumption within the organisation	Page 7 of this Report
404-1	Average hours training per year per employee	Sufficient training has been provided to our employees via job-assignment basis. However, we have not maintained formal records of training hours provided to our employees. We are also in the process of formalising and planning and off the job training going forward.
409-1	Operations and suppliers at significant risk for incidents of child labour	Page 4 of this Report.
413-1	Operations with local community engagement, impact assessments and development programs	Page 7 of this Report.

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

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

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