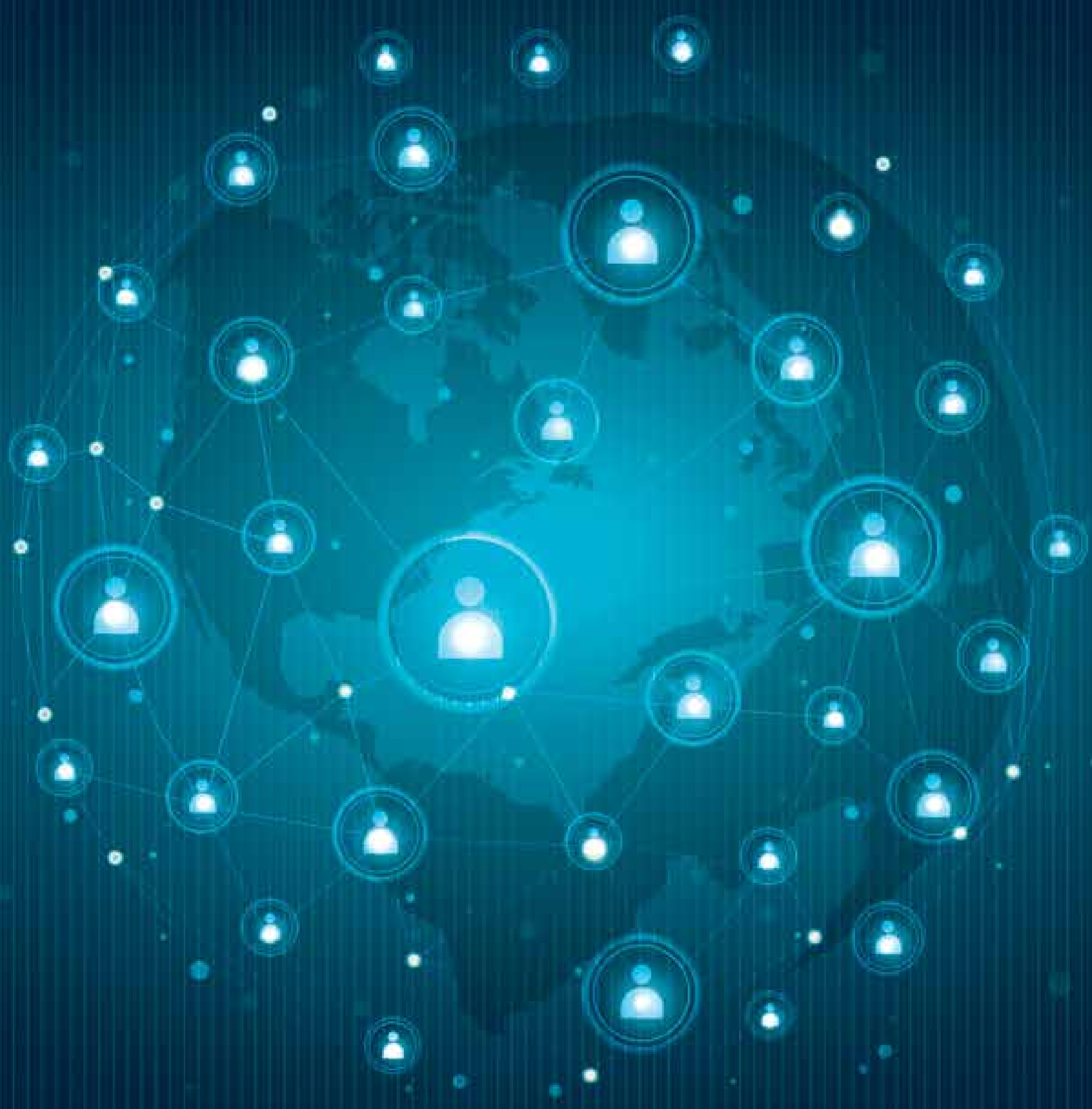

SINOCLOUD GROUP LIMITED

ANNUAL REPORT 2019

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

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

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" or "Directors"), I would like to present you the 2019 Annual Report of SinoCloud Group Limited ("SinoCloud", and together with its subsidiaries, the "Group") for the financial period ended 30 June 2019 ("FP2019").

FP2019 presented the Group with unique challenges as global economic growth remained subdued while political uncertainty increased business headwinds, coupled with increasingly difficult market conditions in the People's Republic of China ("PRC"). The Group continues to focus its efforts on strengthening its internet data centre ("IDC") business to capture the continuing growth from the IDC market in the PRC. Notwithstanding our effort in acquiring another IDC failed, we have other targets on the radar. Furthermore, we remained committed to exploring new business opportunities in other technology related investment which will enable the Group to maximise its return in the long run.

Operations and Financial Reviews

FP2019 has been difficult for the Group as the progress on some of the larger projects has been delayed due to unforeseen circumstances on the customer side in Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Zhongdian"), a subsidiary of the Company which operates the Group's IDC in Guiyang city, PRC. However, we do expect these projects to be realised in financial year ending 30 June 2020.

The Group's revenue decreased by 22%, from HK$82.6 million in the 12-month financial year ended 31 March 2018 ("FY2018") to HK$64.7 million in the 15-month financial period from 1 April 2018 to 30 June 2019 (being FP2019). The higher revenue in FY2018 as compared to FP2019 was mainly attributable to certain non-recurring revenue arising from the sale of equipment and project revenue in FY2018.

The Group's other income decreased from HK$22.8 million in FY2018 to HK$9.3 million in FY2019. This decrease can be mainly attributed to (i) a one-off reversal of interest expenses accrued in prior years in respect of a finance lease arrangement for Guiyang Zhongdian amounting to HK$18.5 million in FY2018 (no such income in FP2019), partially offset by (ii) an increase in government subsidy of HK$2.9 million in FP2019 as compared to FY2018; and (iii) a reversal of provision for salary and directors' fees of HK$1.7 million in FP2019 as part of the cost savings plan adopted by the Group.

Subcontracting fee decreased significantly by HK$20.8 million, from HK$21.8 million in FY2018 to HK$1.0 million in FP2019, mainly due to the decrease in one-off projects in FP2019.

Software development expenses of HK$16.4 million in FP2019 (FY2018: Nil) were previously recognised under prepayment for software and platform development, as Guiyang Zhongdian terminated the development contract with its respective vendors.

Impairment of financial assets of HK$1.7 million in FP2019 (FY2018: Nil) comprised (i) expected credit loss on individual impaired trade receivables of HK$1.5 million where the recoverability of the amounts were uncertain for customers who have exceeded historical collection trend and failed to engage in repayment plans with the Group; and (ii) expected credit loss on other trade receivables and contract assets of HK$0.4 million.

Impairment of prepayment of HK$8.6 million in FP2019 (FY2018: Nil) relates to impairment of a prepayment made for purchase of equipment in FY2018. Impairment was provided due to the uncertainty of recoverability as a result of change of business plan.

Other expenses, comprising mainly office overhead, legal and professional fees, provision for warranty, and utility service fees, increased by HK$3.0 million, from HK$12.6 million in FY2018 to HK$15.6 million in FP2019, mainly due to the additional 3-month period in FP2019 as compared to FY2018.

Bandwidth fee increased by HK$4.2 million, from HK$11.4 million in FY2018 to HK$15.6 million in FP2019, due to additional bandwidth resource acquired to cater for service expansion.

Finance cost increased by HK$1.0 million, from HK$3.2 million in FY2018 to HK$4.2 million in FP2019, due to accrual of additional 3-month of such cost in FP2019 as compared to FY2018.

As a result of the aforesaid, the Group reported a loss after tax of HK$30.7 million and HK$37.9 million in FP2019 and FY2018 respectively, where the loss attributable to equity shareholders of the Company amounted to HK$28.2 million and HK$53.0 million in FP2019 and FY2018 respectively.

Outlook

Our phase II development of Guiyang Zhongdian, with a hosting capacity of 1,500 racks, has progressed well, and as soon as these projects are locked in, we will be able to complete the remaining portion in accordance with the final service specification. We believe the scale and background of the said customers is crucial for the longer term development of the IDC and our accommodation will prove to be worthwhile.

On the administrative side, the Group has made two major changes. Firstly, we have changed our financial year end from 31 March to 30 June in order to receive better audit service in a more cost effective manner. Secondly, we have freshened the composition of our Board of Directors with the introduction of two new Independent Non-Executive Directors with in-depth experience in financial market, which will be of great help to the Group given the uncertain international conflict years ahead.

Appreciation

On behalf of the Board, I would like to express our sincere appreciation to our shareholders for their enduring belief in the long-term prospects of SinoCloud, despite the challenges in recent years. The Board is grateful for your support in SinoCloud's relentless pursuant to attain its vision and enhance long-term shareholder value.

I would like to thank Mr Lee Joo Hai and Mr Phuah Lian Heng, who resigned with effect from 1 April 2019 and 9 May 2019 respectively, for their contribution to the Group during their tenure. Meanwhile, we would like to take this opportunity to welcome Mr Wan Ngar Yin, David and Mr Chau King Fai who were appointed as Independent Non-Executive Director on 8 March 2019 and 9 May 2019 respectively.

I would also like to express thanks to our customers, suppliers and business associates who have supported us during the year. We look forward to reaching new milestones together in the year ahead.

Chan Andrew Wai Men
Chairman and Chief Executive Officer

24 September 2019

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 Chairman and Chief Executive Officer. Mr Chan has over 30 years of experience in finance and real estate, and has worked for Jardine Fleming, Nomura, Yuanta, Tysan Group, Deloitte, and DTZ Investment Management (Asia) ("DTZ"), where he was the managing director of DTZ responsible for the group's investment activities in Asia.

Mr Chan is currently the chairman of JUST MMA Hong Kong, and the president of the Hong Kong MMA Federation.

Mr Chan holds a Bachelor's Degree in Mechanical Engineering from the University of Toronto in Canada. Mr Chan was last re- elected as a Director of our Company on 28 July 2017 and will be due for re-election at the forthcoming annual general meeting of our Company.

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 27 July 2018.

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 Wan Ngar Yin, David

Independent Director

Mr Wan Ngar Yin, David was appointed as an Independent Director of our Company in March 2019. He is currently the managing director of Silverbricks Securities Company Limited, and director of Silverbricks Asset Management Company Limited. Mr Wan has over 35 years of experience in investment banking, merger and acquisition, financial management, accounting and auditing activities. He has also experience in serving as independent non-executive director in numerous listed companies in Hong Kong, as well as serving as an audit committee chairman for some of those companies.

He is a member of the Hong Kong Securities Institute, a member of CPA Australia, an associate member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants. He is also a responsible officer for type 1,4,9 regulated activities under the Hong Kong Securities and Futures Commission. Mr Wan holds a Master's Degree in Business Administration from the University of Sydney. Mr Wan will be due for re-election as a Director of our Company at the forthcoming annual general meeting of our Company.

KEY MANAGEMENT

Mr Chau King Fai

Independent Director

Mr Chau King Fai was appointed as an Independent Director of our Company in May 2019. He is currently the managing director of Grand Moore Capital Limited. Mr Chau has over 30 years of experience in banking and corporate finance, with senior positions held in several major international banks. He was involved in numerous corporate finance transactions including flotation of various companies on stock exchanges in Hong Kong and the PRC, fund raising exercises of listed companies in the secondary market, and financial advisory work of various nature for public and private companies in the Greater China region.

Mr Chau is a responsible officer for type 6 regulated activities under the Hong Kong Securities and Futures Commission. He holds a Bachelor's Degree in Business Administration majoring in finance from the Chinese University of Hong Kong. Mr Chau will be due for re-election as a Director of our Company at the forthcoming annual general meeting of our Company.

Mr Alexander Shlaen

Independent Director

Mr Alexander Shlaen was appointed as an Independent Director of our Company in February 2015. He is currently the 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 and will be due for re-election at the forthcoming annual general meeting of our Company.

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.

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)

Wan Ngar Yin, David
(Independent Director)

Chau King Fai
(Independent Director)

Alexander Shlaen
(Independent Director)

AUDIT COMMITTEE

Wan Ngar Yin, David
(Chairman)

Chau King Fai
Alexander Shlaen

REMUNERATION COMMITTEE

Alexander Shlaen
(Chairman)

Wan Ngar Yin, David
Chau King Fai

NOMINATING COMMITTEE

Alexander Shlaen
(Chairman)

Wan Ngar Yin, David
Chau King Fai

COMPANY SECRETARY

Chu Yin Ling, Karen

REGISTERED OFFICE

Victoria Place, 5th Floor,
31 Victoria Street, Hamilton HM 10
Bermuda
Tel: 441 295 1443
Fax: 441 295 9216
Website: www.sinocloudgroup.com
E-mail: enquiry@sinocloudgroup.com

PRINCIPAL PLACE OF BUSINESS

Hong Kong Office
Unit 1403, 14/F, Kowloon Centre,
33 Ashley Road, Tsim Sha Tsui,
Kowloon, Hong Kong
Tel: 852 31012800
Fax: 852 31012801

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
Victoria Place, 5th Floor,
31 Victoria Street, Hamilton HM 10
Bermuda

SINGAPORE SHARE TRANSFER AGENT

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

AUDITORS

Crowe Horwath First Trust LLP
Certified Public Accountants
8 Shenton Way, #05-01 AXA Tower
Singapore 068811
Partner-in-charge: Ms Adeline Ng
(since financial period ended 30 June 2019)

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 ("**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 period from 1 April 2018 to 30 June 2019 ("**FP2019**"), 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.

The new Code of Corporate Governance 2018 was issued on 6 August 2018 (the "**Revised Code**"), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code will not affect the Company in FP2019, and accordingly, the Group will only make reference to the Code in reviewing and implementing its corporate governance structures and practices.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with 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 Shareholders' meetings;
- the appointments of Directors and key executives; and
- assuming responsibility of the corporate governance framework of the Group.

CORPORATE GOVERNANCE REPORT

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.

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.

Mr Wan Ngar Yin, David and Mr Chau King Fai were appointed as Independent Directors of the Company, with effect from 8 March 2019 and 9 May 2019, respectively. Pursuant to Rule 406(3)(a) of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), Mr Wan and Mr Chau will be attending the prescribed training programmes set out in Practice Note 4D of the Catalist Rules within one year from their respective dates of appointment to the Board.

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.

CORPORATE GOVERNANCE REPORT

During FP2019, 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	**5**	**5**	**1**	**1**
	Attendance			
Mr Chan Andrew Wai Men	5	5*	1*	1*
Ms Chu Yin Ling, Karen	5	5*	1*	1*
Mr Zhang Dai	4	4*	1*	1*
Mr Lee Joo Hai(1)	4	4	1	1
Mr Phuah Lian Heng(2)	4	4	1	1
Mr Alexander Shlaen	5	5	1	1
Mr Wan Ngar Yin, David(3)	2	2	-	-
Mr Chau King Fai(4)	2	2	-	-

* By invitation

Notes:-

(1) Mr Lee Joo Hai resigned and ceased to be an Independent Director with effect from 1 April 2019.

(2) Mr Phuah Lian Heng resigned and ceased to be an Independent Director with effect from 9 May 2019.

(3) Mr Wan Ngar Yin, David was appointed to the Board as an Independent Director with effect from 8 March 2019.

(4) Mr Chau King Fai was appointed to the Board as an Independent Director with effect from 9 May 2019.

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.

As at the date of this Annual Report, the compositions of the Board and Board Committees are as follows:

		Board Committee Membership		
Name of Director	**Designation**	**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 Wan Ngar Yin, David	Independent Director	Chairman	Member	Member
Mr Chau King Fai	Independent Director	Member	Member	Member
Mr Alexander Shlaen	Independent Director	Member	Chairman	Chairman

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

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

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

The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the Code. The Code has defined an "independent" director as one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. Each Director is required to declare his independence by duly completing and submitting a declaration form. The Independent Directors, namely Mr Wan Ngar Yin, David, Mr Chau King Fai and Mr Alexander Shlaen, have confirmed their independence in accordance with the definition of independence in the Code. There is no Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment.

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

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;
- 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.

The Independent Directors collectively are and will continue to be available to Shareholders as a channel of communication whenever they have concerns and for which contact through the normal channels of Chairman, CEO or the Chief Financial Officer has failed to resolve or is inappropriate.

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 Chau King Fai and Mr Wan Ngar Yin, David, 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, Mr Chan Andrew Wai Men and Mr Alexander Shlaen will be retiring pursuant to Bye-law 104 of the Company's Bye-Laws, while Mr Wan Ngar Yin, David and Mr Chau King Fai, who were appointed as Directors on 8 March 2019 and 9 May 2019, respectively, will be retiring pursuant to Bye-law 107(A) of the Company's Bye-Laws ("**Retiring Directors**"). The Retiring Directors, being eligible for re-election, have offered themselves for re-election at the forthcoming AGM. Each of the members of the NC has abstained from voting, approving or making a recommendation 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 Retiring Directors' overall contribution and performance as a Director. Please refer to the sections entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" and "Board of Directors" of this Annual Report for more information on the Retiring Directors.

For FP2019, 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. As at the date of this Annual Report, none of the Directors hold multiple listed board representations. In the event that 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, 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.

CORPORATE GOVERNANCE REPORT

Other than the key information regarding the Directors set out below, information pertaining to the Directors' interests in shares, options and other convertible securities, if any, are set out in the "Directors' Statement" section of this Annual Report, and information in relation to the background and principal commitments of the Directors are set out in the "Board of Directors" section of this Annual Report.

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 (to be re-elected at the forthcoming AGM)	Nil	Nil
Ms Chu Yin Ling, Karen	14 August 2015	27 July 2018	Nil	Nil
Mr Zhang Dai	1 April 2017	28 July 2017	Nil	Nil
Mr Wan Ngar Yin, David	8 March 2019	- (to be re-elected at the forthcoming AGM)	Nil	Nil
Mr Chau King Fai	9 May 2019	- (to be re-elected at the forthcoming AGM)	Nil	Value Convergence Holdings Limited
Mr Alexander Shlaen	1 February 2015	28 July 2017 (to be re-elected at the forthcoming AGM)	Nil	Nil

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 FP2019, 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 FP2019, 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 FP2019.

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.

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 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 Alexander Shlaen (Chairman), Mr Wan Ngar Yin, David and Mr Chau King Fai, 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 FP2019.

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 share awards under the PSP. The performance-related component is to align the interests of the Executive Directors with those of the Shareholders, and promote the long-term success of the Group. There were no new shares granted under the PSP during FP2019 and no outstanding performance share awards at the end of FP2019.

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 at the forthcoming AGM. The variable component relates to the granting of performance share awards under the PSP so as to better align the interests of the Independent Directors with the interests of the Shareholders. 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 the period from 1 April 2018 to 31 March 2019 (with payment made in quarterly, in arrears) had been approved by Shareholders at the last AGM held on 27 July 2018. Directors' fees of S$49,000 for the period from 1 April 2019 to 30 June 2019, and HK$360,000 (equivalent to approximately S$62,100) for the financial year ending 30 June 2020 (with payment to be made quarterly, in arrears) are recommended by the Board and subject to the approval of Shareholders at the forthcoming AGM. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.

The PSP was approved by the Shareholders 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 FP2019 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
Ms Chu Yin Ling, Karen	100	-	-	-	100
Mr Zhang Dai	100	-	-	-	100
Mr Lee Joo Hai(1)	-	-	100	-	100
Mr Phuah Lian Heng(2)	-	-	100	-	100
Mr Alexander Shlaen	-	-	100	-	100
Mr Wan Ngar Yin, David(3)	-	-	100	-	100
Mr Chau King Fai(4)	-	-	100	-	100
Key Management Personnel(5)					
Below S$250,000					
Mr Xu Yong(5)	100	-	-	-	100

Notes:

(1) Mr Lee Joo Hai resigned as an Independent Director with effect from 1 April 2019.

(2) Mr Phuah Lian Heng resigned as an Independent Director with effect from 9 May 2019.

(3) Mr Wan Ngar Yin, David was appointed as an Independent Director with effect from 8 March 2019.

(4) Mr Chau King Fai was appointed to as an Independent Director with effect from 9 May 2019.

(5) The Company has only (1) key management personnel (who is not a Director or CEO) receiving remuneration during FP2019. Mr Xu Yong resigned with effect from 1 October 2018.

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, 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 (who resigned as an General Manager of Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**Guiyang Zhongdian**"), a subsidiary of the Company in the PRC, with effect from 1 October 2018) who ceased to be a substantial shareholder of the Company as of 29 March 2019, 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 in FP2019 and as at the date of this Annual Report, 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 while the Management is accountable to the Board. The Management presents quarterly and full year financial statements to the AC and the Board for review and approval. The Board approves the results and authorises the release of the results to SGX-ST and the public via SGXNET.

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

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

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 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 47 to 140 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 30 June 2019.

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 Wan Ngar Yin, David (Chairman), Mr Chau King Fai 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, Wan Ngar Yin, David, has more than 35 years of experience in financial management and accounting. 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 FP2019, the AC has met five 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 Crowe Horwath First Trust LLP as the Company's external auditors. The fees for audit services rendered by the external auditors to the Group for FP2019 amounted to HK$1.0 million for the external auditors of the Company and HK$0.2 million for the other external auditors of the Group. There were no non-audit services rendered by the external auditors to the Group for FP2019. 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 FP2019 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 matter ("**KAM**") in its audit report for FP2019. Please refer to pages 43 to 44 of this Annual Report. In assessing the KAM (Impairment of trade receivables and contract assets), 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 assessment oft the KAM were appropriate and reasonable, respectively.

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, Corporate Governance Professionals Limited (formerly known as 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 FP2019 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 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 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 such notices to Shareholders. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

The Company currently does not have a formal dividend policy. Generally, the Board looks into factors such as the Group's earnings, financial position, operations results, capital requirements, cash flows, development plans, and other factors before determining whether any dividend is to be declared and/or paid. For FP2019, the Board has resolved that no dividend shall be payable as the Group reported losses for FP2019.

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.

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.

ADDITIONAL INFORMATION

MATERIAL CONTRACTS

Save as disclosed below in the section entitled "Interested Person Transactions", 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 FP2019, or if not then subsisting, entered into since the end of the previous financial year.

DEALINGS IN SECURITIES

To provide guidance to the Directors and the Group's 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 adopted internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions ("**IPTs**"). All IPTs are reported in a timely manner to the AC and are subject to the review of the AC when a potential conflict of interest arises. The IPTs are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Director(s) concerned does not participate in discussions and refrains from exercising any influence over other members of the Board. In FP2019, the Company did not enter into any IPTs which require Shareholders' approval under the Catalist Rules.

The Company does not have a general mandate from Shareholders for IPTs pursuant to Rule 920(1)(a)(i) of the Catalist Rules. Notwithstanding this, the Group had entered into and will continue to enter into specific IPTs, details of which are set out below:

(i) Mr Chan Andrew Wai Men ("**Mr Chan**") (Chairman and Chief Executive Officer of the Company) provided an interest-free and unsecured short-term advance to the Company. As at 30 June 2019, the amount owing from the Group to Mr Chan amounted to approximately HK$1.8 million;

(ii) Mr Zhang Dai (Executive Director) or his associates provided interest-free and unsecured short-term advances to Guiyang Zhongdian for working capital purposes. As at 30 June 2019, the amount owing from the Group to Mr Zhang Dai amounted to approximately HK$1.0 million.

(iii) management and administrative services agreement dated 1 April 2019 entered into between SinoCloud Group (HK) Limited ("**SinoCloud HK**") (a wholly-owned subsidiary of the Company) and Canopus Asia Limited ("**Canopus**") (a 25%-owned company of Mr Chan) pursuant to which Canopus will provide SinoCloud HK with management and administrative services at SinoCloud HK's office premises (Unit 1403, 14/F, Kowloon Centre, 33 Ashley Road, Tsim Sha Tsui, Hong Kong) for a management fee of HKD25,000 per month; and

(iv) service agreement dated 10 December 2016 (which took effect on 10 June 2017) entered into between Guiyang Zhongdian and Guizhou Zhongyun Broadband Data Technology Pte Ltd[1] (贵州中云宽带数据科技有限公司) ("**Guizhou Zhongyun**") pursuant to which Guiyang Zhongdian will provide rack rental to Guizhou Zhongyun for a rental charge of RMB7,500,000 per year.

Note:

(1) On 11 January 2019 ("**Effective Date**"), Mr Zhang Dai (Executive Director and substantial Shareholder of the Company) increased his effective interest in Guizhou Zhongyun to 49% (from below 30%), and accordingly, from the Effective Date, (i) Guizhou Zhongyun is considered as an associate of Mr Zhang Dai; and (ii) transactions between Guizhou Zhongyun and the Company will be considered as "interested person transactions" under Chapter 9 of the Catalist Rules.

The aggregate value of the IPTs above S$100,000 entered into during FP2019 is as follows:

Name of interested person	Aggregate value of all interested person transactions during FP2019 (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920) (HK$'000)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) (HK$'000)
Guizhou Zhongyun - Rental of racks from Guiyang Zhongdian	3,865[(1)]	-

Note:

(1) As Guizhou Zhongyun is considered an interested person from the Effective Date (being 11 January 2019), the IPT is calculated from the Effective Date up to 30 June 2019, which amounted to approximately HK$3.9 million.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were payable or paid to the Company's sponsor, ZICO Capital Pte. Ltd., in FP2019.

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr Chan Andrew Wai Men, Mr Alexander Shlaen, Mr Wan Ngar Yin, David, and Mr Chau King Fai, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
Date of appointment	7 November 2014	1 February 2015	8 March 2019	9 May 2019
Date of last re-appointment (if applicable)	28 July 2017	28 July 2017	-	-
Age	52	56	58	57
Country of principal residence	Hong Kong	Singapore	Hong Kong	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Chan as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Chan's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Shlaen as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Shlaen's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Wan as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Wan's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Chau as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Chau's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Chan is responsible for strategic planning, overall management and business development of the Group.	Non-executive	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Chairman and Chief Executive Officer	NC and RC Chairman, AC member	AC Chairman, NC and RC member	AC, NC and RC member
Professional qualifications	Nil	Nil	Member of the Hong Kong Securities Institute, a member of CPA Australia, an associate member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants. He is also a responsible officer for type 1,4,9 regulated activities under the Hong Kong Securities and Futures Commission	Responsible officer for type 6 regulated activities under the Hong Kong Securities and Futures Commission

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
Working experience and occupation(s) during the past 10 years	2011 - 2014 Managing Director IG Capital Partners Limited 2009 - 2011 Managing Director Averon Capital Partners Limited 2007 - 2009 Managing Director DTZ Investment Management (Asia) Limited	2002 - current Chief Executive Officer Panache Management Pte Ltd	2018 – current Managing Director and Responsible Officer Silverbricks Securities Company Limited Director Silverbricks Asset Management Company Limited	2017 – current Managing Director, Responsible Officer and Sponsor Principal Grand Moore Capital Limited 2009 – 2017 Executive Director Value Convergence Holdings Limited Managing Director, Responsible Officer and Sponsor Principal VC Capital Limited
Shareholding interest in the listed issuer and its subsidiaries	Mr Chan holds 957,671,000 shares of the Company	Mr Shlaen holds 69,944,000 shares of the Company	Mr Wan holds 64,200,000 shares of the Company, and is deemed interested in the 6,000,000 shares of the Company held by his spouse, Mdm Yip Kit Tim, Kitty.	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)				
Past (for the last 5 years)	Nil	Nil	Other Companies - Yuanta Finance (Hong Kong) Limited - Yuanta Securities (Hong Kong) Company Limited - Yuanta Asset Management (Hong Kong) Limited - Polaris Securities Hong Kong Limited - 139 Holdings Limited	Other Companies - VC Asset Management Limited - VC Capital Management Limited - VC Consulting Services Limited - VC Finance Limited - VC Financial Investment Holdings Limited - VC (Nominees) Limited - VC Research Limited - VC Services Limited - VC Capital (China) Limited - VC Financial Group Limited - VC Financial Group (China) Limited

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
Present	**Present Directorships:** Group Companies - SinoCloud Investment Holdings Limited - SinoCloud Group (HK) Limited - SinoCloud Asset Management Company Limited - SinoCLoud Asset Management Limited - SinoCloud 01 Limited - SinoCLoud 01 (HK) Limited - Zhong Yun Shi Dai Data Technology (Beijing Co Ltd. (中云时代数据科技(北京)有限公司) - SinoCloud Data (Guiyang) Limited - Guiyang Zhongdian Gaoxin Digital Technologies Limited (贵阳中电高新数据科技有限公司) Other Companies - Canopus Asia (Cayman) Limited - Eternus Luxury Limited - Canopus Asia Limited - Opal Watches and Jewellery Limited - IG Capital Ltd - Zircon Watches and Jewellery Limited - Jasper Watches Limited - Canopus Management Pte Limited - Sinobase Assets Limited - SinoCloud 02 (HK) Limited - SinoCloud 03 (HK) Limited - Just Partners Limited - Just Management Limited	**Present Directorships:** Group Companies Nil Other Companies Nil	**Present Directorships:** Group Companies Nil Other Companies - World Dynamic International Limited - Global Profit Capital Resources Limited - Primeroy Development Limited	**Present Directorships:** Group Companies Nil Other Companies - Kenvast International Limited

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	Yes, in 2016, the Hong Kong Securities and Futures Commission ("SFC") reprimanded and fined Yuanta Securities (Hong Kong) Company Limited HK$4 million for failing to disclose the actual execution price, and properly and adequately disclose the financial gains it made whilst handling bond transactions for its clients. Please refer to the announcement of the Company dated 7 March 2019 for details.	Yes, in 2009, the SFC reprimanded and fined VC Capital Limited HK$1.5 million for failing to keep proper books and records of certain work done when it performed due diligence work as sponsor for a company seeking to be listed on the Hong Kong Stock Exchange. Please refer to the announcement of the Company dated 8 May 2019 for details.

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?				
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

Name of Director	Mr Chan Andrew Wai Men	Mr Alexander Shlaen	Mr Wan Ngar Yin, David	Mr Chau King Fai
Disclosure applicable to the appointment of Director only.				
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	No	No
If yes, please provide details of prior experience.	Mr Chan has been a Director of the Company since November 2014.	Mr Shlaen has been a Director of the Company since February 2015.	Nil	Nil
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable.	Not applicable.	The Company will arrange Mr Wan to attend the relevant training as prescribed under Practice Note 4D of the Catalist Rules.	The Company will arrange Mr Chau to attend the relevant training as prescribed under Practice Note 4D of the Catalist Rules.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.

DIRECTORS' STATEMENT

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

The directors present their statement to the members together with the audited financial statements of SinoCloud Group Limited (the "Company") and its subsidiaries (the "Group") for the financial period from 1 April 2018 to 30 June 2019.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 47 to 140 are drawn up so as to give a true and fair view of the financial position of the Company and the Group as at 30 June 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial period from 1 April 2018 to 30 June 2019; and

(b) at the date of this statement, with continuing financial support from a related party controlled by an executive director of the Company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

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 Alexander Shlaen	(Independent Director)
Mr Wan Ngar Yin, David	(Independent Director, appointed on 8 March 2019)
Mr Chau King Fai	(Independent Director, appointed on 9 May 2019)

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 period was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of, the Company or any other body corporate. Certain directors received remuneration from related corporations in their capacity as directors of those related corporations.

Directors' interests in shares or debentures

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

	Direct interests			Deemed interests		
	At 1 April 2018 or date of appointment, if later	At 30 June 2019	At 21 July 2019	At 1 July 2018 or date of appointment, if later	At 30 June 2019	At 21 July 2019
Company						
Ordinary shares of $0.001 (2018: $0.001) each fully paid						
Mr Chan Andrew Wai Men	957,671,000	957,671,000	957,671,000	-	-	-
Mr Zhang Dai	2,900,000,000	2,701,650,000	2,503,300,000	-	-	-
Ms Chu Yin Ling, Karen	19,000,000	19,000,000	19,000,000	-	-	-
Mr Wan Ngar Yin, David (appointed on 8 March 2019)	64,200,000	64,200,000	64,200,000	6,000,000	6,000,000	6,000,000

Share options and performance shares

(i) Share options

During the financial period, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial period.

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

(ii) Performance shares

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

Share options and performance shares (Continued)

(ii) Performance shares (Continued)

The PSP is administered by the Company's Remuneration Committee ("RC") which comprise the following directors, at the end of the financial period:

Mr Alexander Shlaen	(Independent Director, appointed as Chairman of the RC on 9 May 2019)
Mr Wan Ngar Yin, David	(Independent Director, appointed on 8 March 2019)
Mr Chau King Fai	(Independent Director, appointed on 9 May 2019)

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 period and no outstanding Performance Shares at the end of the financial period.

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 period:

Participants	Number of Performance Shares granted during the financial period under review	Aggregate number of Performance Shares granted since commencement of the Company's PSP to end of the financial period under review	Aggregate number of Performance Shares vested since commencement of the Company's PSP to end of the financial period under review	Aggregate number of Performance Shares outstanding as at end of the financial period under review
Directors of the Company				
Ms Chu Yin Ling, Karen	-	16,000,000	16,000,000	-

No participant was granted 5% (2018: 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 PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

Warrants

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

Audit committee

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

Mr Wan Ngar Yin, David	(Independent Director, appointed as Chairman of the AC on 8 March 2019)
Mr Alexander Shlaen	(Independent Director)
Mr Chau King Fai	(Independent Director, appointed on 9 May 2019)

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

In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditors;

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

- the assistance given by the Company's management to the independent auditors;

- the periodic results announcements prior to their submission to the Board for approval;

- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial period from 1 April 2018 to 30 June 2019 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

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

The Audit Committee 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 Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

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

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

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

CHAN ANDREW WAI MEN
Chairman and Chief Executive Officer

CHU YIN LING, KAREN
Executive Director

24 September 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINOCLOUD GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SinoCloud Group Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 47 to 140 which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period from 1 April 2018 to 30 June 2019, and 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 are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial period from 1 April 2018 to 30 June 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which indicates that the Group reported a net loss of $30,708,000 during the financial period from 1 April 2018 to 30 June 2019 and, as of 30 June 2019, the Group's cash and bank balances available for use amounted to $572,000 while the current liabilities amounted to $71,842,000. The Group is highly dependent on financing from a related party and the eventual realisation of cash flows from its current trade and other receivables, including contract assets. These factors, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as a going concern.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described as below as the key audit matters to be communicated in our report.

Impairment of trade receivables and contract assets

Refer to Note 3 "Critical accounting estimates, assumptions and judgements",
Note 9 "Trade and other receivables",
Note 27(b) "Contract balances" and
Note 39(iii) "Financial Risk Management Objectives and Policies"

Key audit matter	How the matter was addressed in the audit
The Group has trade receivables of $27,907,000 (2018: $47,829,000) and contract assets of $36,241,000 (2018: $Nil) as at 30 June 2019, representing 67% (2018: 28%) of the Group's current assets as at 30 June 2019. In addition, approximately 82% (2018: 57%) of trade receivables and contract assets is due from a single largest customer, contributing 60% (2018: 43%) of the Group's total revenue during the financial period ended 30 June 2019. The total balance due from this customer amounted to $52,829,000 (2018: $27,100,000) as at 30 June 2019.	We reviewed management's assessment on the impairment of trade receivables and contract assets. Our audit procedures included, amongst others, the following: 1) We evaluated the Group's processes and key controls relating to the monitoring of trade receivables and contract assets. 2) We requested and obtained confirmations from significant trade receivables. 3) We reviewed the aging profile of the trade receivables to identify collection risks, and checked for evidence of receipts, subsequent to the financial period for certain customers, including the adherence to repayment agreements. 4) We discussed with management about the collection status of long outstanding trade receivables and management's consideration of customers' profiles, payment history and credit risks.

Key Audit Matters (Continued)

Key audit matter	How the matter was addressed in the audit
The Group determines the expected credit losses ("ECL") of trade receivables and contract assets by making debtor-specific assessment of long outstanding trade receivables and contract assets and using probability of default from an external credit rating agency, where available, or historical credit loss experience, taking into consideration of the debtors' ability to pay and adjusting for forward-looking information specific to the debtors and the economic environment. This assessment requires management to exercise significant judgement. Accordingly, we determined this as a key audit matter. As at 30 June 2019, the Group's aggregate impairment loss for trade receivables and contract assets amounted to $2,584,000 (2018: $750,000), which includes a net allowance of $1,660,000 (2018: $Nil) recognised in the profit or loss during the financial period.	5) We evaluated management's assumptions and inputs used in the ECL computation and assessed the reasonableness of management's assumptions used in estimating the probability of default including forward-looking adjustments. 6) We also assessed the adequacy of the Group's disclosures on the trade receivables and contract assets and the related credit risk in Note 39(iii) to the financial statements, relating to the ECL of trade receivables and contract assets. We found management's assessment of the impairment of trade receivables and contract assets to be reasonable and the relevant disclosures to be appropriate.

Other Information

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 do 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 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 of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial statements for the financial year ended 31 March 2018 were audited by another auditor whose report dated 22 June 2018 expressed an unqualified opinion with an emphasis of matter for material uncertainty related to going concern on those financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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.

The directors' responsibilities include 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 judgement and maintain professional scepticism 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.

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

- 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 Group'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 Group 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.

- 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 the directors 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 the directors with a statement that we have compiled 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 the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 Adeline Ng Cheah Chen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

24 September 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

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

	Note	Group			Company	
		30 June 2019 $'000	31 March 2018 $'000 (Restated) (Note 41)	1 April 2017 $'000 (Restated) (Note 41)	30 June 2019 $'000	31 March 2018 $'000 (Restated) (Note 41)
ASSETS						
Non-current assets						
Property, plant and equipment	4	184,138	207,559	59,705	-	-
Intangible assets	5	139,555	151,617	161,266	-	-
Investment in subsidiaries	6	-	-	-	60,166	60,166
Investment in associate	7	-	-	27,688	-	-
Amount due from subsidiaries (non-trade)	8	-	-	-	104,507	104,507
		323,693	359,176	248,659	164,673	164,673
Current assets						
Trade and other receivables	9	59,625	163,834	89,755	11,604	31,851
Contract assets	27	36,241	-	-	-	-
Amount due from contract work	10	-	6,650	-	-	-
Amount due from associate (non-trade)	11	-	-	22,719	-	-
Cash and bank balances		572	724	1,081	-	-
		96,438	171,208	113,555	11,604	31,851
TOTAL ASSETS		420,131	530,384	362,214	176,277	196,524

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

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

	Note	Group			Company	
		30 June 2019 $'000	31 March 2018 $'000 (Restated) (Note 41)	1 April 2017 $'000 (Restated) (Note 41)	30 June 2019 $'000	31 March 2018 $'000 (Restated) (Note 41)
LIABILITIES						
Current liabilities						
Trade and other payables	12	49,984	73,850	42,111	10,638	9,448
Lease obligations	13	-	-	14,244	-	-
Contract liabilities	27	755	-	-	-	-
Borrowings	14	-	49,967	7,622	-	-
Redeemable convertible bonds	15	13,220	-	13,220	13,220	-
Loans from a shareholder	16	-	2,000	-	-	-
Provision for warranty	18	838	1,266	-	-	-
Income tax payable		7,045	4,048	6,792	-	-
		71,842	131,131	83,989	23,858	9,448
Non-current liabilities						
Trade and other payables	12	24,109	22,260	15,113	-	-
Lease obligations	13	-	-	20,252	-	-
Borrowings	14	5,106	-	-	-	-
Redeemable convertible bonds	15	-	13,220	-	-	13,220
Loans from a shareholder	16	9,867	4,074	2,000	-	-
Deferred tax liabilities	17	74	1,185	848	-	-
		39,156	40,739	38,213	-	13,220
TOTAL LIABILITIES		110,998	171,870	122,202	23,858	22,668
NET ASSETS		309,133	358,514	240,012	152,419	173,856

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

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

		Group			Company	
	Note	30 June 2019 $'000	31 March 2018 $'000 (Restated) (Note 41)	1 April 2017 $'000 (Restated) (Note 41)	30 June 2019 $'000	31 March 2018 $'000 (Restated) (Note 41)
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital	19	14,311	14,311	10,918	14,311	14,311
Share premium	20	473,003	473,003	438,396	473,003	473,003
Contributed surplus	21	16,456	16,456	16,456	16,456	16,456
Translation (deficit) / reserve	22	(341)	10,894	(1,907)	-	-
Statutory reserve	23	6,454	4,961	252	-	-
Revaluation reserve	24	98	98	98	-	-
Other reserve / (deficit)	25	15,120	15,120	(52,475)	-	-
Accumulated losses	26	(289,210)	(259,241)	(201,552)	(351,351)	(329,914)
		235,891	275,602	210,186	152,419	173,856
Non-controlling interests		73,242	82,912	29,826	-	-
TOTAL EQUITY		309,133	358,514	240,012	152,419	173,856

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

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

	Note	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated) (Note 41)
Revenue	27	64,695	82,588
Other income	28	9,327	22,754
Employee benefit expenses	29	(11,124)	(10,604)
Depreciation of property, plant and equipment	4	(11,865)	(10,097)
Amortisation of intangible assets	5	(12,062)	(9,649)
Software development expenses written off	30	(16,393)	-
Impairment loss of:			
- financial assets	39(iii)	(1,660)	(22,719)
- prepayments	9(v)	(8,594)	-
- investment in associate	7	-	(26,400)
Operating lease expenses		(4,257)	(5,504)
Subcontracting fee	31	(956)	(21,832)
Bandwidth fee		(15,611)	(11,421)
Other expenses	32	(15,594)	(15,571)
Finance costs		(4,199)	(3,229)
Share of associate's loss	7	-	(1,288)
Loss before tax	33	(28,293)	(32,972)
Income tax expense	34	(2,415)	(4,930)
Loss for the financial period / year		(30,708)	(37,902)
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss			
- Currency translation differences arising from consolidation		(18,390)	16,692
- Currency translation differences realised through de-registration of a subsidiary		-	2,958
Other comprehensive (loss) / income for the financial period / year, net of tax	22	(18,390)	19,650
Total comprehensive (loss) / income for the financial period / year		(49,098)	(18,252)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

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

	Note	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated) (Note 41)
(Loss) / Profit attributable to:			
Equity holders of the Company		(28,193)	(52,980)
Non-controlling interests		(2,515)	15,078
		(30,708)	(37,902)
Total comprehensive (loss) / income attributable to:			
Equity holders of the Company		(39,428)	(40,179)
Non-controlling interests		(9,670)	21,927
		(49,098)	(18,252)
Loss per share (cents)	35		
Basic		(0.20)	(0.42)
Diluted loss per share		(0.20)	(0.42)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

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

2019 Group	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Translation reserve / (deficit)	Statutory reserve	Revaluation reserve	Other reserve	Accumulated losses	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 31 March 2018, as originally presented	14,311	473,003	16,456	9,628	5,863	98	15,120	(252,866)	84,444	366,057
Correction of error, net of tax (Note 41)	-	-	-	1,266	(902)	-	-	(6,375)	(1,532)	(7,543)
Restated total equity as at 31 March 2018	14,311	473,003	16,456	10,894	4,961	98	15,120	(259,241)	82,912	358,514
Impact of adopting IFRS 9	-	-	-	-	-	-	-	(283)	-	(283)
Balance as at 1 April 2018	14,311	473,003	16,456	10,894	4,961	98	15,120	(259,524)	82,912	358,231
Loss for the financial period	-	-	-	-	-	-	-	(28,193)	(2,515)	(30,708)
Other comprehensive loss, net of tax	-	-	-	(11,235)	-	-	-	-	(7,155)	(18,390)
Total comprehensive loss for the financial period	-	-	-	(11,235)	-	-	-	(28,193)	(9,670)	(49,098)
<u>Contributions by and distributions to owners</u>										
Transfer to statutory reserve, representing total contributions by and distributions to owners	-	-	-	-	1,493	-	-	(1,493)	-	-
Balance as at 30 June 2019	14,311	473,003	16,456	(341)	6,454	98	15,120	(289,210)	73,242	309,133

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

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

	Attributable to equity holders of the Company									
2018 **Group**	Share capital $'000	Share premium $'000	Contributed surplus $'000	Translation reserve / (deficit) $'000	Statutory reserve $'000	Revaluation reserve $'000	Other reserve $'000	Accumulated losses $'000	Non-controlling Interest $'000	Total equity $'000
Balance as at 1 April 2017, as originally presented	10,918	438,396	16,456	(3,785)	5,863	98	(52,475)	(199,972)	31,277	246,776
Correction of error, net of tax (Note 41)	-	-	-	1,878	(5,611)	-	-	(1,580)	(1,451)	(6,764)
Restated total equity as at 1 April 2017	10,918	438,396	16,456	(1,907)	252	98	(52,475)	(201,552)	29,826	240,012
Loss for the financial year (Restated)	-	-	-	-	-	-	-	(52,980)	15,078	(37,902)
Other comprehensive income, net of tax (Restated)	-	-	-	12,801	-	-	-	-	6,849	19,650
Total comprehensive income / (loss) for the financial year (Restated)	-	-	-	12,801	-	-	-	(52,980)	21,927	(18,252)
<u>Changes in ownership interest in subsidiaries that do not result in a loss of control</u>										
Capital injection by minority shareholders of a subsidiary (Note 25)	-	-	-	-	-	-	83,418	-	53,336	136,754
Issuance of shares for acquisition of additional shares in a subsidiary (Notes 20 and 25)	3,393	34,607	-	-	-	-	(15,823)	-	(22,177)	-
	3,393	34,607	-	-	-	-	67,595	-	31,159	136,754
Transfer to statutory reserve, representing total contributions by and distributions to owners (Restated)	-	-	-	-	4,709	-	-	(4,709)	-	-
Total transaction with owners, recognised directly in equity	3,393	34,607	-	-	4,709	-	67,595	(4,709)	31,159	136,754
Balance as at 31 March 2018 (Restated)	14,311	473,003	16,456	10,894	4,961	98	15,120	(259,241)	82,912	358,514

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

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

	Note	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Cash flows from operating activities			
Loss before tax		(28,293)	(32,972)
Adjustments:			
Depreciation of property, plant and equipment	4	11,865	10,097
Property, plant and equipment written off	4	4	50
Amortisation of intangible assets	5	12,062	9,649
Waiver of liabilities	28	(1,682)	-
Software development expenses written off	30	16,393	-
Impairment of prepayment	33	8,594	-
Impairment of financial assets	39(iii)	1,660	-
Share of associate's loss	7	-	1,288
Impairment of investment in associate	7	-	26,400
Impairment of amount due from associate	11	-	22,719
(Reversal) / Addition of provision for warranty	18	(322)	1,201
Loss on de-registration of a subsidiary	32	-	2,958
Interest expenses		4,199	3,229
Operating profit before working capital changes		24,480	44,619
Trade and other receivables		7,991	(27,678)
Trade and other payables		1,842	11,141
Contract assets / amount due from contract work		(32,526)	(5,826)
Contract liabilities		814	-
Cash generated from operations		2,601	22,256
Income tax paid		(133)	(7,993)
Interest paid		(2,683)	(1,562)
Net cash (used in) / from operating activities		(215)	12,701
Cash flows from investing activities			
Additions to property, plant and equipment	A	(14,747)	(137,001)
Placement of deposit for a potential acquisition	9	-	(43,658)
Repayment received from termination of a potential acquisition	9	41,400	-
Repayment received from advances and earnest deposits to vendors of China Satellite Group	9	20,122	12,192
Net cash from / (used in) investing activities		46,775	(168,467)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

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

	Note	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Cash flows from financing activities			
Repayment of borrowings	14	(46,868)	(8,016)
Proceeds from loan borrowings	14	5,423	47,384
Repayment of lease obligations		-	(36,235)
Proceeds from loans from a shareholder	16	3,793	4,074
Proceeds from capital injection by minority shareholders of a subsidiary	25	-	136,754
Net (repayment to) / advance from directors	36	(1,847)	3,976
Net (repayment to) / advance from a related party	36	(7,181)	7,426
Net cash (used in) / from financing activities		(46,680)	155,363
Net decrease in cash and bank balances		(120)	(403)
Cash and bank balances at beginning of the financial period / year		724	1,081
Effects of exchange rate changes in cash and bank balances		(32)	46
Cash and bank balances at end of financial period / year		572	724

Note A

	Note	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000
Total additions to property, plant and equipment	4	6,884	144,223
Less: Amount included in other payables	12(ii)	7,863	(7,222)
Cash payments on purchase of property, plant and equipment per consolidated statement of cash flows		14,747	137,001

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 30 JUNE 2019

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

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

1. GENERAL INFORMATION

SinoCloud Group Limited (the "Company") is a limited liability company domiciled and incorporated in Bermuda and is listed on the Catalist Market of the Singapore Exchange Securities Trading Limited. The address of the Company's registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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 period from 1 April 2018 to 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 24 September 2019.

2. FUNDAMENTAL ACCOUNTING CONCEPT

During the financial period from 1 April 2018 to 30 June 2019, the Group reported a net loss of $30,708,000 (1 April 2017 to 31 March 2018: $37,902,000) and, as of 30 June 2019, the Group's cash and bank balances available for use amounted to $572,000 (2018: $724,000) while its current liabilities amounted to $71,842,000 (2018: $131,131,000). In addition, 60% of the Group's revenue is derived from a single customer of which the balance as at 30 June 2019 represents 82% of the Group's total trade receivables and contract assets. These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts on the ability of the Group and of the Company to continue as a going concern, notwithstanding the net assets of approximately $309,133,000 (2018: $358,514,000) as at 30 June 2019.

The accompanying financial statements have been prepared on a going concern basis. Management's assessment of the Group's and the Company's ability to continue as a going concern includes the following key assumptions:

(a) The Group's key operating subsidiary in the PRC, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech"), is able to successfully participate in government projects including obtaining key contracts from more state-owned and other enterprises in the PRC, continues to receive strong sales orders from and renew existing contracts with its major customer, thereby increasing its operating profits and operating cashflows from its internet data centre ("IDC") business;

(b) The Group continues to obtain financial support from its related party, controlled by an executive director of the Company, to enable the Group to operate as a going concern and to meet its obligations as and when they fall due, in particular, the Group's contractual capital commitment of $141,932,000 relating to IDC Phase II development which includes the construction of a call centre, as disclosed in Note 37;

(c) A shareholder not calling for payment of the aggregate amount owing to him of $19,993,000 (comprising of loans of $9,867,000 and redeemable convertible bonds of $10,126,000) and accrued interest payable of $3,499,000; and

2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

(d) The eventual realisation of cash flows from the Group's trade and other receivables and contract assets, including the collection of $11,486,000 from the individual shareholders of China Satellite Group as disclosed in Note 9 and collection of $52,829,000 from the single largest customer in accordance with its repayment agreement. Subsequently, at the date of this report, $3,840,000 and $18,313,000 have been collected respectively.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities, and to provide for further liabilities which may arise. No such adjustments have been made to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The preparation of the financial statements in conformity with IFRSs 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 this Note.

Adoption of new and revised standards

On 1 April 2018, the Group adopted the new or amended International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee's Interpretations (IFRIC Interpretations) that are mandatory for application from that date. Changes to the Group's and Company'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 periods except as disclosed below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 15

IFRS 15 *Revenue from Contracts with Customers (including Clarifications)*

IFRS 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related IFRIC Interpretations. As permitted under IFRS 15, the Group has applied the modified retrospective approach as transition method.

The core principle of IFRS 15 is that an entity should 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. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

(i) Changes in accounting policy

a) Revenue from data centre service and outsourcing data centre service income

Revenue from data centre service and outsourcing data centre service income are recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs the services to customers. This does not result in significant change comparing to IAS 18 Revenue.

b) Sales of equipment

Previously, under IAS 18, the Group recognises the revenue upon delivery of equipment. However, under IFRS 15, the Group would assess whether the goods and services are transferred over time, mainly *in situ*ation where the customised equipment has no alternative use to the Group and the contract gives the Group enforceable right to payment for performance completed to date. For contracts that does not give the Group enforceable right to payment for performance completed to date, the Group recognises the revenue at a point in time, i.e. when control transferred to the customers and acceptance criteria is met.

c) Project revenue

Previously, under IAS 18, the Group recognises project revenue from the development of software platform based on percentage-of-completion method determined by reference to the contract costs incurred to date to the estimated total costs for the contracts. Under IFRS 15, the Group assesses that revenue from such contracts will continue to be recognised over time using the "cost method" as an input method to measure progress.

The Group has adopted the practical expedient not to recognise any financing element for the contract with 1 year period between transfer of goods or services and the payments received.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 15 (Continued)

IFRS 15 *Revenue from Contracts with Customers (including Clarifications)* *(Continued)*

(ii) Change in presentation

On adopting IFRS 15, the Group has also changed the presentation of the following amounts:

(a) "Contract in progress" classified as "Trade and other receivables" and "Amount due from contract work" of $33,543,000 and $6,650,000 respectively as at 1 April 2018 were reclassified to "Contract assets".

(b) "Advance from customers" classified as "Trade and other payables" of $4,972,000 as at 1 April 2018 were reclassified to "Contract liabilities".

Effect of adoption of IFRS 15 on the current period financial statements are detailed below:

	As reported	Effect of adoption of IFRS 15 (Increase) / Decrease	Amounts without adoption of IFRS 15
	$'000	$'000	$'000
Consolidated statement of financial position as at 30 June 2019			
Contract assets	36,241	36,241	-
Trade and other receivables	59,625	(36,241)	95,866
Contract liabilities	755	755	-
Trade and other payables	54,170	(755)	54,925

There is no effect of adoption of IFRS 15 on profit or loss or other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 9

IFRS 9 Financial instruments

As permitted under IFRS 9, the Group has applied the modified retrospective approach.

(A) Classification and measurement of financial assets and liabilities

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

a) Amortised costs

b) Fair value through Other Comprehensive Income (FVOCI) – Debt investments

c) FVOCI – Equity investments

d) Fair value through profit or loss (FVPL)

IFRS 9 eliminates the previous categories of financial assets, namely loans and receivables (L&R), held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. As allowed by IFRS 9, the Company adopts the classification and measurement categories on 1 April 2018 based on facts and circumstances existed at the date for the determination of the business model, and does not restate comparative information for prior periods. Difference in carrying amounts of financial assets resulting from adoption of IFRS 9 are adjusted to accumulated losses and reserves as at 1 April 2018.

The Group and the Company do not own any equity or debt investment other than investment in subsidiaries and associate. The financial assets of the Group and the Company mainly comprise trade and other receivables, including amount due from associate, and cash and bank balances. These are previously classified as loans and receivables under IAS 39 and are now classified as financial assets at amortised cost under IFRS 9.

There are no financial assets or financial liabilities which the Group and the Company had previously designated as FVTPL under IAS 39 that were subject to reclassification, or which the Group and the Company has elected to reclassify upon the application of IFRS 9.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 9 (Continued)

IFRS 9 Financial instruments (Continued)

(A) Classification and measurement of financial assets and liabilities (Continued)

The reconciliation of the change in classification and measurement of financial assets (including impairment loss) and liabilities are explained below:

	Classification		Carrying amount on 1 April 2018 (Restated)		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Accumulated losses adjustment on 1 April 2018
			$'000	$'000	$'000
Group					
Financial assets					
Trade and other receivables	L&R	Amortised cost	164,117	163,834	(283)
Cash and bank balances	L&R	Amortised cost	724	724	-
Company					
Financial assets					
Amount due from subsidiaries	L&R	Amortised cost	104,507	104,507	-
Trade and other receivables	L&R	Amortised cost	31,851	31,851	-

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of IFRS 9 (Continued)

IFRS 9 Financial instruments (Continued)

(B) Impairment of financial assets

The "incurred loss" model in IAS 39 was replaced by the "Expected Credit Losses (ECL)" model in IFRS 9, which applies to financial assets measured at amortised costs, FVOCI (debt investment), contract assets and financial guarantee contracts. Impairment loss for trade receivables and contract assets are provided using simplified approach at the life time ECL.

For assets within the scope of IFRS 9 impairment model, impairment losses are generally expected to be provided at a higher amount and earlier than what was provided using IAS 39. As allowed by IFRS 9, the Group does not restate comparative information for prior periods in respect changes with respect of classification and measurement (including impairment). Additional impairment resulting from adoption of IFRS 9 are adjusted to accumulated losses as at 1 April 2018.

Reconciliation of the movement in impairment loss allowance is as follows:

	Group	Company
	$'000	$'000
Loss allowance as at 31 March 2018, under IAS 39		
- Trade receivables	750	-
- Amount due from subsidiaries	-	93,062
- Amount due from associate	22,719	-
	23,469	93,062
Additional impairment recognised on 1 April 2018, under IFRS 9		
- Trade receivables	283	-
Loss allowance as at 1 April 2018, under IFRS 9	23,752	93,062

Further details of impairment allowance are disclosed in Note 39(iii).

Adoption of IFRS 9 also brought about consequential amendment to IAS 1 to require the impairment losses determined in accordance with IFRS 9 be presented as a line item in the Statement of Profit or Loss and Other Comprehensive Income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
IFRS 16: *Leases*	1 January 2019
IFRIC 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to IFRS 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
Annual Improvements to IFRS Standards 2015 - 2017	
- Amendments to IFRS 3 *Business Combinations*	1 January 2019
- Amendments to IFRS 11 *Joint Arrangements*	1 January 2019
- Amendments to IAS 12 *Income Taxes*	1 January 2019
- Amendments to IAS 23 *Borrowing Costs*	1 January 2019
Amendments to IFRS 3: *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
IFRS 17: *Insurance Contracts*	1 January 2021
Amendments to IAS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except for IFRS 16, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the financial period of initial application. The nature of the impending changes in IFRS 16 are described below.

IFRS 16 *Leases*

This new standard on leases supersedes the previous standard (IAS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, IFRS 16 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

As at 30 June 2019, the Group has non-cancellable operating lease commitments as disclosed in Note 37(ii). The Group will apply the new IFRS 16 when it becomes effective in financial year 2020 and will apply the modified retrospective approach for the transition. The Group expects to recognise right-of-use assets and lease liabilities for its leases currently classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

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 IFRS 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Acquisition of businesses

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, other than those associate with issue of debtor equity securities 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 IFRS 9 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

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.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary including any goodwill are derecognised when a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary. 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 interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment 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 financial asset depending on the level of influence retained.

(ii) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(iii) Associates

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

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

(a) Acquisition of business

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

(b) Equity method of accounting

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

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

(c) Disposal of associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's 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

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. 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 value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Hong Kong dollar at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, 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 is 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 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.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Construction in progress includes all cost of construction and other direct costs. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

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	6	-
Software platform	10	-
Plant and machineries	3-15	-
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.

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 within "Other income / (expenses)".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 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 acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses (see the accounting policy for impairment in this Note).

Gains and losses on the disposal of subsidiaries 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 if 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 on or after 1 January 2005 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.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in Hong Kong dollar at the rates prevailing at the date of the acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Conitnued)

(ii) Other intangible assets

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

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

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

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
Favourable lease	18.6

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 ten years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 April 2018 onwards)

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with IFRS 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Classification and subsequent measurement

<u>Financial assets</u>

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

a) Amortised costs

b) Fair value through Other Comprehensive Income (FVOCI) – Debt investments

c) FVOCI – Equity investments

d) Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and

- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets, mainly trade and other receivables including amount due from associate, cash and bank balances, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 April 2018 onwards) (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Debt investments at FVOCI

Unless designated at FVPL, a debt investment is measured at FVOCI if:

- It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and

- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognised in profit or loss. Other net gains and losses (including changes in fair value) are recognised in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition. The Group does not hold such financial assets as at 31 March 2018 and 1 April 2018.

Equity investments at FVOCI

Unless held-for-trading, the Company may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognised in OCI which will never be reclassified to profit or loss. The Group does not hold such financial assets as at 31 March 2018 and 1 April 2018.

Financial assets at FVPL

All financial assets not at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduce accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognised in profit or loss.

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 April 2018 onwards) (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables including amount due to related parties, loans and borrowings.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

(iii) Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (From 1 April 2018 onwards) (Continued)

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets (From 1 April 2018 onwards)

The Group applies impairment model in IFRS 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortised costs (including trade receivables)
- Contract assets (determined in accordance with IFRS 15)
- Lease receivables
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Company expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

Simplified approach

The Group applies simplified approach to all trade receivables and contract assets. Impairment loss allowance is measured at life time ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument or contract asset ('life-time ECL'). The Group uses qualitative and quantitative information like historical credit loss experience, profile of customers and historical repayment trends to group customers with similar characteristics and adjusted with forward-looking factors for purpose of ECL assessment. The Group computes ECL using probability of default (PD) ratings from an external credit rating agency, multiplied by the exposure at default and loss given default.

General approach

The Group applies general approach on all other financial instruments and recognise a 12-month ECL on initial recognition. 12-month ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or reversals are recognised in profit or loss. Loss allowance on financial assets at amortised cost and contract assets are deducted from the gross carrying amount of those assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (From 1 April 2018 onwards) (Continued)

<u>Significant increase in credit risk (Stage 2)</u>

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations

- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor's ability to meet its debt obligations

- an actual or expected significant change in the operating results of the debtors

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 6 months past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

<u>Credit impaired (Stage 3)</u>

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (From 1 April 2018 onwards) (Continued)

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation in full, without recourse by the Group.

The Group considers a contract asset to be in default when the customer is unlikely to pay the contractual obligations to the Group in full without recourse by the Group.

Write-off policy

The Group writes off the gross carrying amount of a financial asset to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

Financial assets (Before 1 April 2018)

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position 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 assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. As at 31 March 2018, the Group has financial assets in the category of loans and receivables only.

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 reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, including amounts due from related companies, but excluding prepayments and deposits.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Before 1 April 2018) (Continued)

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Impairment of financial assets (Before 1 April 2018)

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

<u>Financial assets carried at amortised cost</u>

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Before 1 April 2018)

(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.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(b) Other financial liabilities

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

(iii) Derecognition

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

Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

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 the 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.

Provisions

General

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.

Warranty provision

The Group and the Company provides assurance-type warranties ranging from 1 to 3 years, on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the reporting date for expected warranty claims based on past experience and management's best estimation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(i) 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 12 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 12 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.

(ii) When redeemable convertible bonds are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the statement of financial position based on the terms of the contracts. On issuance of the redeemable convertible bonds, the liability component is determined initially at its fair value, using a market interest rate for an equivalent non-convertible bond. It is classified as financial liabilities measured at amortised cost until the liability is extinguished on conversion or redemption of the bonds.

The remainder of the proceeds of redeemable convertible bond issue is allocated to the conversion option (equity component), which is presented in equity, net of transaction costs, if any. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible bonds based on the allocation or proceeds to the liability and equity components when the instrument is initially recognised. When a conversion option is exercised, the carrying amount of the conversion option will be taken to share capital. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to accumulated losses.

Derivatives embedded in host contracts (other than financial assets) are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Borrowing costs

Borrowing costs are recognised in the profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share capital and share premium

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

When contracts contain multiple performance obligations, the Group allocates the transaction price to the performance obligations in proportion of the relative stand-alone selling price:

a) Revenue from data centre service and outsourcing data centre service income

Revenue from data centre service and outsourcing data centre service income are recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs the services to customers. This performance obligation includes providing space, power capacity, connectivity, required setup, installation services, utilities and technical support to customers. These services are not capable of being distinct from each other and therefore considered one performance obligation. On a monthly basis, the Group delivers services which are substantially similar, and customers can benefit from each individual month of service. Since an individual month of providing data center services is separately identifiable, management assessed that each month of providing data center services is considered a distinct performance obligation.

Under IFRS 15, a series of distinct goods or services will be accounted for as a single performance obligation if they are substantially the same, have the same pattern of transfer and both of the following criteria are met:

(i) each distinct good or service in the series represents a performance obligation that would be satisfied over time; and

(ii) the entity would measure its progress towards satisfaction of the performance obligation using the same measure of progress for each distinct good or service in the series.

The principles in IFRS 15 therefore apply to each single performance obligation when the series criteria are met, rather than the individual services that make up the single performance obligation. As a result, revenue is allocated to the relative stand-alone selling price of the series as one performance obligation, rather than to each distinct service within it. When the contract includes leasing of server, revenue is allocated to data centre service based on its stand-alone selling price to other customers, with the residual assigned to operating lease income under "Other revenue" as the Group does not typically lease servers on a stand-alone basis.

Outsourcing data centre service income is derived from similar performance obligation, except when the Group outsources relevant services to third-party subcontractors and acts as a principal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

b) Sales of equipment

The Group recognises the revenue from sales of equipment over time in situation where the customised equipment has no alternative use to the Group and the contract gives the Group enforceable right to payment for performance completed to date. For contracts that does not give the Group enforceable right to payment for performance completed to date, the Group recognises the revenue at a point in time, i.e. when control transferred to the customers and acceptance criteria is met.

c) Project revenue

The Group recognises project revenue based on percentage-of-completion method determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs at the reporting date. The revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance.

The Group has adopted the practical expedient not to recognise any financing element for the contract with 1-year period between transfer of goods or services and the payments received.

Other revenue

Operating lease income, being revenue from server rental service, are recognised in accordance with IAS 17. The contract is recognised on a straight-line basis over the contract period.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Employees' benefits

Retirement benefits

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

Hong Kong

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

Retirement benefits (Continued)

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

The subsidiaries, incorporated and operating in the PRC, are 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.

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.

Share-based compensation

Performance shares

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

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

Share-based payments transactions with parties other than employees

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

(i) 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 on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

(ii) Value-added-tax ("VAT")

The Group's sales of goods and service income in the PRC are subject to VAT at the applicable tax rate of 6% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other receivables" or "Other payables" in the statement of financial position.

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 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.

Related parties

A related party is defined as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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.

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(a) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is measured using discounted cash flow projections. The cash flows are derived from most recent financial budgets approved by management for the next 10 years in a view that 10 years is an appropriate forecast period for the Group to achieve a stable customer base, utilisation rate and selling price. In estimating the future cash flows, management has taken into account past and recent performance, macroeconomic analysis, the Group's marketing plan and progress on obtaining major customer contracts. The recoverable amount is most sensitive to the sales growth rates and discount rate applied for the discounted cash flow model.

The carrying amounts and further details of the key assumptions for the impairment assessment of intangible assets are disclosed in Note 5.

(b) Impairment on investment in subsidiaries

When there is an indication that a subsidiary has suffered an impairment loss, for example the subsidiary is in capital deficit and has suffered operating losses; an assessment is made as to whether the investment in the subsidiary has suffered any impairment, in accordance with the stated accounting policy. An estimate is made of the future profitability of the subsidiary, and the financial health of and near-term business outlook for the subsidiary, including factors such as industry and sector performance, and operating cash flows.

The carrying amounts and further details of the key assumptions for the impairment assessment of investment in subsidiaries are disclosed in Note 6.

(c) Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions, and measures ECL on trade receivables on individual basis, using information such as historical repayment trend, forward-looking economic data and data from external credit rating agency. As the Group and Company does not hold any collateral to the financial assets, the expected loss rates will be the full amount of the financial assets if there are certain risk of default.

The carrying amounts and further details of the key assumptions for the ECL assessment are disclosed in Note 39 (iii).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, other than those arising from the estimates described above, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Significant influence over an associate

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

The Group holds 45% (2018: 45%) of the voting rights of China Satellite Group and the remaining 55% (2018: 55%) is held by 11 individual shareholders, each holding 1.1% to 9.1% (2018: 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 due to the following:

- a contractual agreement among the 11 individual shareholders to act in concert during shareholders' meetings; and
- the board composition of China Satellite Group, of which 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.

The management is of the opinion that any instances of judgements, other than those described in "critical accounting estimates and assumptions" above, are not expected to have significant effect on the amounts recognised in the financial statements.

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

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 2017	19,988	6,999	58,775	630	665	-	87,057
Additions (Restated)	-	-	-	-	18	144,205	144,223
Written off	-	-	-	-	(84)	-	(84)
Currency translation differences	2,153	755	6,316	68	88	7,891	17,271
As at 31 March 2018 (Restated)	22,141	7,754	65,091	698	687	152,096	248,467
As at 1 April 2018 (Restated)	22,141	7,754	65,091	698	687	152,096	248,467
Additions	375	-	350	-	174	5,985	6,884
Written off	(31)	-	-	-	(8)	-	(39)
Currency translation differences	(1,986)	(693)	(5,811)	(62)	(84)	(13,757)	(22,393)
As at 30 June 2019	20,499	7,061	59,630	636	769	144,324	232,919

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

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	$'000
Accumulated depreciation							
As at 1 April 2017	7,485	738	18,757	164	208	-	27,352
Depreciation during the financial year	3,503	735	5,676	63	120	-	10,097
Written off	-	-	-	-	(34)	-	(34)
Currency translation differences	1,002	120	2,329	21	21	-	3,493
As at 31 March 2018 (Restated)	11,990	1,593	26,762	248	315	-	40,908
As at 1 April 2018	11,990	1,593	26,762	248	315	-	40,908
Depreciation during the financial period	4,360	906	6,328	80	191	-	11,865
Written off	(31)	-	-	-	(4)	-	(35)
Currency translation differences	(1,185)	(165)	(2,553)	(26)	(28)	-	(3,957)
As at 30 June 2019	15,134	2,334	30,537	302	474	-	48,781
Net carrying amount							
As at 30 June 2019	5,365	4,727	29,093	334	295	144,324	184,138
As at 31 March 2018 (Restated)	10,151	6,161	38,329	450	372	152,096	207,559

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

5. INTANGIBLE ASSETS

Group	Goodwill	Customer contract	Favourable lease	Total
	$'000	$'000	$'000	$'000
Cost				
As at 1 April 2017, 31 March 2018 and 30 June 2019	124,779	36,338	14,623	175,740
Accumulated amortisation and impairment loss				
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
As at 1 April 2018	-	22,158	1,965	24,123
Charge for the financial period	-	11,079	983	12,062
As at 30 June 2019	-	33,237	2,948	36,185
Net carrying amount				
As at 30 June 2019	124,779	3,101	11,675	139,555
As at 30 June 2018	124,779	14,180	12,658	151,617

Goodwill on acquisition

Goodwill arose from the acquisition of the Group's subsidiary, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech") in October 2015, and is allocated to the Group's internet data centre ("IDC") business as a cash-generating unit ("CGU").

Other intangibles - customer contract and favourable lease

Upon acquisition of Guiyang Tech, the management appointed an independent valuer to carry out a purchase price allocation exercise and identified certain intangible assets as follow:

(a) Customer contract – Using the multi-period excess earnings method, a major customer of Guiyang Tech was valued based on a projected average monthly recurring revenue and an estimated useful life of the customer contract of 4.1 years.

(b) Favourable lease – Using an incremental cash flow method to compare Guiyang Tech's contractual lease rates of its land and buildings to future market rates for comparable leases, the life of the favourable lease term is 18.6 years, based on the contractual expiry date.

These intangible assets have finite useful lives and are amortised on a straight-line basis. The amortisation expense has been included in the line item "amortisation of intangible assets" in the profit or loss.

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

5. INTANGIBLE ASSETS (Continued)

Impairment assessment

At the reporting date, management performed an impairment test for Guiyang Tech's non-current assets, which includes property, plant and equipment (Note 4) and intangible assets, classified as one cash-generating unit ("CGU") – the internet data centre ("IDC") segment in PRC. The total carrying amount of these non-current assets, subject to impairment test, was $321,919,000, classified in the categories of "property, plant and equipment", "goodwill", "customer contract" and "favourable lease" of Guiyang Tech, amounting to $184,138,000, $124,779,000, $3,101,000 and $11,675,000 respectively.

The recoverable amount of the relevant CGU was based on fair value less costs of disposal, which is determined based on discounted cash flow ("DCF") projections approved by management. There has been no change to the valuation technique during the financial period. The fair value hierarchy of the valuation is Level 3.

Key assumptions used for valuation (Level 3) fair value hierarchy:

	Group	
	30 June 2019	31 March 2018
Sales growth		
- Year 1 to 3	8% to 20%	0% to 58%
- Year 4 to 6 (i)	53% to 59%	5% to 45%
- Year 7 to 10	6% to 20%	1% to 6%
- After Year 10	2%	2%
Post-tax discount rate	16.5%	16.3%

(i) The exceptional sales growth rate from Year 4 to 6 is arising from the expected sales volume of secured key contracts with certain state-owned enterprises in the PRC and the successful renewal of its existing contracts with major customers.

Sales growth

The estimated sales growth is based on current year results and expectations of key contracts and the market of data centre service in the future.

Post-tax discount rate

Discount rate represents the post-tax weighted average cost of capital (WACC) considering market participants' view on the CGU regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sensitivity analysis

Management has performed a sensitivity analysis of the sales growth rate and concluded that no impairment charge is required as a decrease in the sales volume by 23.6% throughout the forecast period, would still result in the recoverable amount exceeding the carrying amounts of the CGU as at 30 June 2019.

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

6. INVESTMENT IN SUBSIDIARIES

	Company	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)
Unquoted equity shares, at cost	60,166	60,166

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country / Region of incorporation and place of business	Proportion (%) of ownership interest	
			30 June 2019 %	31 March 2018 %
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 services	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	100
Armarda International Inc (i) (ii)	Dormant	BVI, Hong Kong	100	100
Held by SinoCloud Assets Management Company Limited				
SinoCloud Asset Management Limited (ii)	Investment holding	Hong Kong	100	100
Zhong Yun Shi Dai Data Technology (Beijing) Co., Ltd. (中云时代数据科技(北京)有限公司) (ii)	Management services	PRC	100	100

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

6. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiaries	Principal activities	Country / Region of incorporation and place of business	Proportion (%) of ownership interest	
			30 June 2019 %	31 March 2018 %
Held by SinoCloud 01 Limited				
SinoCloud 01 (HK) Limited [ii]	Investment holding	Hong Kong	100	100
SinoCloud Data (Guiyang) Limited [ii]	Investment holding	PRC	100	100
Guiyang Zhongdian Gaoxin Digital Technologies Limited ("贵阳中电高新数据科技有限公司) (Guiyang Tech") [ii]	Internet data centre services	PRC	60	60

[i] Not required to be audited by law of the country / region of incorporation.

[ii] Audited by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

Impairment assessment

During the financial period, management performed an impairment test for the Company's cost of investment in SinoCloud Investment Holdings Limited, an intermediate holding company of Guiyang Zhongdian Gaoxin Digital Technologies Limited, of $60,166,000, because of the facts and circumstances described in Note 2 to the financial statements. Management concluded that the recoverable amount of the cost of investment is higher than the net carrying amount. The key assumptions are disclosed in Note 5.

Interest in subsidiary with non-controlling interests

The summarised 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	
	30 June 2019 $'000	31 March 2018 $'000
Current assets	83,800	138,475
Non-current assets	184,138	207,556
Current liabilities	69,552	129,838
Non-current liabilities	25,104	18,848
Net assets	173,282	197,345

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

6. INVESTMENT IN SUBSIDIARIES (Continued)

	Guiyang Zhongdian Gaoxin Digital Technologies Limited	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)
Revenue	64,695	82,588
Other income	7,442	22,754
Expenses	(78,426)	(65,578)
(Loss) / Profit for the financial period / year	(6,289)	39,764
(Loss) / Profit attributable to owners of the company	(3,774)	24,686
(Loss) / Profit attributable to the non-controlling interests	(2,515)	15,078
Other comprehensive (loss) / income attributable to owners of the company	(11,128)	9,842
Other comprehensive (loss) / income attributable to non-controlling interests	(7,155)	6,850
Other comprehensive (loss) / income for the financial period / year	(18,283)	16,692
Total comprehensive (loss) / income attributable to owners of the company	(14,902)	34,528
Total comprehensive (loss) / income attributable to non-controlling interests	(9,670)	21,928
Total comprehensive (loss) / income for the financial period / year	(24,572)	56,456
Net cash inflow / (outflow) from operating activities	6,628	(37,204)
Net cash inflow / (outflow) from investing activities	34,516	(102,823)
Net cash (outflow) / inflow from financing activities	(41,446)	139,943
Net cash outflow	(302)	(84)

7. INVESTMENT IN ASSOCIATE

	Group		Company	
	30 June 2019 $'000	31 March 2018 $'000	30 June 2019 $'000	31 March 2018 $'000
At beginning of the financial period / year	-	27,688	-	53,550
Share of loss	-	(1,288)	-	-
Impairment loss	-	(26,400)	-	(53,550)
At end of the financial period / year	-	-	-	-

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

7. INVESTMENT IN ASSOCIATE (Continued)

	Group	
	30 June 2019 $'000	31 March 2018 $'000
Representing:		
Goodwill	16,468	16,468
Share of net liabilities	(16,468)	(16,468)
	-	-

The movement in accumulated impairment loss is as follows:

	Group	
	30 June 2019 $'000	31 March 2018 $'000
At beginning of the financial period / year	142,282	115,882
Impairment loss	-	26,400
At end of the financial period / year	142,282	142,282

Details of the Group's associate is as follows:

Name of associate	Principal activities	Country / Region of incorporation and place of business	Proportion of the Group's effective interest (%)	
			30 June 2019 %	31 March 2018 %
Held by the Company				
China Satellite Mobile Communications Group Limited ("CSMCG") (i)(ii)	Dormant	BVI, Hong Kong	45	45
Held by CSMCG				
China Mobile Satellite Communications Group Ltd ("CMSCG") (ii)	Dormant	Hong Kong	45	45
China Satellite Mobile (HK) Limited (ii)	Dormant	Hong Kong	45	45

(i) Not required to be audited by law of the country / region of incorporation of the Group.

(ii) Reviewed by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

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

7. INVESTMENT IN ASSOCIATE (Continued)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	China Satellite Mobile Communications Group Limited and its subsidiaries	
	30 June 2019 $'000	31 March 2018 $'000
Current assets	273	273
Current liabilities	36,868	36,868
Revenue	-	-
Total comprehensive loss for the financial period / year	-	(2,865)

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

	Group	
	30 June 2019 $'000	31 March 2018 $'000
Net liabilities	(36,595)	(36,595)
Proportion of the Group's ownership interest	45%	45%
Share of net liabilities	(16,468)	(16,468)
Goodwill on acquisition	158,750	158,750
Impairment loss	(142,282)	(142,282)
	-	-

8. AMOUNT DUE FROM SUBSIDIARIES (NON-TRADE)

	Company	
	30 June 2019 $'000	31 March 2018 $'000
Due from subsidiaries	211,413	197,569
Less: Impairment loss (Note 39(iii))	(106,906)	(93,062)
	104,507	104,507

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.

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

9. TRADE AND OTHER RECEIVABLES

	Group			Company	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)	30 June 2019 $'000	31 March 2018 $'000
Trade receivables					
- Third parties	24,068	46,518	35,280	-	-
- A related party	6,186	2,061	-	-	-
Less: Allowance of impairment loss (Note 39(iii))	(2,347)	(750)	(692)	-	-
	27,907	47,829	34,588	-	-
Other receivables	1,117	1,241	259	-	-
Refundable deposits [i]	4	43,712	2,888	-	-
Advances to Vendors (unsecured) [ii]	11,486	24,700	24,700	11,486	24,700
Earnest deposits to Vendors (unsecured) [ii]	-	6,908	19,100	-	6,908
Due from related parties (non-trade) [iii]	53	37	-	-	-
Due from a director (non-trade) [iv]	-	-	780	-	-
	40,567	124,427	82,315	11,486	31,608
Prepayments[v]	19,058	39,407	7,440	118	243
	59,625	163,834	89,755	11,604	31,851

(i) Refundable deposits

Pursuant to a termination agreement dated 30 September 2018, refundable deposit of $43,658,000, in relation to a potential acquisition of an internet data centre in the PRC, was received in full.

(ii) Advances and earnest deposits to Vendors (unsecured)

As disclosed in prior year's report, advances and earnest deposits are paid to shareholders of China Satellite Group ("Vendors") to acquire additional interests in the Group's associate - China Satellite Group ("Proposed Additional Investment"). However, the Proposed Additional Investment was terminated, following the Board of Director's decision not to proceed with the acquisition, the Group entered into a settlement agreement dated 7 May 2018 with the Vendors to refund the outstanding balances by 31 December 2019. Subsequent to 30 June 2019, the Group received $3,840,000 from the Vendors.

(iii) Due from related parties (non-trade)

These amounts are due from companies controlled by an executive director of the Company. These non-trade balances are interest-free, unsecured and repayable on demand.

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

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

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

9. TRADE AND OTHER RECEIVABLES (Continued)

(v) Prepayments

Prepayments mainly consist of prepayments for leasehold improvements, server equipment, software development and construction projects. The amount is stated after an impairment loss of $8,594,000 (Note 33) on prepayment for server equipment, due to uncertainty of recoverability as a result of change of business plan.

10. AMOUNT DUE FROM CONTRACT WORK

	Group		
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000
Work-in-progress			
Cost incurred	-	7,495	-
Attributable profits	-	2,224	-
	-	9,719	-
Progress billings	-	(3,069)	-
	-	6,650	-

This balance is reclassified as contract assets upon initial adoption of IFRS 15 on 1 April 2018 (Note 3).

11. AMOUNT DUE FROM ASSOCIATE (NON-TRADE)

	Group	
	30 June 2019 $'000	31 March 2018 $'000
Due from associate	22,719	22,719
Less: Impairment loss	(22,719)	(22,719)
	-	-

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

12. TRADE AND OTHER PAYABLES

	Group			Company	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)	30 June 2019 $'000	31 March 2018 $'000
Current					
Trade payables [i]	17,232	20,169	3,338	-	-
Other payables [ii]	18,097	37,659	28,315	5,001	6,959
Accruals	10,201	2,511	3,318	969	40
Deposits	-	-	38	-	-
Amount due to directors (non-trade) [iii]	4,209	6,085	1,300	-	-
Amount due to related parties (non-trade) [iii]	245	7,426	-	4,668	2,449
Loan from a third party [iv]	-	-	5,001	-	-
Loan from a director [iv]	-	-	801	-	-
	49,984	73,850	42,111	10,638	9,448
Non-current					
Trade payables [i]	24,109	22,260	15,113	-	-
	74,093	96,110	57,224	10,638	9,448

(i) In May 2014, a subsidiary, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech") entered into operating lease agreement with the landlord, a state-owned enterprise, to lease the internet data centre ("IDC") premises for 20 years. As set out in the lease agreement, Guiyang Tech is entitled to a rental-free period since 2014 until receipt of notice from the landlord. The Group estimates and recognises operating lease expenses and corresponding lease liabilities payable to the landlord, based on management's best estimates which are revised half-yearly.

Included in current trade payables, the current portion of operating lease payables of $4,186,000 (2018: $4,597,000) represents the maximum contractual operating lease liabilities within 12 months after the reporting date, assuming rent-free period ends on 30 June 2019. The remaining operating lease payables amounting to $24,109,000 (2018: $22,260,000) are classified as non-current trade payables.

(ii) Other payables consist of construction costs for the IDC in PRC amounting to approximately $6,559,000 (2018: $14,422,000), interest payable of $3,683,000 (2018: $2,105,000), and salary payable of $1,741,000 (2018: $11,381,000).

(iii) These amounts are due to directors and companies controlled by an executive director of the Company. These non-trade balances are interest-free, unsecured and repayable on demand.

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

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

13. LEASE OBLIGATIONS

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

These lease obligations are fully repaid as at 31 March 2018 and 30 June 2019.

14. BORROWINGS

	Interest rate	Due within 1 year $'000	Due after 1 year but less than 5 years $'000	Total $'000
Group				
30 June 2019				
Loan 1 (Unsecured) – Fixed rate	8.28%	-	5,106	5,106
31 March 2018				
Loan 2 (Unsecured) – Fixed rate	8.28%	6,246	-	6,246
Loan 3 (Unsecured) – Fixed rate	8.50%	43,721	-	43,721
		49,967	-	49,967

Loan 1 and Loan 2

These loans are obtained by a PRC subsidiary from a PRC bank to finance the working capital. Both loans are guaranteed by a related party, which is controlled by an executive director of the Company. Loan 2 has been fully repaid in March 2019.

Loan 3

This loan is obtained by a PRC subsidiary from a PRC financial institution to finance a potential acquisition, as disclosed in Note 9(i). This loan is guaranteed by a related party, which is controlled by an executive director of the Company. Pursuant to the termination agreement, the Group received the refund of the deposit from the vendors, and accordingly, Loan 3 was fully repaid in January 2019.

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

14. BORROWINGS (Continued)

Reconciliation of liabilities arising from financing activities

2019	As at 1 April 2018 $'000	Financing cash flows $'000	Non-cash changes: Foreign exchange movement $'000	Non-cash changes: Others * $'000	As at 30 June 2019 $'000
Redeemable convertible bonds					
- current	-	-	-	13,220	13,220
- non-current	13,220	-	-	(13,220)	-
Borrowings					
- current	49,967	(46,868)	(3,099)	-	-
- non-current	-	5,423	(317)	-	5,106
Loans from a shareholder					
- current	2,000	-	-	(2,000)	-
- non-current	4,074	3,793	-	2,000	9,867
Amount due to directors (non-trade)	6,085	(1,847)	(29)	-	4,209
Amount due to related parties	7,426	(7,181)	-	-	245
	82,772	(46,680)	(3,445)	-	32,647

2018	As at 1 April 2017 $'000	Financing cash flows $'000	Non-cash changes: Foreign exchange movement $'000	Non-cash changes: Others * $'000	As at 31 March 2018 $'000
Redeemable convertible bonds					
- current	13,220	-	-	(13,220)	-
- non-current	-	-	-	13,220	13,220
Borrowings					
- current	7,622	39,368	2,977	-	49,967
Loans from a shareholder					
- current	-	-	-	2,000	2,000
- non-current	2,000	4,074	-	(2,000)	4,074
Lease obligations					
- current	14,244	(35,215)	719	20,252	-
- non-current	20,252	(1,020)	1,020	(20,252)	-
Amount due to / loan from directors (non-trade)	2,101	3,976	8	-	6,085
Amount due to related parties	-	7,426	-	-	7,426
	59,439	18,609	4,724	-	82,772

* "Others" column relates to reclassification of non-current portion of the liabilities due to passage of time based on the maturity dates.

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

15. REDEEMABLE CONVERTIBLE BONDS

In November 2017, the Company issued redeemable convertible bonds (the "Bonds") at 12% interest per annum, denominated in Singapore dollar, at S$2,256,000 ("Nominal Value") to 2 individuals. In accordance with the terms of the agreement, the redemption price of the Bonds is agreed, using a fixed exchange rate between Hong Kong dollar and Singapore dollar. Consequently, the Nominal Value and redemption price are both agreed at $13,200,000, at inception. Interest shall be repayable quarterly or on a deferred due date up to maturity date. The Bonds are due for repayment two years from the issue date at their Nominal Value, together with interests, or conversion into shares of the Company at the holders' option at any time within the period commencing seven months from the issue date until the maturity date at agreed conversion rate of S$0.002 per ordinary share. The Company has the right, at any time within the period commencing thirteen months from issue date until the maturity date to redeem all of the Bonds then outstanding at 100% of their Nominal Value, together with interests accumulated to date ("Redemption Right").

The fair value of the liability component is determined 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 immaterial as the 12% interest rate approximates market interest rate at date of inception. Management carried out an independent valuation of the redemption feature and concluded that the Redemption Right is not significant at inception and both reporting dates.

16. LOANS FROM A SHAREHOLDER

These loans are unsecured and repayable from March to June 2021 (2018: February to November 2019). Interest is fixed at 15% (2018: 6%) per annum. Management has assessed and concluded that the effect of any discounting is not material.

17. DEFERRED TAX LIABILITIES

The components and movement of deferred tax assets and liabilities during the financial period prior to offsetting are as follows:

Deferred tax assets / (liabilities)	At beginning of the financial period $'000	Recognised in profit or loss $'000	Currency translation differences $'000	At end of the financial period $'000
30 June 2019				
Net difference between net carrying amount of property, plant and equipment and their tax base	(549)	(162)	53	(658)
Capitalised expenditures	(938)	(340)	93	(1,185)
Allowance for impairment	112	1,581	(50)	1,643
Provision for warranty	190	(48)	(16)	126
	(1,185)	1,031	80	(74)

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

17. DEFERRED TAX LIABILITIES (Continued)

Deferred tax assets / (liabilities)	At beginning of the financial year $'000	Recognised in profit or loss $'000	Currency translation differences $'000	At end of the financial year $'000
31 March 2018 (Restated)				
Net difference between net carrying amount of property, plant and equipment and their tax base	(363)	(139)	(47)	(549)
Capitalised expenditures	(587)	(273)	(78)	(938)
Allowance for impairment	102	-	10	112
Provision for warranty	-	180	10	190
	(848)	(232)	(105)	(1,185)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised. The use of unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in respective countries.

18. PROVISION FOR WARRANTY

	Group	
	30 June 2019 $'000	31 March 2018 $'000
At beginning of the financial period / year	1,266	-
Provision for warranty	-	1,201
Reversal	(322)	-
Currency translation differences	(106)	65
At end of the financial period / year	838	1,266

19. SHARE CAPITAL

	30 June 2019		31 March 2018	
Group and Company	Number of ordinary shares of $0.001 each	$'000	Number of ordinary shares of $0.001 each	$'000
Authorised				
At beginning and end of the financial period / year	100,000,000,000	100,000	100,000,000,000	100,000
Issued and fully paid				
At beginning of the financial period / year	14,310,670,617	14,311	10,917,813,474	10,918
Consideration shares allotted	-	-	3,392,857,143	3,393
At end of the financial period / year	14,310,670,617	14,311	14,310,670,617	14,311

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

19. SHARE CAPITAL (Continued)

As at 30 June 2019, the ordinary shares of the Company carry par value of $0.001 each (2018: $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.

20. SHARE PREMIUM

	Group and Company	
	30 June 2019 $'000	31 March 2018 $'000
At beginning of the financial period / year	473,003	438,396
Consideration share allotted	-	34,607
At end of the financial period / year	473,003	473,003

21. CONTRIBUTED SURPLUS

	Group and Company	
	30 June 2019 $'000	31 March 2018 $'000
Capital Reorganisation 2010 (i)		
At beginning and end of the financial period / year	43,348	43,348
Capital Reorganisation 2015 (ii)		
At beginning and end of the financial period / year	(26,892)	(26,892)
Total contributed surplus	16,456	16,456

(i) Capital Reorganisation 2010

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

(ii) Capital Reorganisation 2015

By a special resolution passed on 7 November 2014, the authorised share capital of the Company was changed from 10,000,000,000 shares of par value of $0.05 each to 100,000,000,000 shares of par value of $0.001 each. The issued and paid up share capital of the Company was reduced from $263,476,000 (5,269,523,474 shares at par value of $0.05 each) to $5,270,000 (5,269,523,474 shares at par value of $0.001 each). As a result of the capital reduction, the difference of $258,206,000 arising from the capital reorganisation was credited to the contributed surplus account, resulting in a total amount of $301,554,000 in the contributed surplus account, of which approximately $285,098,000 was utilised to set off against accumulated losses.

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

22. TRANSLATION (DEFICIT) / RESERVE

	Group		
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)
At beginning of the financial period / year	10,894	(1,907)	(2,120)
Currency translation difference	(18,390)	16,692	198
De-registration of a subsidiary	-	2,958	-
Less: Non-controlling interests	7,155	(6,849)	15
At end of the financial period / year	(341)	10,894	(1,907)

23. STATUTORY RESERVE

	Group		
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)
At beginning of the financial period / year	4,961	252	-
Allocation of 10% of statutory after-tax profit (PRC) (Note 26)	1,493	4,709	252
At end of the financial period / year	6,454	4,961	252

In accordance with the Company Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make an appropriation to a statutory reserve ("SR"). At least 10% (2018: 10% and 2017: 10%) of the statutory after-tax profits, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SR.

If the cumulative total of the SR reaches 50% (2018: 50% and 2017: 50%) of the subsidiaries' registered capital, the subsidiaries will not be required to make any further appropriation. Subject to approval from the relevant PRC authorities, the SR may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SR is not available for dividend distribution to shareholders. The SR is non-distributable and the transfer to the SR must be made before the distribution of dividends to shareholders.

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

24. REVALUATION RESERVE

	Group	
	30 June 2019 $'000	31 March 2018 $'000
At beginning and end of the financial period / year	98	98

25. OTHER RESERVE / (DEFICIT)

	Group	
	30 June 2019 $'000	31 March 2018 $'000
At beginning of the financial period / year	15,120	(52,475)
Capital injection by minority shareholders of a subsidiary	-	83,418
Acquisition during the financial period / year	-	(15,823)
At end of the financial period / year	15,120	15,120

In the financial year ended 31 March 2018, the Company acquired additional equity interest of 19% in non-controlling interest of SinoCloud 01 Limited which was completed on 6 October 2017 and become a wholly owned subsidiary of the Group.

26. ACCUMULATED LOSSES

	Group			Company	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)	30 June 2019 $'000	31 March 2018 $'000 (Restated)
At beginning of the financial period / year	(259,241)	(201,552)	(155,512)	(329,914)	(325,744)
Loss for the financial period / year	(28,193)	(52,980)	(45,788)	(21,437)	(4,170)
Allocation of 10% of statutory after-tax profit (PRC) (Note 23)	(1,493)	(4,709)	(252)	-	-
Effect of initial adoption of IFRS 9 (Note 3)	(283)	-	-	-	-
At end of the financial period / year	(289,210)	(259,241)	(201,552)	(351,351)	(329,914)

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

27. REVENUE

(a) Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major type of goods and services. The initial effect of adoption of IFRS 15 is disclosed in Note 3.

		Group	
		1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Revenue from contracts with customers			
Revenue from data centre service	Over time	58,739	51,660
Outsourcing data centre service income	Over time	3,617	-
Sales of equipment	Point in time	-	22,235
Project revenue	Over time	-	8,693
		62,356	82,588
Other revenue			
Operating lease income		2,339	-
		64,695	82,588

Contracts with customers are signed for initial terms of 12 to 24 months with fixed consideration, and are renewed or modified upon expiry, unless the contracts are terminated. Payment is typically due quarterly or half yearly when the service is provided. No upfront fee is received from customers.

All revenues are derived from PRC.

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

27. REVENUE (Continued)

(b) Contract balances

Information about contract balances with customers is disclosed as follows:

	Group	
	30 June 2019 $'000	1 April 2018 $'000
Trade receivables	27,907	14,286
Contract assets [(i)]	36,241	40,193
Contract liabilities [(ii)]	755	4,972

(i) Contract assets

Contract assets relate primarily to the Group's right to consideration for work completed but not billed at the reporting date in respect of its business. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer. The changes in contract assets during the current financial period are due to the differences between the accepted payment schedule and progress of rendering data centre service.

The contract assets amount is net of $237,000 allowance for impairment loss (Note 39(iii)).

(ii) Contract liabilities

Contract liabilities are arising from advances from customers and payments received from customers which exceeded the value of revenue recognised.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer. The significant changes in the contract liabilities during the financial period are as follows:

	Group
	30 June 2019 $'000
Revenue recognised that was included in contract liabilities at the beginning of the financial period	4,972

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

28. OTHER INCOME

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000
Foreign exchange gain, net	437	-
Interest waiver for early settlement of finance lease	-	18,476
Government grants	7,202	4,260
Waiver of liabilities*	1,682	-
Others	6	18
	9,327	22,754

* This relates to the reversal of provision for directors' salary and directors' fees amounting to $1,682,000 (2018: $Nil), as 2 of the Company's directors have agreed to reduce their remunerations for previous years.

29. EMPLOYEE BENEFIT EXPENSES

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000
Salaries and allowances *	11,022	10,365
Contributions to defined contribution plans *	45	71
Other welfare and benefits	57	168
	11,124	10,604

* Employee benefit expenses include directors' remuneration as disclosed in Notes 36.

30. SOFTWARE DEVELOPMENT EXPENSES WRITTEN OFF

During the financial period, the Group terminated several contracts relating to software development with its respective vendors. Consequently, the Group wrote off software development expenses of $16,393,000 (2018: Nil) in the statement of profit or loss, comprising an amount of $15,226,000 included in "Prepayment" as at 31 March 2018.

31. SUBCONTRACTING FEE

Subcontracting fees refer to amounts charged by third-party subcontractors for project revenue and sales of equipment. During the financial year end 31 March 2018, $21,832,000 was recognised relating to one-off projects.

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

32. OTHER EXPENSES

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Entertainment expenses	233	337
Foreign exchange loss, net	-	681
Marketing expenses	2,349	1,388
Property, plant and equipment written off	4	50
(Reversal of) / Provision for warranty	(322)	1,201
Legal and professional fees	2,000	1,829
Travelling expenses	732	1,250
Audit fees	1,204	1,337
Utilities	7,943	3,412
Loss on de-registration of a subsidiary	-	2,958
Others	1,451	1,128
	15,594	15,571

33. LOSS BEFORE TAX

This is determined after charging the following:

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Directors' remuneration	2,693	3,859
- directors of the Company		
Directors' fees	985	1,132
- directors of the Company		
Audit fees		
- auditors of the Company	1,029	1,218
- other auditors	174	119
Impairment of prepayments (Note 9(v))	(8,594)	-

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

34. INCOME TAX EXPENSE

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

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Current income tax		
- current year	3,446	4,698
Deferred tax (Note 17)		
- current year	(1,031)	232
	2,415	4,930

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

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Loss before tax	(28,293)	(32,972)
Tax at the applicable tax rate of 16.5% (2018: 16.5%)	(4,668)	(5,440)
Tax effect of		
- different tax rates in other countries	203	(550)
- losses incurred in tax free jurisdiction	3,547	10,622
- expenses non-deductible for tax purposes	5,239	3,290
- non-taxable income	(2,963)	(7,604)
- unutilised tax losses not recognised	1,057	4,612
Tax expense	2,415	4,930

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.

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

34. INCOME TAX EXPENSE (Continued)

Hong Kong

The Group's profits derived in Hong Kong are subject to Hong Kong statutory tax at 16.5% (2018: 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% (2018: 25%). 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 will be subject to revision in August 2020.

BVI

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

As at 30 June 2019, the Group has unused tax losses carried forward amounting to $22,629,000 (2018: $16,220,000) relating to subsidiaries in Hong Kong that can be carried forward indefinitely. 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.

35. 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 period / year (Note 19):

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Net loss attributable to equity holders of the Company	(28,193)	(52,980)
Weighted average number of ordinary shares outstanding for basic loss per share for the financial period / year	14,310,671	12,563,117
Basic loss per share (cents)	(0.20)	(0.42)

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

35. LOSS PER SHARE (Continued)

(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 during the current financial period.

There have been no transactions involving ordinary shares or potential ordinary shares subsequent to reporting date and before the authorisation of these financial statements.

36. 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 parties are disclosed below.

	Group	
	1 April 2018 to 30 June 2019 $'000	1 April 2017 to 31 March 2018 $'000 (Restated)
Revenue from a related party	10,319	6,983
Payment on behalf of a related party	53	37
Net (repayment to) / advance from directors	(1,847)	3,976
Net (repayment to) / advance from a related party	(7,181)	7,426
Key management personnel compensation		
Directors of the Company		
- Salary and related costs	2,648	3,820
- Contribution to defined contribution plans	45	39
- Directors' fee	985	1,132
Other key management personnel		
- Salary and related costs	1,340	796
	5,018	5,787
Categories of total compensation:		
- Short-term employment benefits	4,973	5,748
- Post-employment benefits	45	39
	5,018	5,787

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

36. RELATED PARTY INFORMATION (Continued)

The remuneration of directors 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 of the Company and certain key employees of the Group are considered key management personnel.

37. COMMITMENTS

(i) Future capital expenditure

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

	Group	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)
In respect of property, plant and equipment	141,932	177,003

(ii) Operating lease commitments (non-cancellable)

As lessee

The Group has various operating lease agreements for certain buildings and offices. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)
Future minimum lease payments:		
- Not later than one year	5,915	6,000
- Later than one year and not later than five years	28,104	28,807
- Later than five years	49,620	54,369
	83,639	89,176

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

37. COMMITMENTS (Continued)

(ii) Operating lease commitments (non-cancellable) (Continued)

As lessor

The Group leases out servers under non-cancellable operating leases. The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables or contract assets are as follows:

	Group	
	30 June 2019 $'000	31 March 2018 $'000
Future minimum lease receivables		
- Not later than 1 year	330	-

38. SEGMENT INFORMATION

The Group has 1 reportable segment (2018: 2 reportable segments), as described below, which is the Group's strategic business unit. The Group's CEO (the chief operating decision maker) reviews internal management reports on a quarterly basis. The following summary describes the operation in the Group's reportable segments:

- Internet data centre services: Provision of a high-performance internet data centre, cloud computing and big data services in the PRC.
- Other business operations include investment holding and is categorised as "All other segments".
- In 2018, the reportable segments include provision of mobile satellite services and distribution of satellite phone carried out through investment in an associate, China Satellite Mobile Communications Group Limited, which is dormant during the financial period from 1 April 2018 to 30 June 2019.

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:

- Expenses comprise mainly head office expenses.
- Assets comprise mainly corporate assets (primarily the Company's headquarters), receivables and deposits paid for a proposed acquisition.
- Liabilities comprise mainly redeemable convertible bonds, loans from a shareholder, and salary payables.

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

38. SEGMENT INFORMATION (Continued)

Business segments

2019	Internet data centre services $'000	All other segments $'000	Total $'000
Revenue from external parties	64,695	-	64,695
Segment loss	(12,722)	(11,372)	(24,094)
Finance costs			(4,199)
Loss before tax			(28,293)
Income tax			(2,415)
Loss for the financial period			(30,708)
Segment assets	407,493	12,638	420,131
Segment liabilities	78,378	32,620	110,998
Other segment items			
Capital expenditure	6,884	-	6,884
Depreciation of property, plant and equipment	11,865	-	11,865
Amortisation of intangible assets	12,062	-	12,062
Software development expenses written off	16,393	-	16,393
Impairment loss of:			
- financial assets	1,660	-	1,660
- prepayments	8,594	-	8,594
Waiver of liabilities	-	1,682	1,682

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

38. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2018 (Restated)	Mobile satellite services [i]	Internet data centre services	All other segments	Total
	$'000	$'000	$'000	$'000
Revenue from external parties	-	82,588	-	82,588
Segment (loss) / profit	(1,288)	37,821	(66,276)	(29,743)
Finance costs				(3,229)
Loss before tax				(32,972)
Income tax				(4,930)
Loss for the financial year				(37,902)
Segment assets	-	497,648	32,736	530,384
Segment liabilities	-	134,049	37,821	171,870
Other segment items				
Capital expenditure	-	144,223	-	144,223
Depreciation of property, plant and equipment	-	10,073	24	10,097
Amortisation of intangible assets	-	9,649	-	9,649
Impairment of investment in associate	-	-	26,400	26,400
Impairment of amount due from associate	-	-	22,719	22,719
Share of associate's loss	1,288	-	-	1,288

[i] The segment of mobile satellite services was dormant since financial year ended 31 March 2018.

The Group has neither balances nor transactions between segments for the financial period from 1 April 2018 to 30 June 2019 and financial year ended 31 March 2018.

Revenues of approximately $38,890,000 (2018: $35,755,000) is derived from a single external customer, which is attributable to "Internet data centre services" segment. As disclosed in Note 36, the Group generated revenue from internet data centre services rendered to a related party, amounting to approximately $10,319,000 (2018: $6,983,000), which exceeds 10% of the Group's revenue for the current financial period.

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

38. SEGMENT INFORMATION (Continued)

Geographical information

The Group's two business segments operate in two main geographic areas:

- Hong Kong – 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 (2018: together with the 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	
			30 June	31 March
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Hong Kong	1,886	17	-	-
PRC	72,136	105,325	323,693	359,176
	74,022	105,342	323,693	359,176

Non-current assets information presented above consist of property, plant and equipment, and intangible assets as presented in the consolidated statement of financial position.

39. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(i) Market risk

(a) Foreign exchange risk

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

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Currently, the PRC government imposes control over foreign currencies. Chinese Renminbi, 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. The Group's net investments in China are not hedged as currency position in Chinese Renminbi are considered to be long term in nature.

Group **30 June 2019**	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	12,660	27,907	-	-	40,567
Contract assets	-	36,241	-	-	36,241
Cash and bank balances	501	70	-	1	572
	13,161	64,218	-	1	77,380
Financial liabilities					
Trade and other payables	8,546	65,339	208	-	74,093
Redeemable convertible bonds	-	-	13,220	-	13,220
Borrowings	-	5,106	-	-	5,106
Loans from a shareholder	9,867	-	-	-	9,867
	18,413	70,445	13,428	-	102,286
Net financial (liabilities) / assets	(5,252)	(6,227)	(13,428)	1	(24,906)
Less: Net financial liabilities denominated in the respective entities' functional currencies	5,252	6,227	13,220[i]	-	24,699
Foreign currency exposure	-	-	(208)	1	(207)

[i] Redeemable convertible bonds were issued at a total amount of S$2,256,000, which the Group has agreed with the bond holders to settle the amount, at a fixed exchange rate, of $13,220,000. As a result, redeemable convertible bonds amounting to $13,220,000 will not be subjected to foreign exchange risk.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group **31 March 2018 (Restated)**	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	32,886	91,541	-	-	124,427
Amount due from contract work	-	6,650	-	-	6,650
Cash and bank balances	272	451	-	1	724
	33,158	98,642	-	1	131,801
Financial liabilities					
Trade and other payables	7,069	87,288	1,262	491	96,110
Redeemable convertible bonds	-	-	13,220	-	13,220
Borrowings	-	49,967	-	-	49,967
Loans from a shareholder	6,074	-	-	-	6,074
	13,143	137,255	14,482	491	165,371
Net financial assets / (liabilities)	20,015	(38,613)	(14,482)	(490)	(33,570)
Less: Net financial (assets) / liabilities denominated in the respective entities' functional currencies	(20,015)	28,909	13,220[(i)]	-	22,114
Foreign currency exposure	-	(9,704)	(1,262)	(490)	(11,456)

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group **1 April 2017 (Restated)**	Hong Kong dollar	Chinese Renminbi	Singapore dollar	United States dollar	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Trade and other receivables	45,294	37,021	-	-	82,315
Amount due from associate (non-trade)	22,719	-	-	-	22,719
Cash and bank balances	634	441	-	6	1,081
	68,647	37,462	-	6	106,115
Financial liabilities					
Trade and other payables	2,778	52,255	1,701	490	57,224
Finance lease obligations	55	34,441	-	-	34,496
Redeemable convertible bonds	-	-	13,220	-	13,220
Borrowings	-	7,622	-	-	7,622
Loans from a shareholder	2,000	-	-	-	2,000
	4,833	94,318	14,921	490	114,562
Net financial assets / (liabilities)	63,814	(56,856)	(14,921)	(484)	(8,447)
Less: Net financial (assets) / liabilities denominated in the respective entities' functional currencies	(63,814)	51,776	13,220[i]	-	1,182
Foreign currency exposure	-	(5,080)	(1,701)	(484)	(7,265)

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 30 June 2019	Hong Kong dollar $'000	Singapore dollar $'000	United States dollar $'000	Total $'000
Financial assets				
Other receivables	11,486	-	-	11,486
Amount due from subsidiaries	104,507	-	-	104,507
	115,993	-	-	115,993
Financial liabilities				
Trade and other payables	10,430	208	-	10,638
Redeemable convertible bonds	-	13,220	-	13,220
	10,430	13,428	-	23,858
Net financial assets / (liabilities)	105,563	(13,428)	-	92,135
Less: Net financial (assets) / liabilities denominated in the Company's functional currency	(105,563)	13,220[i]	-	(92,343)
Foreign currency exposure	-	(208)	-	(208)

Company 31 March 2018	Hong Kong dollar $'000	Singapore dollar $'000	United States dollar $'000	Total $'000
Financial assets				
Other receivables	31,608	-	-	31,608
Amount due from subsidiaries	104,507	-	-	104,507
	136,115	-	-	136,115
Financial liabilities				
Trade and other payables	7,695	1,262	491	9,448
Redeemable convertible bonds	-	13,220	-	13,220
	7,695	14,482	491	22,668
Net financial assets / (liabilities)	128,420	(14,482)	(491)	113,447
Less: Net financial (assets) / liabilities denominated in the Company's functional currency	(128,420)	13,220[i]	-	(115,200)
Foreign currency exposure	-	(1,262)	(491)	(1,753)

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

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

If the Hong Kong dollar strengthens by 10 % (2018 and 2017: 10%) against the relevant foreign currency, with all other variables held constant, loss for the financial year, net of tax will increase / (decrease) by:

Group	Chinese Renminbi $'000	Singapore dollar $'000	United States dollar $'000
2019			
Loss for the financial period	-	(17)	-
2018			
Loss for the financial year (Restated)	(810)	(105)	(41)
2017			
Loss for the financial year (Restated)	(424)	(142)	(40)

Company	Singapore dollar $'000	United States dollar $'000
2019		
Loss for the financial period	(17)	-
2018		
Loss for the financial year	(105)	(41)

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

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 30 June 2019, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

Other than the cash and bank balances, borrowings, redeemable convertible bond and loans from a shareholder, the Group and the Company do not have financial instruments exposed to interest rate risk as at 30 June 2019. 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	
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)	30 June 2019 $'000	31 March 2018 $'000
Between 2 to 5 years – fixed rates					
Financial liabilities					
Borrowings (Note 14)	5,106	-	-	-	-
Redeemable convertible bonds (Note 15)	-	13,220	-	-	13,220
Loans from a shareholder (Note 16)	9,867	4,074	2,000	-	-
Within 1 year – fixed rates					
Financial liabilities					
Borrowings (Note 14)	-	49,967	7,662	-	-
Redeemable convertible bonds (Note 15)	13,220	-	13,220	13,220	-
Loans from a shareholder (Note 16)	-	2,000	-	-	-
Within 1 year – floating rates					
Financial assets					
Cash and bank balances	572	724	1,081	-	-

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (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 interest rates on the Group's financial instruments is minimal, sensitivity analysis is not being 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 30 June 2019, the Group has cash at bank balances deposited with banks in the PRC denominated in RMB amounting to $451,000 (equivalent to RMB 361,000) (2018: $556,000 (equivalent to RMB 493,000)). 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.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (continued)

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

Group	On demand or not later than 1 year	Between 1 and 2 years	Between 2 and 5 years
	$'000	$'000	$'000
30 June 2019			
Non-derivative instruments			
Trade and other payables	49,984	8,372	15,737
Borrowings	5,502	-	-
Loans from a shareholder	1,480	12,523	-
Redeemable convertible bonds	13,220	-	-
	70,186	20,895	15,737
31 March 2018			
Non-derivative instruments			
Trade and other payables (Restated)	73,850	9,194	13,066
Borrowings	53,516	-	-
Loans from a shareholder	3,364	3,083	-
Redeemable convertible bonds	-	13,220	-
	130,730	25,497	13,066
1 April 2017			
Non-derivative instruments			
Trade and other payables (Restated)	42,111	8,299	6,814
Borrowings (Restated)	8,253	-	-
Lease obligations	15,625	15,625	3,922
Loans from a shareholder	121	2,110	-
Redeemable convertible bonds	13,220	-	-
	79,330	26,034	10,736

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Company	On demand or not later than 1 year	Between 1 and 2 years
	$'000	$'000
30 June 2019		
Non-derivative instruments		
Trade and other payables	10,638	-
Redeemable convertible bonds	13,220	-
	23,858	-
31 March 2018		
Non-derivative instruments		
Trade and other payables	9,448	-
Redeemable convertible bonds	-	13,220
	9,448	13,220

(iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The carrying amounts of contract assets, trade and other receivables, and cash and bank balances, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's trade receivables are non-interest bearing and are generally on 30 days (2018: 30 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

At the end of the reporting period, the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics, are analysed as below:

- Trade receivables and contract assets amounting to $17,062,000 and $35,767,000 respectively (2018: trade receivables amounting to $27,100,000) are due from the Group's single largest customer. Subsequent to the financial period, $18,313,000 was received from the customer; and

- Advances amounting to $11,486,000 (2018: advances and earnest deposits amounting to $24,700,000 and $6,908,000) are due from Vendors of China Satellite Group as disclosed in Note 9(ii). Subsequent to the financial period, $3,840,000 was received from the Vendors.

The Group and Company do not hold any 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.

The credit risk for trade receivables, contract assets and other receivables (excluding prepayments), net of allowance for impairment loss, based on the information provided to key management is as follows:

	Group		
	30 June 2019 $'000	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)
By geographical areas			
- Hong Kong	96	110	85
- People's Republic of China	76,712	124,317	82,290
	76,808	124,427	82,375

Expected Credit Losses

The Group manages credit losses based on Expected Credit Losses (ECL) model.

(A) Trade receivables, contract assets and amount due from associate

The Group's exposure to credit risk from trade receivables and contract assets are linked to the individual characteristics of each customer, and also influenced by the default risk specific to the industry brought about by the general economic condition.

The Group uses qualitative and quantitative information like historical credit loss experience, profile of customers and historical repayment trends and adjusted with forward-looking factors, taking into account probability of default from an external credit rating agency, to assess ECL for individual customers / counterparties.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(A) Trade receivables, contract assets and amount due from associate (Continued)

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

	30 June 2019			
Group	Gross carrying amount $'000	Probability of default rate %	ECL allowance $'000	Total $'000
Trade receivables - credit impaired (i)	2,161	100.00	(2,161)	-
Trade receivables - others (ii) (iii)	28,093	0.65 – 0.79	(186)	27,907
	30,254		(2,347)	27,907
Contract assets (iii) (iv)	36,478	0.65	(237)	36,241
Amount due from associate	22,719	100.00	(22,719)	-
	89,451		(25,303)	64,148

(i) Trade receivables classified as credit impaired are customers, who have exceeded historical collection trend and failed to engage in repayment plans with the Group.

(ii) Other than classified as credit impaired, the Group computes ECL using probability of default (PD) ratings from an external credit rating agency, multiplied by the exposure at default and loss given default.

The Group considers a trade receivable or contract asset to be in default when the customer is unlikely to pay its credit obligation in full, without recourse by the Group.

(iii) In June 2019, the Group has entered into a repayment agreement with the Group's single largest customer to fully settle all outstanding balance of trade receivables of $17,062,000 and contract assets of $35,767,000 by 30 June 2020.

(iv) The contract assets relate to unbilled receivables, which have substantially the same credit risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are reasonable approximation of the loss rates for the contract assets.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(A) Trade receivables, contract assets and amount due from associate (Continued)

The movement of the ECL on trade receivables, contract assets and amount due from associate are as follows:

	Group		
	Individual impairment - Not credit impaired $'000	Individual impairment - Credit impaired $'000	Total $'000
As at 1 April 2018			
- per IAS 39	-	23,469	23,469
- initial adoption of IFRS 9 (Note 3)	283	-	283
	283	23,469	23,752
ECL allowance recognised during the financial period			
- new assets originated	140	1,520	1,660
Currency translation differences	-	(109)	(109)
As at 30 June 2019	423	24,880	25,303
Allowance for impairment loss consist of:			
- trade receivables (Note 9)	186	2,161	2,347
- amount due from associate (Note 11)	-	22,719*	22,719
- contract assets (Note 27)	237	-	237
As at 30 June 2019	423	24,880	25,303

* Amount is recognised during financial year 2018.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(B) Amount due from subsidiaries

The table below details the credit quality of the amount due from subsidiaries of the Company:

Company **30 June 2019**	Stage 2 / Stage 3 ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Amount due from subsidiaries with no revenue generating activities	Stage 3	13,844	(13,844)	-
Amount due from other loss-making subsidiaries	Stage 2	197,569	(93,062)	104,507
		211,413	(106,906)	104,507

(C) Other receivables and cash and bank balances

Management assessed ECL on advance and earnest deposits to vendors of China Satellite Group (Note 9), making reference to statistical data of the delinquency rates of personal loans in the PRC. Based on the ECL assessment, management concluded the credit risk is insignificant and did not provide for ECL. In addition, management also assessed that the remaining other receivables and cash and bank balances have minimal credit risks and the ECL on these financial assets are insignificant.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk information for Financial Year 2018 and 2017 under IAS39

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

	Group	
	31 March 2018 $'000 (Restated)	1 April 2017 $'000 (Restated)
Not past due and not impaired [(i)]	88,409	50,794
Past due but not impaired		
- Past due 0 to 3 months	10,207	9,031
- Past due 3 to 6 months	9,993	11,275
- Past due over 6 months	15,818	11,275
	36,018	31,581
Impaired receivables	750	692
Less: Allowance for impairment loss	(750)	(692)
	124,427	82,375

[(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.

Included in the Group's receivables are customers with total carrying amount of $36,018,000 (2017: $31,581,000), 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 counterparties. These receivables are not secured by any collateral or credit enhancements.

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

39. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

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

	Group			Company	
	30 June 2019	31 March 2018	1 April 2017	30 June 2019	31 March 2018
	$'000	$'000	$'000	$'000	$'000
		(Restated)	(Restated)		(Restated)
Financial assets					
Financial assets at amortised cost	77,380	-	-	115,993	-
Loans and receivables	-	131,801	106,115	-	136,115
Financial liabilities					
Financial liabilities at amortised cost	102,286	165,371	114,562	23,858	22,668

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 borrowings, redeemable convertible bonds and loans from a shareholder disclosed in Note 14 to Note 16, 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 Note 19 to Note 26. The Group's and Company's strategies, which were unchanged from 2018 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.

Except as mentioned above and disclosed in Note 23, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

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

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) 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 trade and other receivables, contract assets, cash and bank balances, amount due from contract work, current trade and other payables, redeemable convertible bonds, borrowings and loans from a shareholder are reasonable approximation of fair values either due to the relatively short-term maturity of these financial instruments.

(ii) 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

	Group		
	30 June 2019 $'000	31 March 2018 $'000	1 April 2017 $'000
Non-current trade payables			
- Carrying value (Note 12)	24,109	22,260	15,113
- Fair value	18,414	18,258	12,651

The fair value of the non-current trade payables is estimated by discounting expected future cash flows at market interest rate at the end of the reporting period.

41. COMPARATIVES AND PRIOR YEAR ADJUSTMENTS

A) Comparatives

On 1 March 2019, the Company changed its financial year end from 31 March to 30 June. Accordingly, the current financial period covers a period of 15 months from 1 April 2018 to 30 June 2019. Hence, the comparative figures stated in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes are not comparable.

Prior year comparatives were audited by another firm of public accountants and chartered accountants.

B) Prior year reclassifications

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow of the Group and statement of financial position of the Company, and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current period's presentation.

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

41. COMPARATIVES AND PRIOR YEAR ADJUSTMENTS (Continued)

C) Prior year adjustments

In addition, prior year adjustments have been raised to correct the following errors. The nature and impact of these prior year adjustments on the various accounting captions of the Group and the Company are as follows:

Group 2018	Note	Balances as previously reported $'000	Adjustments / Reclassifications $'000	Balances as restated $'000
Statement of financial position				
Property, plant and equipment	(a)	220,800	(13,241)	207,559
Trade and other receivables	(b)	169,544	(5,710)	163,834
Amount due from contract work	(c)	-	6,650	6,650
Trade and other payables – current	(d)	(106,101)	32,251	(73,850)
Trade and other payables – non-current	(e)	-	(22,260)	(22,260)
Income tax payables	(f)	-	(4,048)	(4,048)
Deferred tax liabilities	(f)	-	(1,185)	(1,185)
Translation reserve	(g)	(9,628)	(1,266)	(10,894)
Statutory reserve	(h)	(5,863)	902	(4,961)
Accumulated losses		252,866	6,375	259,241
Non-controlling interest (NCI)		(84,444)	1,532	(82,912)
Statement of profit or loss and other comprehensive income				
Revenue	(b)	(89,472)	6,884	(82,588)
Provision for warranty	(i)	1,201	(1,201)	-
Subcontracting fee	(d2)	27,619	(5,787)	21,832
Bandwidth fee	(j)	10,000	1,421	11,421
Other expenses	(i), (j), (k)	10,820	4,751	15,571
Income tax expenses	(f)	7,994	(3,064)	4,930

(a) Adjustment for prepayments erroneously classified as construction in progress.

(b) Adjustments for overstatement of revenue due to partial cancellation of customer orders in financial year 2018.

(c) Omission of separately disclosing the amount due from contract work.

(d) Aggregate of (1) over (under) provision of certain operating expenses and (2) trade payables reversed due to cancellation of corresponding purchase orders.

(e) Reclassification for non-current portion of operating lease payables, which was incorrectly classified as current liabilities.

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

41. COMPARATIVES AND PRIOR YEAR ADJUSTMENTS (Continued)

C) Prior year adjustments (Continued)

(f) Adjustment to accrue for additional income tax liabilities and deferred tax liabilities inadvertently omitted.

(g) Adjustment for translation reserves of several subsidiaries disposed of in financial year 2016, but inadvertently retained in translation reserves as at 31 March 2018.

(h) Aggregate effect of (1) adjustment for statutory reserves of a subgroup disposed in financial year 2016, but inadvertently retained in statutory reserve as at 31 March 2018, and (2) omission of recognising additional contribution to the statutory reserve of the Group's subsidiary, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech"), for financial year 2017 and 2018.

(i) Adjustment to conform with the presentation of current financial period.

(j) Adjustment for underprovision of certain operating expenses.

(k) Translation reserve of a subsidiary which was de-registered in financial year 2018, but inadvertently omitted to be reclassified to profit or loss.

Group **2017**	Note	Balances as previously reported $'000	Adjustments / Reclassifications $'000	Balances as restated $'000
Statement of financial position				
Trade and other receivables	(a)	89,848	(93)	89,755
Trade and other payables – current	(b)	(58,193)	16,082	(42,111)
Trade and other payables – non-current	(b1)	-	(15,113)	(15,113)
Income tax payables	(c)	-	(6,792)	(6,792)
Deferred tax liabilities	(c)	-	(848)	(848)
Translation deficit	(d)	3,785	(1,878)	1,907
Statutory reserve	(e)	(5,863)	5,611	(252)
Accumulated losses		199,972	1,580	201,552
Non-controlling interest		(31,277)	1,451	(29,826)

(a) Adjustment to write off certain invalid prepayments that are no longer recoverable.

(b) Aggregate effect of (1) reclassification of non-current portion of operating lease payables inappropriately classified as current liabilities, and (2) over (under) provision of certain operating expenses.

(c) Adjustment to accrue for additional income tax liabilities and deferred tax liabilities inadvertently omitted.

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

41. COMPARATIVES AND PRIOR YEAR ADJUSTMENTS (Continued)

C) Prior year adjustments (Continued)

(d) Adjustment for translation reserves of several subsidiaries disposed in financial year 2016, but inadvertently retained in translation reserves as at 31 March 2017.

(e) Aggregate effect of (1) adjustment for statutory reserves of Armarda Technology Services Limited and its subsidiaries amounting to $5,863,000, which was disposed in financial year 2016, but inadvertently retained in statutory reserves as at 31 March 2017, and (2) contribution of statutory reserves of Guiyang Tech for 31 March 2017.

As a result of prior year reclassifications and adjustments disclosed above, the consolidated statement of cash flows has been restated as follows:

Group 2018	Balances as previously reported $'000	Adjustments / Reclassifications $'000	Balances as restated $'000
Statement of cash flows			
Net cash from operating activities	9,026	3,675	12,701
Net cash used in investing activities	(156,777)	(11,690)	(168,467)
Net cash from financing activities	141,972	13,391	155,363
Effects of exchange rate changes in cash and bank balances	5,422	(5,376)	46

Company 2018	Note	Balances as previously reported $'000	Adjustment $'000	Balances as restated $'000
Statement of financial position				
Investment in subsidiaries	(a)	-	60,166	60,166
Accumulated losses	(a)	390,080	(60,166)	329,914

(a) Reversal of impairment loss as the recoverable amount is higher than the carrying amount.

STATISTICS OF SHAREHOLDINGS

As at 13 September 2019

Authorised share capital	- HK$100,000,000
Issued and fully paid-up share capital	- 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

Percentage of Shareholdings in hands of Public

Based on information available to the Company as at 13 September 2019, approximately 59.66% of the issued ordinary shares of the Company was held in the hands of public as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"). Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10% of the equity securities to be held in the hands of public.

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	1	0.02	88	0.00
100 - 1,000	55	1.34	45,898	0.00
1,001 - 10,000	582	14.20	3,570,000	0.03
10,001 - 1,000,000	2,990	72.93	695,789,648	4.86
1,000,001 and above	472	11.51	13,611,264,983	95.11
	4,100	**100.00**	**14,310,670,617**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	6,157,834,102	43.03
2	Lim & Tan Securities Pte Ltd	2,658,328,532	18.58
3	Raffles Nominees (Pte) Ltd	278,912,800	1.95
4	Zhang Dai	260,000,000	1.82
5	Phillip Securities Pte Ltd	248,940,234	1.74
6	Qin Rupeng	217,500,000	1.52
7	Bi Wei Na	156,250,000	1.09
8	OCBC Securities Private Ltd	144,945,800	1.01
9	UOB Kay Hian Pte Ltd	144,138,283	1.01
10	Wong Yu Chiu	105,000,000	0.73
11	Stephen Kang Yew Jin	100,500,000	0.70
12	Chan Wong Dora Wing May	100,000,000	0.70
13	Maybank Kim Eng Securities Pte Ltd	96,445,200	0.67
14	Koh Wee Meng	90,000,000	0.63
15	Ong Puay Hoon Irene	85,900,000	0.60
16	Citibank Nominees Singapore Pte Ltd	85,049,200	0.59
17	Xu Yong	80,357,143	0.56
18	Low Poh Kuan	76,800,500	0.54
19	Xu Yu Chi	75,056,000	0.52
20	DBS Nominees Pte Ltd	64,909,851	0.45
		11,226,867,645	**78.44**

STATISTICS OF SHAREHOLDINGS

As at 13 September 2019

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	1,908,250,000 [2]	13.33	-	-
Lam Cho Ying Terence Joe	532,481,668 [3]	3.72	1,184,750,000 [4]	8.28
Chan Andrew Wai Men	957,671,000 [5]	6.69	-	-
Xu Hong Na	1,036,250,000 [6]	7.24	-	-

Notes:

(1) Based on the Company's issued share capital of 14,310,670,617 shares as at 13 September 2019.

(2) Zhang Dai holds 1,648,250,000 shares out of 1,908,250,000 shares through nominee company(ies).

(3) Lam Cho Ying Terence Joe holds the 468,978,500 shares through nominee company(ies).

(4) Lam Cho Ying Terence Joe is deemed to be interested in the 1,184,750,000 shares held by Alternus Capital Holdings Limited by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore.

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

(6) Xu Hong Na holds the 1,036,250,000 shares through nominee company(ies).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of SinoCloud Group Limited (the "**Company**") will be held at 168 Robinson Road, Level 9, Flex, Capital Tower, Singapore 068912 on Wednesday, 23 October 2019 at 10.30 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 period from 1 April 2018 to 30 June 2019, 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 for re-election as a Director:

(a) Mr Chan Andrew Wai Men **(Resolution 2(a))**
(b) Mr Alexander Shlaen **(Resolution 2(b))**

See Explanatory Note (i)

3 To re-elect the following persons as Directors, each of whom will cease to hold office pursuant to Bye-law 107(B) of the Company's Bye-Laws and each of whom, being eligible, will offer himself for re-election as a Director:

(a) Mr Wan Ngar Yin, David **(Resolution 3(a))**
(b) Mr Chau King Fai **(Resolution 3(b))**

See Explanatory Note (i)

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

(a) "That Directors' fees of S$49,000 payable by the Company for the period from 1 April 2019 to 30 June 2019 be approved." **(Resolution 4(a))**

(b) "That Directors' fees of HK$360,000 payable by the Company for the financial year ending 30 June 2020 be approved, to be paid quarterly in arrears." **(Resolution 4(b))**

Note: The Directors' fees for the previous financial year (being the period from 1 April 2018 to 31 March 2019) approved at the previous annual general meeting of the Company were S$196,000.

5 To re-appoint Crowe Horwath First Trust LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

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

As Special Business

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

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

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

(a) (i) 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 sub-paragraphs (a)(i) and (ii) above 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 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 Company's Bye-Laws for the time being; 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 (ii)

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

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

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

(a) (i) allot and issue Shares whether by way of rights, bonus or otherwise; and/or

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

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

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

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution 7 (including Shares to be issued in pursuance of Instruments made or granted pursuant to sub-paragraphs (a)(i) and (ii) above 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 7) 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 7, 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 7, 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 7, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise, and the Company's Bye-Laws for the time being; and

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

See Explanatory Note (iii)

9 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 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 8)

See Explanatory Note (iv)

By Order Of The Board

Chu Yin Ling, Karen
Executive Director and Company Secretary
30 September 2019

Explanatory Notes

(i) Mr Chan Andrew Wai Men will, upon re-election as a Director, remain as the Chairman and Chief Executive Officer of the Company.

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

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

Mr Chau King Fai will, upon re-election as a Director, remain as an Independent Director of the Company and a member of the Audit Committee, the Nominating Committee and the Remuneration Committee. The Board considers Mr Chau 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 2019 Annual Report, there are no relationships (including immediate family relationships) between the abovementioned Directors and the other Directors, the Company or its officers, or its 10% shareholders. Further detailed information on Mr Chan Andrew Wai Men, Mr Alexander Shlaen, Mr Wan Ngar Yin, David and Mr Chau King Fai can be found under the sections entitled "**Board of Directors**" and "**Corporate Governance Report**" of the Company's 2019 Annual Report.

(ii) Resolution 6 (to be passed as a special resolution) is to empower the Directors, 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) 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 6 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 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.

(iii) Resolution 7 (to be passed as an ordinary resolution) is to empower the Directors, in the event that Resolution 6 is not passed, from the date of the passing of Resolution 7 to the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such Instruments, up to an aggregate number not exceeding 100% of the total number of issued Shares (excluding treasury shares 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 7 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 7 is passed, and any subsequent bonus issue, consolidation or sub-division of Shares. In exercising the authority conferred by Resolution 7, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Bye-Laws.

(iv) Resolution 8 (to be passed as an ordinary resolution) is to empower the Directors 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 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.

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.

Personal Data Privacy

By attending the Annual General Meeting of the Company and/or any adjournment thereof or submitting 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 member of the Company (i) consents to the collection, use and disclosure of the member'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/or 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 a member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member 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 member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member'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 Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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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