

SINOCLOUD GROUP LIMITED
(THE "COMPANY")
(Company Registration No.: 34050)
(Incorporated in Bermuda on 13 August 2003)

Unaudited Condensed Interim Financial Statements for the Nine Months Ended 31 March 2022

Pursuant to Rule 705(2C) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), the Company is required by the SGX-ST to continue to announce its quarterly financial statements in view of the (i) disclaimer of opinion; and (ii) material uncertainty relating to going concern, issued by the Company's auditors in its latest audited financial statements for the financial year ended 30 June 2021.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Catalist Rules.

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

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2022 (Expressed in Hong Kong thousand dollars)

	Note	3 months ended			9 months ended		
		31.03.2022 (Unaudited)	31.03.2021 (Unaudited)	% + / (-)	31.03.2022 (Unaudited)	31.03.2021 (Unaudited)	% + / (-)
Revenue	4	3,232	2,856	13	10,267	12,541	(18)
Depreciation of property, plant and equipment		(1,383)	(1,331)	4	(4,107)	(4,138)	(1)
Depreciation of right-of-use assets		(583)	(617)	(6)	(1,731)	(1,850)	(6)
Reversal of financial assets		60	-	N.M.	9,122	-	N.M.
Bandwidth fees		(86)	(1,008)	(91)	(1,759)	(3,400)	(48)
Employee benefits expenses		(1,011)	(836)	21	(2,830)	(2,357)	20
Operating lease expenses		(52)	(53)	(2)	(157)	(129)	22
Other income	5	-	49	(100)	-	1,895	(100)
Other expenses		(1,535)	(2,429)	(37)	(6,497)	(8,061)	(19)
Foreign exchange (loss) / gain		(1)	30	N.M.	(10)	(57)	(82)
Finance costs	6	(1,969)	(1,809)	9	(5,735)	(6,201)	(8)
Loss before taxation	7	(3,328)	(5,148)	(35)	(3,437)	(11,757)	(71)
Income tax expense		-	-	-	-	-	-
Loss for the financial period		(3,328)	(5,148)	(35)	(3,437)	(11,757)	(71)
Other comprehensive income / (expense):							
- Currency translation differences arising from consolidation		660	(3,000)	N.M.	2,553	7,365	(65)
Other comprehensive income / (expense) for the financial period, net of tax		660	(3,000)	N.M.	2,553	7,365	(65)
Total comprehensive loss for the financial period		(2,668)	(8,148)	(67)	(884)	(4,392)	(80)
(Loss) / profit attributable to:							
- Owners of the Company		(3,204)	(4,244)	(25)	(5,759)	(10,193)	(43)
- Non-controlling interests		(124)	(904)	(86)	2,322	(1,564)	N.M.
		(3,328)	(5,148)	(35)	(3,437)	(11,757)	(71)
Total comprehensive (loss) / income attributable to:							
- Owners of the Company		(2,850)	(7,049)	(60)	(4,373)	(6,501)	(33)
- Non-controlling interests		182	(1,099)	N.M.	3,489	2,109	65
		(2,668)	(8,148)	(67)	(884)	(4,392)	(80)
Loss per share attributable to the owners of the Company							
Basic (HK cents)	8	(0.020)	(0.027)	(25)	(0.036)	(0.069)	(47)

N.M.: Not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

SINOCLOUD GROUP LIMITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022

(Expressed in Hong Kong thousand dollars)

		The Group		The Company	
	Note	As at 31.03.2022 (Unaudited)	As at 30.06.2021 (Audited)	As at 31.03.2022 (Unaudited)	As at 30.06.2021 (Audited)
ASSETS					
Non-current assets					
Property, plant and equipment	10	194,432	193,218	-	-
Right-of-use assets		28,595	29,592	-	-
Investment in subsidiaries		-	-	57,112	57,112
Deferred tax assets		11,966	11,966	-	-
		<u>234,993</u>	<u>234,776</u>	<u>57,112</u>	<u>57,112</u>
Current assets					
Trade and other receivables		23,971	24,324	164	110
Derivative asset		4,933	4,933	4,933	4,933
Cash and bank balances		40	461	-	-
		<u>28,944</u>	<u>29,718</u>	<u>5,097</u>	<u>5,043</u>
TOTAL ASSETS		<u>263,937</u>	<u>264,494</u>	<u>62,209</u>	<u>62,155</u>
LIABILITIES					
Current liabilities					
Trade and other payables		30,967	39,479	5,768	1,887
Contract liabilities		1,562	2,885	-	-
Borrowings	11	4,915	2,402	-	-
Redeemable convertible bond	12	23,383	-	23,383	-
Income tax payable		8,473	8,443	-	-
		<u>69,300</u>	<u>53,209</u>	<u>29,151</u>	<u>1,887</u>
Non-current liabilities					
Borrowings	11	4,056	2,390	-	-
Redeemable convertible bond	12	-	22,653	-	22,653
Lease liabilities		69,041	63,818	-	-
		<u>73,097</u>	<u>88,861</u>	<u>-</u>	<u>22,653</u>
TOTAL LIABILITIES		<u>142,397</u>	<u>142,070</u>	<u>29,151</u>	<u>24,540</u>
NET ASSETS		<u>121,540</u>	<u>122,424</u>	<u>33,058</u>	<u>37,615</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	15,878	15,878	15,878	15,878
Share premium		481,352	481,352	481,352	481,352
Contributed surplus		16,456	16,456	16,456	16,456
Translation reserve		5,629	4,243	-	-
Statutory reserve		7,066	7,066	-	-
Revaluation reserve		98	98	-	-
Other reserve		22,384	22,384	7,264	7,264
Accumulated losses		(414,811)	(409,052)	(487,892)	(483,335)
		<u>134,052</u>	<u>138,425</u>	<u>33,058</u>	<u>37,615</u>
Non-controlling interest		<u>(12,512)</u>	<u>(16,001)</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>121,540</u>	<u>122,424</u>	<u>33,058</u>	<u>37,615</u>

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

SINOCLOUD GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2022
(Expressed in Hong Kong thousand dollars)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>31.03.2022</u>	<u>31.03.2021</u>	<u>31.03.2022</u>	<u>31.03.2021</u>
Cash flow from operating activities				
Loss before tax	(3,328)	(5,148)	(3,437)	(11,757)
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	1,383	1,331	4,107	4,138
Depreciation of right-of-use assets	583	617	1,731	1,850
Reversal of financial assets	(60)	-	(9,122)	-
Interest expense	1,969	1,809	5,735	6,201
Operating profit / (loss) before working capital changes	547	(1,391)	(986)	432
Trade and other receivables	431	785	352	(4,269)
Trade and other payables	896	1,663	629	871
Contract assets	-	14	-	(3,549)
Contract liabilities	(1,853)	(1,146)	(1,323)	4,729
Cash used in operations	21	(75)	(1,328)	(1,786)
Income tax paid	-	-	-	-
Interest paid	(89)	(110)	(1,717)	(465)
Net cash used in operating activities	<u>(68)</u>	<u>(185)</u>	<u>(3,045)</u>	<u>(2,251)</u>
Cash flow from investing activities				
Payments to purchase property, plant and equipment	-	-	(447)	-
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>(447)</u>	<u>-</u>
Cash flow from financing activities				
Deposit received for placement	-	5,000	-	10,000
Repayment to director of the Company	-	-	-	(2,405)
Repayment to a related party, net	(771)	-	(928)	-
Proceeds from non-convertible bonds	-	-	-	15,000
Repayment of redeemable convertible bond	-	(4,000)	-	(7,000)
Net advance from / (repayment to) shareholders	506	-	4,056	(10,514)
Repayment of loan borrowings from a financial institution	-	(548)	-	(590)
Net cash (used in) / from financing activities	<u>(265)</u>	<u>452</u>	<u>3,128</u>	<u>4,491</u>
Net (decrease) / increase in cash and cash equivalents	(333)	267	(364)	2,240
Cash and cash equivalents at beginning of the financial period	212	2,058	461	303
Effect of exchange rate changes in cash and cash equivalents	161	(276)	(57)	(494)
Cash and cash equivalents at end of the financial period,				
representing cash and bank balances	<u>40</u>	<u>2,049</u>	<u>40</u>	<u>2,049</u>

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

*FY2022 - Third Quarter
Group*

	Attributable to equity holders of the Company								Non-	Total
	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Translation Reserve HK\$'000	Statutory Reserve HK\$'000	Revaluation Reserve HK\$'000	Other reserve HK\$'000	Accum. Losses HK\$'000	Controlling Interest HK\$'000	Equity HK\$'000
Balance as at 1 July 2021	15,878	481,352	16,456	4,243	7,066	98	22,384	(409,052)	(16,001)	122,424
Profit for the period	-	-	-	-	-	-	-	507	2,349	2,856
Currency translation differences arising from consolidation	-	-	-	100	-	-	-	-	81	181
Total comprehensive income for the period	-	-	-	100	-	-	-	507	2,430	3,037
Balance as at 30 September 2021	15,878	481,352	16,456	4,343	7,066	98	22,384	(408,545)	(13,571)	125,461
(Loss) / profit for the period	-	-	-	-	-	-	-	(3,062)	97	(2,965)
Currency translation differences arising from consolidation	-	-	-	932	-	-	-	-	780	1,712
Total comprehensive income / (loss) for the period	-	-	-	932	-	-	-	(3,062)	877	(1,253)
Balance as at 31 December 2021	15,878	481,352	16,456	5,275	7,066	98	22,384	(411,607)	(12,694)	124,208
Loss for the period	-	-	-	-	-	-	-	(3,204)	(124)	(3,328)
Currency translation differences arising from consolidation	-	-	-	354	-	-	-	-	306	660
Total comprehensive income / (loss) for the period	-	-	-	354	-	-	-	(3,204)	182	(2,668)
Balance as at 31 March 2022	15,878	481,352	16,456	5,629	7,066	98	22,384	(414,811)	(12,512)	121,540

*FY2021 - Third Quarter
Group*

	Attributable to equity holders of the Company								Non- Controlling Interest HK\$'000	Total Equity HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Translation (Deficit)/ Reserve HK\$'000	Statutory Reserve HK\$'000	Revaluation Reserve HK\$'000	Other reserve HK\$'000	Accum. Losses HK\$'000		
Balance as at 1 July 2020	14,311	473,003	16,456	(4,782)	7,066	98	15,120	(396,296)	(15,461)	109,515
Loss for the period	-	-	-	-	-	-	-	(1,903)	(76)	(1,979)
Currency translation differences arising from consolidation	-	-	-	2,399	-	-	-	-	1,736	4,135
Total comprehensive income / (loss) for the period	-	-	-	2,399	-	-	-	(1,903)	1,660	2,156
Balance as at 30 September 2020	14,311	473,003	16,456	(2,383)	7,066	98	15,120	(398,199)	(13,801)	111,671
Loss for the period	-	-	-	-	-	-	-	(4,047)	(582)	(4,629)
Currency translation differences arising from consolidation	-	-	-	4,098	-	-	-	-	2,132	6,230
Total comprehensive income / (loss) for the period	-	-	-	4,098	-	-	-	(4,047)	1,550	1,601
Balance as at 31 December 2020	14,311	473,003	16,456	1,715	7,066	98	15,120	(402,246)	(12,251)	113,272
Loss for the period	-	-	-	-	-	-	-	(4,244)	(904)	(5,148)
Currency translation differences arising from consolidation	-	-	-	(2,805)	-	-	-	-	(195)	(3,000)
Total comprehensive loss for the period	-	-	-	(2,805)	-	-	-	(4,244)	(1,099)	(8,148)
<u>Total transactions with owners,</u> recognized directly in equity										
Issuance of shares	1,567	8,349	-	-	-	-	-	-	-	9,916
Total transactions with owners, recognized directly in equity	1,567	8,349	-	-	-	-	-	-	-	9,916
Balance as at 31 March 2021	15,878	481,352	16,456	(1,090)	7,066	98	15,120	(406,490)	(13,350)	115,040

FY2022 - Third Quarter
Company

	Attributable to equity holders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance as at 1 July 2021	15,878	481,352	16,456	7,264	(483,335)	37,615
Loss for the period	-	-	-	-	(1,498)	(1,498)
Balance as at 30 September 2021	15,878	481,352	16,456	7,264	(484,833)	36,117
Loss for the period	-	-	-	-	(1,630)	(1,630)
Balance as at 31 December 2021	15,878	481,352	16,456	7,264	(486,463)	34,487
Loss for the period	-	-	-	-	(1,429)	(1,429)
Balance as at 31 March 2022	15,878	481,352	16,456	7,264	(487,892)	33,058

FY2021 - Third Quarter
Company

	Attributable to equity holders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance as at 1 July 2020	14,311	473,003	16,456	-	(468,528)	35,242
Profit for the period	-	-	-	-	92	92
Balance as at 30 September 2020	14,311	473,003	16,456	-	(468,436)	35,334
Loss for the period	-	-	-	-	(995)	(995)
Balance as at 31 December 2020	14,311	473,003	16,456	-	(469,431)	34,339
Issuance of shares	1,567	8,349	-	-	-	9,916
Loss for the period	-	-	-	-	(1,192)	(1,192)
Balance as at 31 March 2021	15,878	481,352	16,456	-	(470,623)	43,063

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED 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 board 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 significant subsidiaries relate to the provision of internet data centre services.

Coronavirus (“COVID-19”) Impact

On 30 January 2020, the World Health Organisation declared the outbreak of COVID-19 as a Public Health Emergency of International Concern. COVID-19 was subsequently characterised as a pandemic on 11 March 2020. In response to the pandemic, governments from different countries around the world have implemented containment measures to varying degrees in a bid to curb the spread of the virus. As a result, the COVID-19 pandemic has created substantial adverse impact on the global economy, including the Group’s operations, particularly, on the Internet Data Centre (“**IDC**”) business in the People’s Republic of China (“**PRC**”), where participation in government-related projects and/or contracts are put on hold and the Group’s expansion plans are postponed. In addition, the continuing wide-spreading of the COVID-19 pandemic in several provinces in the PRC has had significant impact on the Group’s major customers, in particular, their ability to make prompt payments and to adhere to agreed repayment plans. This has adversely affected the Group’s cash flows.

There is significant uncertainty as to the duration of the pandemic and its impact on those economies which the Group operates in, hence, the COVID-19 pandemic will continue to affect the Group’s financial performance in the upcoming financial years/periods.

2. Basis of preparation

The condensed interim financial statements for the financial period ended 31 March 2022 have been prepared in accordance with *IAS 34 Interim Financial Reporting*. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to obtain an understanding of the changes in the financial position and performance of the Group since the audited financial statements for the financial year ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”). The condensed third quarter (“**3M FY2022**”) and nine-month period ended 31 March 2022 (“**9M FY2022**”) financial statements are presented in Hong Kong dollar (“**HK\$**” or “**HKD**”) and all values are rounded to the nearest thousand (HK\$’000) as indicated.

Going concern

The Group incurred a net loss of HK\$3,437,000 for 9M FY2022. Further, the Group recorded negative operating cash flows of HK\$3,045,000 for 9M FY2022, and was in net current liabilities of HK\$40,356,000 as at 31 March 2022. As of 31 March 2022, the Group’s cash and bank balances available for use amounted to HK\$40,000 while its current liabilities amounted to HK\$69,300,000.

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. The accompanying financial statements have been prepared on a going concern basis as the management has assessed that the Group and the Company are able to continue as going concerns, given the net asset positions of

HK\$121,540,000 and HK\$33,058,000 respectively, due to the following key considerations and assumptions:

- a) the Group has obtained continuing financial support from a shareholder, Mr Lam Cho Ying Terence Joe (“**Mr Lam**”) to enable the Group to operate as a going concern and to meet its obligations as and when they fall due. Such financial support includes not recalling the balance owing by the Group to Mr Lam of HK\$23,937,000 (which includes the liability component of redeemable convertible bond of HK\$23,383,000 and related interests of HK\$554,000, both recorded as current liabilities) as at 31 March 2022 unless the Group has sufficient funds for working capital and to pay other creditors in full. During 9M 2022, Mr Lam injected in aggregate of HK\$4,056,000, including the first tranche and partial second tranche of working capital loans of HK\$1,000,000 and HK\$506,000 to the Group to support its operations. Subsequent to the period ended 31 March 2022, Mr Lam further injected HK\$428,000 in cash and extended the remaining tranche of HK\$1,000,000 working capital loan, to be disbursed in June 2022 to support the Group’s operations. Such funds when received, will be adequate for the Group’s working capital purposes for the next 12 months from 30 June 2021. The Company has obtained a written confirmation from Mr Lam that he continues to provide the aforesaid financial support to the Group, notwithstanding that he is no longer a controlling shareholder of the Company with effect from 4 April 2022 (please refer to Note 15 under Section E of this announcement);
- b) the Company’s sole operating subsidiary in the PRC, Guiyang Zhongdian Gaoxin Digital Technologies Limited (“**Guiyang Tech**”) is entitled to a rent-free period of its 20-year lease of the IDC premises since 2014, until the receipt of notice from the landlord. The management of the Company (“**Management**”) is confident that this rent-free period shall be extended for at least 12 months from 30 June 2021, given that Guiyang Tech has not received any notice from the landlord to date;
- c) the Management has successfully negotiated for favourable payment terms with its key suppliers, in particular, those providing bandwidth and utilities in the IDC premises, and has agreed to extend its credit terms and to defer payments by at least 12 months from 30 June 2021;
- d) the Group has also managed to postpone the Expansion Project¹ and negotiated for a suspension of 2 years with its main contractors, hence postponing the associated capital commitment of \$133,475,000;
- e) the Group is confident of deferring payment of the current portion of Loan 1 from a PRC bank of HK\$4,915,000 (please refer to Note 11 under Section E of this announcement), and the Management expects to repay the loan totalling HK\$4,915,000 in full at maturity in March 2023. A related party, the guarantor of Loan 1, has agreed to undertake the repayment of the current portion amounting to HK\$4,915,000, should the bank request for those contractual instalments from Guiyang Tech within the next 12 months from 30 June 2021; and

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 respectively, and to provide for further liabilities which may arise. No such adjustments have been made to this financial statements.

¹ Relates to the expansion of hosting capacity of the IDC in Guiyang, Guizhou Province in the PRC, including the construction of additional 1,500 racks, and the construction of a call center to improve response time to customers and related software development.

2.1 New and amended standards adopted by the Group

A number of amendments to IFRSs have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards. The adoption of the new IFRS and IFRIC Interpretations that became effective for annual reporting periods beginning on or after 1 January 2021, is not expected to result in substantial changes to the Group's financial statements.

2.2 Use of estimates and judgements

In preparing the condensed financial statements for the nine months ended 31 March 2022, the Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2021 ("FY2021").

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Group's accounting policies, the Management is of the opinion that any instances of application of judgements are not expected to have significant effect on the amounts recognised in the financial statements.

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 Segment and revenue information

The Group has one reportable segment, as described below, which is the Group's strategic business unit. The Group's chief operating decision maker ("CODM") 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; and
- Other business operations include investment holding and is categorised as "All other segments".

Information regarding the results of each reportable segment is included below. Performance is measured based on segment results as included in the internal management reports that are reviewed by the Group's CODM. All other segments' items include the following:

- Expenses comprise mainly head office expenses;
- Assets comprise mainly other receivables; and
- Liabilities comprise mainly borrowings, amount due to directors, salary and other head office expenses payables.

Business segments

	Three months ended 31.03.2022			Nine months ended 31.03.2022		
	Internet Data Centre Services	All other segments	Total	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	3,232	-	3,232	10,267	-	10,267
Segment (loss) / profit	(892)	(467)	(1,359)	4,074	(1,776)	2,298
Finance costs			(1,969)			(5,735)
Loss before tax			(3,328)			(3,437)
Income tax			-			-
Loss for the financial period			(3,328)			(3,437)
<u>Other segment items</u>						
Capital expenditure	-	-	-	619	-	619
Depreciation of property, plant and equipment	1,383	-	1,383	4,107	-	4,107
Depreciation of right-of-use assets	583	-	583	1,731	-	1,731

	Three months ended 31.03.2021			Nine months ended 31.03.2021		
	Internet Data Centre Services	All other segments	Total	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	2,856	-	2,856	12,541	-	12,541
Segment loss	(2,075)	(1,264)	(3,339)	(4,975)	(581)	(5,556)
Finance costs			(1,809)			(6,201)
Loss before tax			(5,148)			(11,757)
Income tax expense			-			-
Loss for the financial period			(5,148)			(11,757)
<u>Other segment items</u>						
Capital expenditure	-	-	-	-	-	-
Depreciation of property, plant and equipment	1,331	-	1,331	4,138	-	4,138
Depreciation of right-of-use assets	617	-	617	1,850	-	1,850

Geographical information

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

- Hong Kong – The operations in this area include investment holdings, treasury functions and the provision of administrative and management services.
- PRC – The operations in this area are the provision of IDC services.

All the revenue and non-current assets are derived from and held by a subsidiary located in the PRC.

5 Other income

	Three months ended		Nine months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Waiver of liabilities	-	49	-	1,895
	<u>-</u>	<u>49</u>	<u>-</u>	<u>1,895</u>

6 Finance costs

	Three months ended		Nine months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense on				
- Redeemable convertible bonds	602	370	1,814	565
- Loans	148	110	364	1,730
- Lease liabilities	1,219	1,329	3,557	3,906
	<u>1,969</u>	<u>1,809</u>	<u>5,735</u>	<u>6,201</u>

7 Loss before taxation

	Three months ended		Nine months ended	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Loss before taxation is stated after charging:

Directors' remuneration				
- directors of the Company	77	98	236	380
Directors' fees				
- directors of the Company	90	90	270	270
	<u>90</u>	<u>90</u>	<u>270</u>	<u>270</u>

8 Loss per Share

	Group			
	3 Months Ended 31.03.2022 (Unaudited)	3 Months Ended 31.03.2021 (Unaudited)	9 Months Ended 31.03.2022 (Unaudited)	9 Months Ended 31.03.2021 (Unaudited)
Loss attributable to equity holders of the Company (HK\$'000)	(3,204)	(4,244)	(5,759)	(10,193)
Weighted average number of shares in issue	15,878,070,617	15,703,915,061	15,878,070,617	14,768,305,653
Loss per ordinary share (HK cents)				
- Based on weighted average number of ordinary shares in issue	(0.020)	(0.027)	(0.036)	(0.069)
- On a fully diluted basis	(0.020)	(0.027)	(0.036)	(0.069)

Note:

The Convertible Bond which will expire on 22 November 2022 (the date falling 2 years from the date of the subscription notice of the Convertible Bond being served), has no dilutive effect for the period ended 31 March 2022.

9 Related party information

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.

	Three months ended		Nine months ended	
	31.03.2022 HK\$'000	31.03.2021 HK\$'000	31.03.2022 HK\$'000	31.03.2021 HK\$'000
Net repayment to related parties	771	123	2,249	(3,370)
<u>Key management personnel compensation</u>				
Directors of the Company				
- Salary and related costs	77	97	236	379
- Contribution to defined contribution plans	4	2	10	8
- Directors' fee	90	90	270	270
Other key management personnel				
- Salary and related costs	246	218	575	454
	417	407	1,091	1,111
Categories of total compensation				
- Short-term employment benefits	417	407	1,091	1,111
- Post-employment benefits	-	-	-	-
	417	407	1,091	1,111

10 Property, plant and equipment

Acquisition of property, plant and equipment amounted to HK\$619,000 during 9M FY2022 (FY2021: acquired assets of HK\$54,000).

11 Borrowings

	Interest rate	Due within	Due after	Total
		1 year	1 year but less	
		HK\$'000	than 5 years	HK\$'000
			HK\$'000	HK\$'000
Group				
<u>As at 31 MARCH 2022</u>				
Loan 1 (Unsecured) - Fixed rate	7.20%	4,915	-	4,915
Loan 2 (Unsecured) - Fixed rate	6.00%	-	300	300
Loan 3 (Unsecured) - Fixed rate	6.00%	-	550	550
Loan 4 (Unsecured) - Fixed rate	6.00%	-	1,500	1,500
Loan 5 (Unsecured) - Fixed rate	6.00%	-	1,000	1,000
Loan 6 (Unsecured) - Fixed rate	6.00%	-	200	200
Loan 7 (Unsecured) - Fixed rate	10.00%	-	305	305
Loan 8 (Unsecured) - Fixed rate	10.00%	-	201	201
		4,915	4,056	8,971
<u>As at 30 June 2021</u>				
Loan 1 (Unsecured) - Fixed rate	7.20%	2,402	2,390	4,792

Company

As at 31 March 2022 and 30 June 2021

Nil

Loan 1

This loan was obtained by Guiyang Tech from a PRC bank to finance its working capital and is guaranteed by a key management personnel of Guiyang Tech and his controlled entity. Pursuant to the terms of the loan, it is repayable on a half-yearly basis, commencing in September 2021 and is expected to be fully settled in March 2023. After negotiation with the PRC bank, the Management expects to repay the loan totaling HK\$4,915,000 in full at maturity in March 2023. A related party, the guarantor of the loan, has agreed to undertake the repayment of the current portion amounting to HK\$4,915,000, should the bank request for those contractual installment from Guiyang Tech within the next 12 months.

Loan 2 to Loan 8

The loans were due to a substantial shareholder of the Company, Mr Lam. The loans were unsecured and repayable after 2 years on respective drawdown dates, which is expected to be fully settled from July 2023 to December 2023 respectively.

12 Redeemable Convertible Bond

	Group and Company HK\$'000
Liability component as at 30 June 2021	22,653
Accumulated amortisation of interest expense	1,814
Accrued coupon interest included in other payables	(1,084)
Liability component as at 31 March 2022	<u>23,383</u>

The outstanding principal amount of the Redeemable Convertible Bond of HK\$23.4 million will expire on 22 November 2022.

13 Share Capital

- (a) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

	Group and Company			
	Number of shares	Amount (HK\$'000)	Number of shares	Amount (HK\$'000)
As at 30 June 2021 and 31 March 2022	15,878,070,617	15,878	15,878,070,617	15,878

- (b) State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	As at 31 March 2022	As at 31 March 2021
Number of shares that may be issued on conversion of all outstanding convertibles	4,383,378,402 ⁽¹⁾	4,383,378,402 ⁽¹⁾
Total number of issued shares (excluding treasury shares and subsidiary holdings) ⁽²⁾	15,878,070,617	15,878,070,617

Notes:

- (1) On 7 October 2020, the Company entered into a convertible bond agreement (the "Convertible Bond Agreement") with Mr. Lam Cho Ying Terence Joe (the "Subscriber")

or “**Mr. Lam**”), pursuant to which the Subscriber agreed to subscribe for a bond in principal amount of up to HK\$31,060,000 (equivalent to S\$5,546,429, at a fixed exchange rate of S\$1.00 : HK\$5.60) to be issued by the Company (“**Convertible Bond**”) at a subscription price of 100% of the principal amount of the Convertible Bond (“**Subscription Price**”), on the terms and subject to the conditions of the Convertible Bond Agreement. The maximum number of conversion shares which may be allotted and issued to the Subscriber upon the full conversion of the Convertible Bond, including the accrued and unpaid interest up to the maturity date, is 5,647,272,727 new shares, at a conversion price of S\$0.0011 per share (“**Bond Issuance**”). The Bond Issuance has been duly approved by shareholders of the Company at the extraordinary general meeting held on 30 October 2020.

On 23 November 2020, the Subscriber subscribed for the full amount of the Convertible Bond of HK\$31.06 million. Subsequent to the full subscription, the Company redeemed HK\$3.0 million of the Convertible Bond from the Subscriber in December 2020 and an aggregate HK\$4.0 million in January and March 2021. The outstanding principal amount of the Convertible Bond of HK\$24.06 million will expire on 22 November 2022. Accordingly, the maximum number of conversion shares which may be allotted and issued to the Subscriber upon full conversion of the remaining Convertible Bond of HK\$24.06 million as at 31 March 2022 and 31 March 2021 is 4,383,378,402. As at the date of this announcement, no conversion of the Convertible Bond has taken place.

- (2) There were no treasury shares and subsidiary holdings as at 31 March 2022 and 31 March 2021.

14 Net Asset Value

	Group		Company	
	As at 31.03.2022 (Unaudited)	As at 30.6.2021 (Audited)	As at 31.03.2022 (Unaudited)	As at 30.6.2021 (Audited)
Net asset value attributable to equity holders (HK\$)	134,052,000	138,425,000	33,058,000	37,615,000
Number of shares in issue (excluding treasury shares) ⁽¹⁾	15,878,070,617	15,878,070,617	15,878,070,617	15,878,070,617
Net asset value per ordinary share (HK\$)	0.0084	0.0087	0.0021	0.0024

Note:

- (1) There were no treasury shares as at 31 March 2022 and 30 June 2021.

15 Event after the financial period

On 5 April 2022, the Company was informed by its then controlling shareholder, Mr Lam, that he and Alternus Capital Holdings Limited (“**Alternus Capital**”) (a company wholly-owned by Mr Lam) had, on 4 April 2022, sold an aggregate of 3,437,557,250 shares of the Company to Mr Zhang Dai (“**Mr Zhang**”) (the “**Transaction**”). Please refer to the Company’s announcement dated 6 April 2022 for further information on the Transaction.

There was no known event which have led to adjustments to this set of condensed interim consolidated financial statements.

F. OTHER INFORMATION REQUIRED UNDER APPENDIX 7C OF THE CATALIST RULES

1 Review

The condensed consolidated statement of financial position of the Company and its subsidiaries (collectively, the “**Group**”) as at 31 March 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended 31 March 2022 and certain explanatory notes have not been audited or reviewed.

2 To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares excluding treasury shares as at 31 March 2022 was 15,878,070,617 (30 June 2021: 15,878,070,617). There were no treasury shares as at 31 March 2022 and 30 June 2021.

3. A statement showing all sales, transfers, cancellation, and/or use of treasury shares as at the end of the current financial period reported on.

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

4. A statement showing all sales, transfers, cancellation, and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any sales, transfers, cancellation, and/or use of subsidiary holdings during and as at the end of the current financial period reported on.

5. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: to provide (a) updates on the efforts taken to resolve each outstanding audit issue; and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

The latest audited financial statements of the Group for the financial year ended 30 June 2021 were subject to a disclaimer of opinion. The disclaimer of opinion (“**Disclaimer of Opinion**”) was in relation to (i) impairment assessment of property, plant and equipment, right-of-use asset and prepayments, (ii) recoverability of deferred tax asset, and (iii) impairment assessment of investment in subsidiaries. Please refer to the Company’s announcement dated 13 October 2021 as well as the annual report of the Company for financial year ended 30 June 2021 for further information on the Disclaimer of Opinion.

The board of directors of the Company (“**Directors**” or “**Board**”) and the Management confirm that the revenue forecast and the underlying assumptions used in the discounted cash flow projection (“**DCF**”) prepared by the Management to derive the value in use (“**VIU**”) of the IDC operated by Guiyang Tech, remained unchanged as at 31 March 2022, and no further update to the DCF was made.

The Directors and the Management confirm that there are no outstanding audit issues on the financial statements to be disclosed.

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

(A) REVIEW OF FINANCIAL RESULTS

Revenue

Revenue increased by HK\$0.3 million, from HK\$2.9 million in the three months ended 31 March 2021 (“**3M FY2021**”) to HK\$3.2 million in the three months ended 31 March 2022 (“**3M FY2022**”). The increase in revenue was mainly due to increase in revenue from new customers as compared with that of the previous period. It decreased by HK\$2.2 million, from HK\$12.5 million in the nine months ended 31 March 2021 (“**9M FY2021**”) to HK\$10.3 million in the nine months ended 31 March 2022 (“**9M FY2022**”). The decrease in revenue was mainly due to decrease in customer demand and service fee reduction, largely attributable to the continuing COVID-19 pandemic in China.

Other income

No other income was recognised in 3M FY2022 and 9M FY2022. Other income of HK\$0.05 million in 3M FY2022 and HK\$1.9 million in 9M FY2021 mainly relates to a waiver of remuneration accrued and unpaid to the directors of the Company and management fees to other vendors, arising from cost saving measures implemented within the Group.

Expenses

Reversal of financial assets was (i) HK\$0.06 million in 3M FY2022 (3M FY2021: Nil), and (ii) HK\$9.1 million in 9M FY2022 (9M FY2021: Nil) of which HK\$8.9 million was attributable to the utilisation of prepayment made to a vendor previously fully impaired to offset against trade payables owing to the same party during 9M FY2022. An agreement was signed by the Group with the vendor on the aforementioned offset of prepayment against the outstanding trade payable owed to the vendor. The remaining reversal of financial assets of HK\$0.2 million in 9M FY2022 related to a reversal of impairment loss of financial assets due to debt recovery from customers.

Bandwidth fees (i) decreased by HK\$0.91 million, from HK\$1.0 million in 3M FY2021 to HK\$0.09 million in 3M FY2022, and (ii) decreased by HK\$1.6 million, from HK\$3.4 million in 9M FY2021 to HK\$1.8 million in 9M FY2022. The aforementioned decreases were the result of termination of broadband service from a provider during the relevant financial periods.

Employee benefits expenses (i) increased by HK\$0.2 million, from HK\$0.8 million in 3M FY2021 to HK\$1.0 million in 3M FY2022, and (ii) increased by HK\$0.4 million to HK\$2.8 million in 9M FY2022, from HK\$2.4 million in 9M FY2021, mainly due to the increase in hiring of staff to fulfill a government bureau hosting project.

Other expenses, comprising primarily office overheads, legal and professional fees and utility service fees, (i) decreased by HK\$0.9 million, from HK\$2.4 million in 3M FY2021 to HK\$1.5 million in 3M FY2022, and (ii) decreased by HK\$1.6 million, from HK\$8.1 million in 9M FY2021 to HK\$6.5 million in 9M FY2022. The aforementioned decreases were mainly due to decrease in office overheads resulting from cost cutting measures.

Foreign exchange loss was negligible in 3M FY2022 (3M FY2021: foreign exchange gain of HK\$0.03 million). It decreased by HK\$0.05 million, from HK\$0.06 million in 9M FY2021 to HK\$0.01 million in 9M FY2022. The decrease was mainly due to the appreciation of Renminbi (“**RMB**”) against HKD during the respective financial periods.

Finance costs increased by HK\$0.2 million, from HK\$1.8 million in 3M FY2021 to HK\$2.0 million in 3M FY2022. The increase was mainly due to increase in interest rate for loans from a substantial shareholder, Mr Lam, since January 2022. It decreased by HK\$0.5 million, from HK\$6.2 million in 9M FY2021 to HK\$5.7 million in 9M FY2022. The decrease was mainly due to reduction of interests on loans and interest expense on lease liabilities, partially offset by the increase in finance cost on redeemable convertible bonds during the period.

Income tax

There was no income tax reported in 3M FY2022, 3Y FY2021, 9M FY2022 and 9M FY2021 as there was no assessable profit generated during the respective periods.

Net loss after taxation

As a result of the aforesaid, the Group recorded a loss after tax of HK\$3.3 million in 3M FY2022 (3M FY2021: loss after tax of HK\$5.1 million), and a loss after tax of HK\$3.4 million in 9M FY2022 (9M FY2021: loss after tax of HK\$11.8 million).

(B) REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group amounted to HK\$235.0 million and HK\$234.8 million as at 31 March 2022 and 30 June 2021 respectively. Non-current assets comprised (i) property, plant and equipment; (ii) right-of-use assets; and (iii) deferred tax assets.

(i) Property, plant and equipment

The net book value of property, plant and equipment increased by HK\$1.2 million, from HK\$193.2 million as at 30 June 2021 to HK\$194.4 million as at 31 March 2022. The increase was mainly due to the purchase of assets of HK\$0.6 million and translation gain of HK\$2.0 million arising from appreciation of RMB against HKD, partially offset by the depreciation charge of HK\$1.4 million during the period.

(ii) Right-of-use assets

The net book value of right-of-use assets decreased by HK\$1.0 million, from HK\$29.6 million as at 30 June 2021 to HK\$28.6 million as at 31 March 2022. The decrease was mainly due to the depreciation charge of HK\$0.6 million during the period.

(iii) Deferred tax assets

Deferred tax assets remained unchanged at HK\$12.0 million as at 31 March 2022 and 30 June 2021. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Current Assets

Current assets decreased by HK\$0.7 million, from HK\$29.7 million as at 30 June 2021 to HK\$29.0 million as at 31 March 2022. Current assets comprised (i) trade and other receivables; (ii) derivative asset; and (iii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables decreased by HK\$0.3 million, from HK\$24.3 million as at 30 June 2021 to HK\$24.0 million as at 31 March 2022. Trade and other receivables as at 31 March 2022

comprised trade receivables of HK\$0.6 million, and other receivables and prepayment of \$23.4 million.

Trade receivables was HK\$0.6 million as at 30 June 2021 and 31 March 2022, representing revenue remained uncollected from active customers as at respective period end.

Other receivables and prepayment, comprising mainly prepayment for software development for the IDC business, decreased by HK\$0.3 million, from HK\$23.6 million as at 30 June 2021 to HK\$23.3 million as at 31 March 2022, mainly due to the reduction in other receivables during the period.

(ii) Derivative asset

Derivative financial instrument of HK\$4.9 million as at 31 March 2022 and 30 June 2021 represent the Company's redemption option embedded in the redeemable convertible bonds.

(iii) Cash and bank balances

Cash and bank balances decreased by HK\$0.46 million, from HK\$0.5 million as at 30 June 2021 to HK\$0.04 million as at 31 March 2022. Please refer to "Cashflows" for the movement in cash and cash equivalents.

Current Liabilities

Current liabilities increased by HK\$16.1 million, from HK\$53.2 million as at 30 June 2021 to HK\$69.3 million as at 31 March 2022, mainly due to the following:

(i) Trade and other payables

Trade and other payables decreased by HK\$8.5 million, from HK\$39.5 million as at 30 June 2021 to HK\$31.0 million as at 31 March 2022. Trade and other payables as at 31 March 2022 comprised (a) trade payables of HK\$2.8 million; (b) accruals and other payables of HK\$27.1 million; (c) amount due to directors of HK\$0.3 million; (d) amount due to related parties of HK\$0.1 million; (e) redeemable convertible interest payable of HK\$0.6 million; and (f) loan interest payable of HK\$0.1 million.

(a) Trade payables decreased by HK\$5.5 million, from HK\$8.4 million as at 30 June 2021 to HK\$2.8 million as at 31 March 2022, mainly due to the settlement of payables owing to a party by offsetting with prepayment (which was previously fully impaired) during 9M FY2022. Please refer to the section on "Review of Financial Results – Expenses: Reversal of financial assets" above for further information.

(b) Accruals and other payables decreased by HK\$2.9 million, from HK\$30.0 million as at 30 June 2021 to HK\$27.1 million as at 31 March 2022, mainly due to settlement during the period.

(c) Amount due to Directors of the Company increased by HK\$0.2 million, from HK\$0.1 million as at 30 June 2021 to HK\$0.3 million as at 31 March 2022, as a result of an increase in unsettled directors' fees during the period.

(d) Amount due to related parties remained unchanged at HK\$0.1 million as at 31 March 2022 and 30 June 2021. Amount due to related parties is interest-free and repayable on demand.

(e) Redeemable convertible interest payable of HK\$0.6 million as at 31 March 2022 (30 June 2021: HK\$0.9 million) relates to unpaid coupon interest for the Convertible Bond issued in November 2020.

- (f) Loan interest payable of HK\$0.1 million as at 31 March 2022 (30 June 2021: Nil) relates to the unpaid loan interest for loans extended to the Company by a substantial shareholder of the Company, Mr Lam during the period.

(ii) Contract liabilities

Contract liabilities decreased by HK\$1.3 million, from HK\$2.9 million as at 30 June 2021 to HK\$1.6 million as at 31 March 2022, due to the receipt of customer deposit for an IDC contract where the corresponding IDC service has yet to be fully performed as at 31 March 2022.

(iii) Borrowings

Borrowings increased by HK\$2.5 million, from HK\$2.4 million as at 30 June 2021 to HK\$4.9 million as at 31 March 2022. This was due to an increase in the current portion of a loan from a PRC bank during the period.

(iv) Redeemable convertible bond

Redeemable convertible bond increased by HK\$23.4 million (30 June 2021: HK\$22.7 million classified under non-current liabilities). This amount has been reclassified from non-current liabilities to current liabilities, as the bond will expire on 22 November 2022, which is less than one year from the period end of 31 March 2022. The amount recorded under redeemable convertible bond relates to the liability component of the Convertible Bond entered into by the Company with the Subscriber on 7 October 2020. In November 2020, the Subscriber subscribed for the full amount of the Convertible Bond of HK\$31.06 million, and there were subsequent redemptions by the Company in December 2020, January 2021 and March 2021, as described in Note 13 under Section E of this announcement. Details of the terms and conditions are set out in the Company's announcement dated 11 October 2020.

The increase of HK\$0.7 million was mainly due to accumulated amortisation of interest expense of HK\$1.8 million, partially offset by the accrued coupon interest of HK\$1.1 million during the period.

(v) Income tax payable

Income tax payable remained unchanged at HK\$8.4 million as at 31 March 2022 and 30 June 2021.

Non-current Liabilities

Non-current liabilities decreased by HK\$15.8 million, from HK\$88.9 million as at 30 June 2021 to HK\$73.1 million as at 31 March 2022. Non-current liabilities comprised (i) borrowings; (ii) redeemable convertible bond; and (iii) lease liabilities.

(i) Borrowings

Borrowings increased by HK\$1.7 million, from HK\$2.4 million as at 30 June 2021 to HK\$4.1 million as at 31 March 2022. This was due to the loans of HK\$4.1 million extended by a controlling shareholder of the Company, Mr Lam, to the Company, partially offset by the reclassification of a current portion of a loan from a PRC bank of HK\$2.4 million to current borrowings during the period.

(ii) Redeemable convertible bond

Please refer to the section entitled "Current Liabilities: (iv) Redeemable convertible bond" above for information on the redeemable convertible bond.

(iii) Lease liabilities

Lease liabilities increased by HK\$5.2 million, from HK\$63.8 million as at 30 June 2021 to HK\$69.0 million as at 31 March 2022, due to the effect of appreciation of RMB against HKD amounting to HK\$1.7 million, as well as interests incurred of HK\$3.5 million during the period.

Working Capital

Due to the changes in current assets and current liabilities as described above, the Group reported a negative working capital of HK\$40.4 million as at 31 March 2022 (30 June 2021: HK\$23.5 million). The Board is of the view that the Group's current liabilities include an amount of HK\$37.5 million (accounting for 54% of the Group's total current liabilities) which is not expected to be payable by the Group within the next 12 months. The reasons are set out below:

(a) Trade and other payables included the following:

- (i) Accruals for bandwidth and energy saving service for IDC operations in the PRC of HK\$18.3 million. Guiyang Tech has yet to receive the supplier invoice for the aforesaid service and the Management expects that the payment for such service fee can be extended by the service provider.
 - (ii) PRC value added tax ("VAT") of HK\$8.4 million, which arose largely due to IFRS adjustments (i.e. IFRS adjustments against PRC GAAP as the accounts of Guiyang Tech have been prepared based on PRC GAAP). Such VAT will only be required to be paid when sales revenue is collected by Guiyang Tech, along with the issuance of the respective VAT receipts.
 - (iii) Interest payable for loans from and redeemable convertible bond issued to a controlling shareholder of the Company (being Mr Lam) amounting to HK\$0.7 million. Pursuant to negotiations, Mr. Lam had agreed on the extension for the payment of such interest payable, and to provide continued financial support to the Company.
- (b) Contract liabilities of HK\$1.6 million relate to the advance payment received by Guiyang Tech in respect of a government contract secured. The amount will be recorded as revenue once the performance of contract is completed.
- (c) Income tax payable of HK\$8.5 million arose from IFRS adjustment against PRC GAAP (as the accounts of Guiyang Tech have been prepared based on PRC GAAP). No such tax is required to be settled as Guiyang Tech is loss making (based on accounts of Guiyang Tech prepared based on PRC GAAP) in 2021.

Further to the above, the Company is actively seeking equity placement to strengthen the Group's financial position and will negotiate with the bondholder (being, Mr. Lam, a substantial shareholder of the Company who has been providing continuing financial support to the Company) to re-finance the redeemable convertible bond before the expiry on 22 November 2022, as well as negotiate with a PRC bank to re-finance the bank borrowing before maturity in March 2023. Please refer to Note 2 under Section E of this announcement for information on the Management's assessment of the Group's and the Company's ability to continue as a going concern.

(C) CASH FLOWS

(a) 3M FY2022

Net cash used in operating activities in 3M FY2022 amounted to HK\$0.1 million. This was mainly due to (i) decrease in contract liabilities of HK\$1.9 million; and (ii) interest paid of HK\$0.1 million, partially offset by (iii) operating profit before working capital changes of HK\$0.6 million; (iv) decrease in trade

and other receivables of HK\$0.4 million; and (v) increase in trade and other payables of HK\$0.9 million.

There was no net cash from or used in investing activities in 3M FY2022.

Net cash used in financing activities amounted to HK\$0.3 million in 3M FY2022, mainly due to net repayment to a related party, partially offset by the net advance from a shareholder.

As a result, the Group's cash and cash equivalents decreased from HK\$0.2 million as at 31 December 2021 to HK\$0.04 million as at 31 March 2022.

(b) 9M FY2022

Net cash used in operating activities in 9M FY2022 amounted to HK\$3.0 million. This was mainly due to (i) operating loss before working capital changes of HK\$1.0 million; (ii) decrease in contract liabilities of HK\$1.3 million; (iii) interest paid of HK\$1.7 million, partially offset by (iv) decrease in trade and other receivables of HK\$0.4 million; (v) increase in trade and other payables of 0.6 million.

Net cash used in investing activities in 9M FY2022 of HK\$0.5 million was due to payments to the purchase of property, plant and equipment during the period.

Net cash from financing activities amounted to HK\$3.1 million in 9M FY2022, mainly due to (i) net advance from a shareholder of HK\$4.0 million, partially offset by (iii) repayment to a related party of HK\$0.9 million.

As a result, the Group's cash and cash equivalents decreased from HK\$0.5 million as at 30 June 2021 to HK\$0.04 million as at 31 March 2022.

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

Not applicable. There was no forecast or prospect statement previously disclosed to shareholders.

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

The Group derives its revenue primarily from its principal subsidiary, Guiyang Tech. As announced by the Company previously, Guiyang Tech is in the process of expanding its capacity of hosting 1,500 racks in addition to 660 racks currently. Due to changes in Guiyang Tech's end-users requirements which are further impacted by the COVID-19 pandemic, such expansion will be divided into phases. The milestone construction schedule shall be tied to its target capacity requirement as well as commissioning schedule, where the burden on capital expenditure is minimised.

The COVID-19 pandemic created substantial adverse impact on global economy, and brought on unprecedented challenges to the Group, including its IDC business in the PRC. A downward trend of service fees as well as customer demand continues to result in the decrease in revenue reported. Notwithstanding the foregoing, the Group is continuously soliciting new orders from government bureau contracts to enable Guiyang Tech to fill up rack capacity.

The Group is also exploring various alternatives to further strengthen its financial position to ensure it has the ability to expand and diversify its businesses in addition to its current cost cutting measures, to reduce operating costs and expenses. The Company will make the necessary announcement(s) in compliance with the requirements of the Catalist Rules as and when there is material development.

9. Dividend

If a decision regarding dividend has been made :-

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

None.

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

Nil for 3M FY2022 and 9M FY2022 (Nil for 3M FY2021 and 9M FY2021).

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

Not applicable.

(d) The date the dividend is payable

Not applicable.

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

Not applicable.

10. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend is declared/recommended by the Directors for 3M FY2022 and 9M FY2022 as the Group is still reporting net cash outflows in operations during the period.

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

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

12. Negative confirmation pursuant to Rule 705(5)

We, Chan Andrew Wai Men and Lam Chun Hei, Justin, being directors of the Company do hereby confirm on behalf of the Board of Directors that, to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the condensed interim financial statements for the period ended 31 March 2022 to be false or misleading in any material aspect.

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

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

14. Disclosure of pursuant to Rule 706(A) of the Catalist Rules

The Company did not acquire or dispose shares in an entity (including struck off of entity) which will result in that entity in becoming or ceasing to be, a subsidiary of the Company, or result in a change in the Company's shareholding percentage in subsidiary during the period.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Executive Chairman

Lam Chun Hei, Justin
Executive Director and
Chief Operating Officer

12 May 2022