

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

**Unaudited Condensed Interim Financial Statements for the Three Months Ended 30 September 2021**

*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.*

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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 30 SEPTEMBER 2021  
(Expressed in Hong Kong thousand dollars)**

	Note	3 months ended		
		30.9.2021 (Unaudited)	30.9.2020 (Unaudited)	% + / (-)
<b>Revenue</b>	<b>4</b>	3,280	4,971	(34)
Depreciation of property, plant and equipment		(1,353)	(1,417)	(5)
Depreciation of right-of-use assets		(570)	(593)	(4)
Reversal of financial assets		9,001	-	N.M.
Bandwidth fees		(1,590)	(855)	86
Employee benefits expenses		(592)	(753)	(21)
Operating lease expenses		(52)	(25)	109
Other income	<b>5</b>	-	1,504	(100)
Other expenses		(3,429)	(2,515)	36
Foreign exchange gain / (loss)		5	(41)	N.M.
Finance costs	<b>6</b>	<u>(1,844)</u>	<u>(2,289)</u>	(19)
<b>Profit / (loss) before taxation</b>	<b>7</b>	2,856	(2,013)	N.M.
Income tax credit	<b>8</b>	<u>-</u>	<u>34</u>	(100)
<b>Profit / (loss) for the financial period</b>		2,856	(1,979)	N.M.
<b>Other comprehensive income:</b>				
- Currency translation differences arising from consolidation		<u>181</u>	<u>4,135</u>	(96)
Other comprehensive income for the financial period, net of tax		<u>181</u>	<u>4,135</u>	(96)
<b>Total comprehensive income for the financial period</b>		<u><u>3,037</u></u>	<u><u>2,156</u></u>	41
<b>Profit / (loss) attributable to:</b>				
- Owners of the Company		507	(1,903)	N.M.
- Non-controlling interests		<u>2,349</u>	<u>(76)</u>	N.M.
		<u><u>2,856</u></u>	<u><u>(1,979)</u></u>	N.M.
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company		607	496	22
- Non-controlling interests		<u>2,430</u>	<u>1,660</u>	46
		<u><u>3,037</u></u>	<u><u>2,156</u></u>	41
<b>Earning / (loss) per share attributable to the owners of the Company</b>				
Basic (HK cents)	<b>9</b>	0.003	(0.013)	N.M.

*N.M.: Not meaningful*

## B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

### SINOCLOUD GROUP LIMITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

(Expressed in Hong Kong thousand dollars)

		The Group		The Company	
	Note	As at 30.9.2021 (Unaudited)	As at 30.6.2021 (Audited)	As at 30.9.2021 (Unaudited)	As at 30.6.2021 (Audited)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	192,883	193,218	-	-
Right-of-use assets		29,076	29,592	-	-
Investment in subsidiaries		-	-	57,112	57,112
Deferred tax assets		11,966	11,966	-	-
		<u>233,925</u>	<u>234,776</u>	<u>57,112</u>	<u>57,112</u>
<b>Current assets</b>					
Trade and other receivables		24,350	24,324	110	110
Derivative asset		4,933	4,933	4,933	4,933
Cash and bank balances		490	461	-	-
		<u>29,773</u>	<u>29,718</u>	<u>5,043</u>	<u>5,043</u>
<b>TOTAL ASSETS</b>		<u>263,698</u>	<u>264,494</u>	<u>62,155</u>	<u>62,155</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		35,140	39,479	3,146	1,887
Contract liabilities		1,023	2,885	-	-
Borrowings	12	3,610	2,402	-	-
Income tax payable		8,444	8,443	-	-
		<u>48,217</u>	<u>53,209</u>	<u>3,146</u>	<u>1,887</u>
<b>Non-current liabilities</b>					
Borrowings	12	2,042	2,390	-	-
Redeemable convertible bond	13	22,892	22,653	22,892	22,653
Lease liabilities		65,086	63,818	-	-
		<u>90,020</u>	<u>88,861</u>	<u>22,892</u>	<u>22,653</u>
<b>TOTAL LIABILITIES</b>		<u>138,237</u>	<u>142,070</u>	<u>26,038</u>	<u>24,540</u>
<b>NET ASSETS</b>		<u>125,461</u>	<u>122,424</u>	<u>36,117</u>	<u>37,615</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	14	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		4,343	4,243	-	-
Statutory reserve		7,066	7,066	-	-
Revaluation reserve		98	98	-	-
Other reserve		22,384	22,384	7,264	7,264
Accumulated losses		(408,545)	(409,052)	(484,833)	(483,335)
		139,032	138,425	36,117	37,615
<b>Non-controlling interest</b>		<u>(13,571)</u>	<u>(16,001)</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u>125,461</u>	<u>122,424</u>	<u>36,117</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 30 SEPTEMBER 2021

(Expressed in Hong Kong thousand dollars)

	<b>Three Months Ended</b>	
	<b>30.9.2021</b>	<b>30.9.2020</b>
<b>Cash flow from operating activities</b>		
Profit / (loss) before tax	2,856	(2,013)
<i>Adjustments:</i>		
Depreciation of property, plant and equipment	1,353	1,417
Depreciation of right-of-use assets	570	593
Reversal of financial assets	(9,001)	-
Interest expense	1,844	2,289
Operating (loss) / profit before working capital changes	(2,378)	2,286
Trade and other receivables	(25)	(2,583)
Trade and other payables	4,173	1,067
Contract assets	-	(2,046)
Contract liabilities	(1,862)	(113)
Cash used in operations	(92)	(1,389)
Income tax paid	-	-
Interest paid	(89)	(227)
<b>Net cash used in operating activities</b>	<b>(181)</b>	<b>(1,616)</b>
<b>Cash flow from investing activities</b>		
Payments to purchase property, plant and equipment	(447)	-
<b>Net cash used in investing activities</b>	<b>(447)</b>	<b>-</b>
<b>Cash flow from financing activities</b>		
Repayment to director of the Company	-	(2,405)
Repayment to a related party, net	(157)	-
Proceeds from non-convertible bonds	-	15,000
Net advance from / (repayment to) shareholders	850	(10,514)
<b>Net cash from financing activities</b>	<b>693</b>	<b>2,081</b>
<b>Net increase in cash and cash equivalents</b>	<b>65</b>	<b>465</b>
Cash and cash equivalents at beginning of the financial period	461	303
Effect of exchange rate changes in cash and cash equivalents	(36)	37
<b>Cash and cash equivalents at end of the financial period, representing cash and bank balances</b>	<b>490</b>	<b>805</b>

## D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

*FY2022*

*Group - 1st Quarter*

	Attributable to equity holders of the Company								Non-	Total Equity HK\$'000
	Share	Share	Contributed	Translation	Statutory	Revaluation	Other	Accum.	Controlling	
	Capital	Premium	Surplus	Reserve	Reserve	Reserve	reserve	Losses	Interest	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
Loss for the period	-	-	-	-	-	-	-	507	2,349	2,856
Currency translation differences arising from consolidation	-	-	-	100	-	-	-	-	81	181
<b>Total comprehensive income/ (loss) for the period</b>	-	-	-	100	-	-	-	507	2,430	3,037
Balance as at 30 September 2021	<u>15,878</u>	<u>481,352</u>	<u>16,456</u>	<u>4,343</u>	<u>7,066</u>	<u>98</u>	<u>22,384</u>	<u>(408,545)</u>	<u>(13,571)</u>	<u>125,461</u>

*FY2021*

*Group - 1st Quarter*

	Attributable to equity holders of the Company								Non-	Total Equity HK\$'000
	Share	Share	Contributed	Translation	Statutory	Revaluation	Other	Accum.	Controlling	
	Capital	Premium	Surplus	(Deficit)/ Reserve	Reserve	Reserve	reserve	Losses	Interest	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
<b>Total comprehensive income/ (loss) for the period</b>	-	-	-	2,399	-	-	-	(1,903)	1,660	2,156
Balance as at 30 September 2020	<u>14,311</u>	<u>473,003</u>	<u>16,456</u>	<u>(2,383)</u>	<u>7,066</u>	<u>98</u>	<u>15,120</u>	<u>(398,199)</u>	<u>(13,801)</u>	<u>111,671</u>

*FY2022*

*Company - 1st Quarter*

	Attributable to equity holders of the Company					
	Share	Share	Contributed	Other	Accumulated	Total
	capital	premium	surplus	reserve	losses	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

*FY2021*

*Company - 1st Quarter*

	Attributable to equity holders of the Company					
	Share	Share	Contributed	Other	Accumulated	Total
	capital	premium	surplus	reserve	losses	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 June 2020	14,311	473,003	16,456	-	(468,436)	35,334

## **E. NOTE 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 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 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, COVID-19 pandemic created substantial adverse impact on global economy, including the Group’s operations, particularly, the internet data centre 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 COVID-19 pandemic has significant impact to 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**

This condensed interim financial statements for the period ended 30 September 2021 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 an understanding of the changes in the Group’s financial position and performance of the Group since the audited financial statements for the 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 first quarter financial statements are presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) as indicated.

#### Going concern

Although the Group recorded a net profit of HK\$2,856,000 for the 3-month period ended 30 September 2021 (“**3M FY2022**”), the Group recorded negative operating cash flows of HK\$181,000 for 3M FY2022, and was in net current liabilities of HK\$18,445,000 as at 30 September 2021. As of 30 September 2021, the Group’s cash and bank balances available for use amounted to HK\$490,000 while its current liabilities amounted to HK\$48,218,000.

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 management has assessed that the Group and the Company are able to continue as going concerns, given the net asset positions of



HK\$125,461,000 and HK\$36,117,000 respectively, due to the following key considerations and assumptions:

- a) the Group has obtained continuing financial support from a substantial shareholder 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 to the substantial shareholder of HK\$24,176,000 (which includes the liability component of redeemable convertible bond of HK\$22,892,000 and related interests of HK\$1,284,000) as at 30 September 2021 unless the Group has sufficient funds for working capital and to pay other creditors in full. Subsequent to period end of 30 September 2021, the substantial shareholder injected HK\$1,500,000 in cash and extended a working capital loan of \$3,000,000, to be disbursed in 3 tranches in December 2021, March 2022 and June 2022. Such funds when received, will be adequate for the Group's working capital purposes for the next 12 months from 30 June 2021;
- 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. 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 of the Company ("**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 its Expansion Project and negotiated for a suspension of 2 years with its main contractors, hence postponing the associated capital commitment of \$133,475,000; and
- e) the Group is confident of deferring payment of the current portion of Loan 1 from a PRC bank of HK\$3,610,000 (Note 12), and the Management expects to repay the loan totaling HK\$4,802,000 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\$3,610,000, should the bank request for those contractual installment from Guiyang Tech within the next 12 months.

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.

## **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 and 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 three months ended 30 September 2021, the Management has made judgements, estimates and assumptions that affect the application of accounting

policies and the reported amounts of assets and liabilities, income and expense. 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 that 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 followings:

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

#### 4 Segment and revenue information (continued)

##### Business segments for the period ended 30 September 2021

	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	3,280	-	3,280
Segment profit / (loss)	5,304	(604)	4,700
Finance costs			(1,844)
Loss before tax			2,856
Income tax			-
Loss for the financial year			2,856
<u>Other segment items</u>			
Capital expenditure	619	-	619
Depreciation of property, plant and equipment	1,353	-	1,353
Depreciation of right-of-use assets	570	-	570

##### for the period ended 30 September 2020

	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	4,971	-	4,971
Segment loss / (profit)	(783)	1,059	276
Finance costs			(2,289)
Loss before tax			(2,013)
Income tax credit			34
Loss for the financial year			(1,979)
<u>Other segment items</u>			
Capital expenditure	-	-	-
Depreciation of property, plant and equipment	1,417	-	1,417
Depreciation of right-of-use assets	593	-	593

##### Geographical information

The Group's two business segments operate in the following 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 service.

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

## 5 Other income

<b>Three months ended</b>	
30.9.2021	30.9.2020
HK\$'000	HK\$'000
Waiver of liabilities	
-	1,504
-	1,504

## 6 Finance costs

<b>Three months ended</b>	
30.9.2021	30.9.2020
HK\$'000	HK\$'000
Interest expense on	
- Redeemable convertible bonds	603
- Loans	90
- Lease liabilities	1,151
	1,844
	-
	1,064
	1,225
	2,289

## 7 Profit / (loss) before taxation

<b>Three months ended</b>	
30.9.2021	30.9.2020
HK\$'000	HK\$'000
Profit / (loss) before taxation is stated after charging:	
Directors' remuneration	
- directors of the Company	118
Directors' fees	
- directors of the Company	90
	191
	90

## 8 Income tax credit

Major components of income tax credit for the period ended were:

<b>Three months ended</b>	
30.9.2021	30.9.2020
HK\$'000	HK\$'000
Current income tax	
- current year	-
	(34)
	(34)

## 9 Earnings / (loss) per Share

	<b>Group</b>	
	<b>3 Months Ended</b>	
	<b>30.9.2021</b>	<b>30.9.2020</b>
Earnings / (loss) attributable to equity holders of the Company (HK\$'000)	507	(1,903)
Weighted average number of shares in issue	15,878,070,617	14,310,670,617
<b>Earnings / (loss) per ordinary share (HK cents)</b>		
- Based on weighted average number of ordinary shares in issue	<b>0.003</b>	<b>(0.013)</b>
- On a fully diluted basis	<b>0.003</b>	<b>(0.013)</b>

**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 30 September 2021.

## 10 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.

	<b>Three months ended</b>	
	<b>30.9.2021</b>	<b>30.9.2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net repayment to related parties, net	<u>157</u>	<u>9</u>
<u>Key management personnel compensation</u>		
Directors of the Company		
- Salary and related costs	118	191
- Contribution to defined contribution plans	5	5
- Directors' fee	90	90
Other key management personnel		
- Salary and related costs	<u>211</u>	<u>61</u>
	<u>424</u>	<u>347</u>
Categories of total compensation		
- Short-term employment benefits	424	347
- Post-employment benefits	-	-
	<u>424</u>	<u>347</u>

## 11 Property, plant and equipment

Acquisition of property, plant and equipment amounted to HK\$619,000 during 3M FY2022 (FY2021: acquired assets of HK\$54,000).

## 12 Borrowings

	Interest rate	Due within 1 year HK\$'000	Due after 1 year but less than 5 years HK\$'000	Total HK\$'000
<b>Group</b>				
<b><u>As at 30 September 2021</u></b>				
Loan 1 (Unsecured) - Fixed rate	7.20%	3,610	1,192	4,802
Loan 2 (Unsecured) - Fixed rate	6.00%	-	300	300
Loan 3 (Unsecured) - Fixed rate	6.00%	-	550	550
		3,610	2,042	5,652

<b><u>As at 30 June 2021</u></b>				
Loan 1 (Unsecured) - Fixed rate	7.20%	2,402	2,390	4,792

### Company

#### **As at 30 September 2021 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. The loan is repayable on a half-yearly basis, commencing in September 2021 and is expected to be fully settled in March 2023.

#### Loan 2 and Loan 3

The loans were due to a substantial shareholder of the Company. The loans were unsecured and repayable after 2 years on drawdown date, which is expected to be fully settled in August 2023 and September 2023 respectively.

## 13 Redeemable Convertible Bond

	Group and Company HK\$'000
Liability component as at 30 June 2021	22,653
Accumulated amortisation of interest expense	602
Accrued coupon interest included in other payables	(363)
Liability component as at 30 September 2021	22,892

## 14 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 30 September 2021	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 30 September and 30 June 2021
Number of shares that may be issued on conversion of all outstanding convertibles	4,383,378,402 <sup>(1)</sup>
Total number of issued shares (excluding treasury shares and subsidiary holdings) <sup>(2)</sup>	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**”), 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 has redeemed in aggregate of HK\$7.0 million of the Convertible Bond from the Subscriber as at 30 June

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 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 30 September 2021, 30 June 2021, and 30 September 2020.

## 15 Net Asset Value

	Group		Company	
	As at 30.9.2021 (Unaudited)	As at 30.6.2021 (Audited)	As at 30.9.2021 (Unaudited)	As at 30.9.2021 (Audited)
Net asset value attributable to equity holders (HK\$)	139,032,000	138,425,000	36,117,000	37,615,000
Number of shares in issue	15,878,070,617	15,878,070,617	15,878,070,617	15,878,070,617
Net asset value per ordinary share (HK\$)	0.0088	0.0087	0.0023	0.0024

## 17 Subsequent Events

There are no known subsequent events 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 30 September 2021 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 30 September 2021 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 30 September 2021 was 15,878,070,617 (30 June 2021: 15,878,070,617). There were no treasury shares as at 30 September 2021 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 for further information on the Disclaimer of Opinion.

The board of directors (“**Directors**”) and the Management confirms 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 Internet Data Centre (“**IDC**”) operated by Guiyang Tech, remained unchanged as at 30 September 2021, and no further update on 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 decreased by HK\$1.7 million, from HK\$5.0 million in the three months ended 30 September 2020 (“**3M FY2021**”) to HK\$3.3 million in the three months ended 30 September 2021 (“**3M 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. Other income of HK\$1.5 million in 3M FY2021 mainly relates to waiver of remuneration accrued and unpaid to the directors of the Company and management fee to other vendor, arising from cost saving measures implemented within the Group.

##### **Expenses**

Reversal of financial assets was HK\$9.0 million in the 3M FY2022 (3M 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 3M 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 HK\$0.1 million related to reversal of impairment loss of financial assets due to debt recovery from a customer.

Bandwidth fees increased by HK\$0.7 million, from HK\$0.9 million in the 3M FY2021 to HK\$1.6 million in the 3M FY2022, as a result of increase in the broadband usage during the financial period.

Employee benefits expenses decreased by HK\$0.2 million to HK\$0.6 million in the 3M FY2022, from HK\$0.8 million in the 3M FY2021, mainly due to certain cost savings measures implemented within the Group.

Operating lease expenses increased by HK\$0.03 million, from HK\$0.02 million in the 3M FY2021 to HK\$0.05 million in the 3M FY2022, as a result of increase in short-term lease expenses recognised during the period.

Other expenses, comprising primarily office overhead, legal and professional fee and utility service fee, increased by HK\$0.9 million, from HK\$2.5 million in the 3M FY2021 to HK\$3.4 million in the 3M FY2022. The increase was mainly due to increase in office overhead in Guiyang Tech.

Foreign exchange gain was HK\$5,000 in the 3M FY2022 (3M FY2021: foreign exchange loss of HK\$41,000), mainly due to the appreciation of Renminbi (“**RMB**”) against Hong Kong Dollar (“**HKD**”) during the current financial period.

Finance costs decreased by HK\$0.5 million, from HK\$2.3 million in the 3M FY2021 to HK\$1.8 million in the 3M FY2022. The decrease was mainly due to restructuring of certain loans from a shareholder of the Company to redeemable convertible bonds, and a loan from bank with lower interest rates.

## **Income tax**

There was no income tax reported in the 3M FY2022 as there was no assessable profit generated during the financial period. Tax income credit amounted to HK\$0.03 million in the 3M FY2021, due to reversal of current income tax.

## **Net profit / (loss) after taxation**

As a result of the aforesaid, the Group recorded a profit after tax of HK\$2.9 million in the 3M FY2022 (3M FY2021: loss after tax of HK\$2.0 million).

## **(B) REVIEW OF FINANCIAL POSITION**

### **Non-Current Assets**

Non-current assets of the Group amounted to HK\$233.9 million and HK\$234.8 million as at 30 September 2021 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 decreased by HK\$0.3 million, from HK\$193.2 million as at 30 June 2021 to HK\$192.9 million as at 30 September 2021. The decrease was mainly due to depreciation charge of HK\$1.4 million, partially offset by the purchase of assets of HK\$0.6 million and translation gain of HK\$0.5 million arising from appreciation of RMB against HKD during the period.

#### **(ii) Right-of-use assets**

The net book value of right-of-use assets decreased by HK\$0.5 million, from HK\$29.6 million as at 30 June 2021 to HK\$29.1 million as at 30 September 2021. The decrease was mainly due to depreciation charge of HK\$0.6 million, partially offset by the lease reassessment of HK\$0.1 million arising from appreciation of RMB against HKD during the period.

#### **(iii) Deferred tax assets**

Deferred tax assets remained unchanged at HK\$12.3 million as at 30 September 2021 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 increased by HK\$0.1 million, from HK\$29.7 million as at 30 June 2021 to HK\$29.8 million as at 30 September 2021. 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 remained unchanged at HK\$24.3 million as at 30 September 2021 and 30 June 2021. Trade and other receivables as at 30 September 2021 and 30 June 2021 comprise trade receivables of HK\$0.6 million, and other receivables and prepayment of HK\$23.7 million.

(ii) Derivative asset

Derivative financial instrument of HK\$4.9 million as at 30 September 2021 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 remained unchanged at HK\$0.5 million as at 30 September 2021 and 30 June 2021. Please refer to "Cashflows" for the movement in cash and cash equivalents.

**Current Liabilities**

Current liabilities decreased by HK\$5.0 million, from HK\$53.2 million as at 30 June 2021 to HK\$48.2 million as at 30 September 2021, mainly due to the following:

(i) Trade and other payables

Trade and other payables decreased by HK\$4.3 million, from HK\$39.5 million as at 30 June 2021 to HK\$35.1 million as at 30 September 2021. Trade and other payables as at 30 September 2021 comprised (a) trade payables of HK\$2.6 million; (b) accruals and other payables of HK\$30.7 million; (c) amount due to directors of HK\$0.2 million; (d) amount due to related parties of HK\$0.1 million; (e) redeemable convertible interest payable of HK\$1.3 million; and (f) loan interest payable of HK\$0.2 million.

- (a) Trade payables decreased by HK\$5.8 million, from HK\$8.4 million as at 30 June 2021 to HK\$2.6 million as at 30 September 2021, mainly due to settlement of payables owing to a party by offsetting with prepayment (which was previously fully impaired) during the 3M FY2022. Please refer to section on "Review of Financial Results – Expenses: Reversal of financial assets" above for further information.
- (b) Accruals and other payables decreased by HK\$0.2 million, from HK\$30.9 million as at 30 June 2021 to HK\$30.7 million as at 30 September 2021, mainly due to settlement during the period.
- (c) Amount due to directors of the Company increased by HK\$0.1 million, from HK\$0.1 million as at 30 June 2021 to HK\$0.2 million as at 30 September 2021, as a result of increase in unsettled directors' fees during the period.
- (d) Amount due to related parties remained unchanged at HK\$0.1 million as at 30 September 2021 and 30 June 2021. Amount due to related parties is interest-free and repayable on demand.
- (e) Redeemable convertible interest payable of HK\$1.3 million as at 30 September 2021 (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 30 September 2021 (30 June 2021: Nil) relates to the unpaid loan interest for loans extended to the Company by a substantial shareholder of the Company during the period.

(ii) Contract liabilities

Contract liabilities decreased by HK\$1.9 million, from HK\$2.9 million as at 30 June 2021 to HK\$1.0 million as at 30 September 2021, due to receipt of customer deposit for an IDC contract where the corresponding IDC service has yet to be fully performed as at 30 September 2021.

(iii) Borrowings

Borrowings increased by HK\$1.2 million, from HK\$2.4 million as at 30 June 2021 to HK\$3.6 million as at 30 September 2021. This was due to increase in current portion of a loan from a PRC bank during the period.

(iv) Income tax payable

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

**Non-current Liabilities**

Non-current liabilities increased by HK\$1.1 million, from HK\$88.9 million as at 30 June 2021 to HK\$90.0 million as at 30 September 2021. Non-current liabilities comprised (i) redeemable convertible bond; (ii) borrowings; and (iii) lease liabilities.

(i) Borrowings

Borrowings decreased by HK\$0.3 million, from HK\$2.4 million as at 30 June 2021 to HK\$2.1 million as at 30 September 2021. This was due to reclassification of current portion of a loan from a PRC bank of HK\$1.2 million to current borrowings, partially offset by a 2-year loan of HK\$0.9 million, extended by a substantial shareholder of the Company to the Company during the period.

(ii) Redeemable convertible bond

Redeemable convertible bond of HK\$22.9 million as at 30 September 2021 (30 June 2021: HK\$22.7 million) 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. Details of the terms and conditions was set out in the Company's announcement dated 11 October 2020.

The increase of HK\$0.2 million was mainly due to accumulated amortisation of interest expense of HK\$0.6 million, partially offset by the accrued coupon interest of HK\$0.4 million during the period.

(iii) Lease liabilities

Lease liabilities increased by HK\$1.3 million, from HK\$63.8 million as at 30 June 2021 to HK\$65.1 million as at 30 September 2021, due to the effect of appreciation of RMB against HKD amounting to HK\$0.1 million, as well as interests incurred of HK\$1.2 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\$18.5 million as at 30 September 2021 (30 June 2021: HK\$23.5 million). The board of directors of the Company is of the view that the Group's current liabilities included an amount of HK\$40.5 million (accounting for 84% 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) Under trade and other payables

- (i) Accruals for bandwidth and energy saving service for IDC operations in the PRC of HK\$17.7 million. GYZD 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\$8.2 million arose largely due to IFRS adjustments (i.e. IFRS adjustments against PRC GAAP as the accounts of GYZD have been prepared based on PRC GAAP). Such VAT will only be required to be paid when sales revenue is collected by GYZD, 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\$1.5 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\$1.0 million relate to advance payment received by GYZD in respect of a government contract secured by GYZD. 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 GYZD have been prepared based on PRC GAAP). No such tax is required to be settled as GYZD is loss making (based on accounts of GYZD prepared based on PRC GAAP) in 2020.
- (d) Borrowings of HK\$3.6 million relate to a loan from a PRC bank repayable within one year according to the terms of the loan agreement. The management expects to repay the loan totaling HK\$4,802,000 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\$3,610,000, should the bank request for those contractual installment from Guiyang Tech within the next 12 months.

Further to the above, the Company is actively seeking equity placement to strengthen the Group’s financial position. 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**

Net cash used in operating activities in the 3M FY2022 amounted to HK\$0.2 million. This was mainly due to (i) operating loss before working capital changes of HK\$2.4 million; (ii) increase in trade and other receivables of HK\$0.02 million; (iii) decrease in contract liabilities of HK\$1.9 million; (iv) interest paid of HK\$0.08 million, partially offset by (v) increase in trade and other payables of HK\$4.2 million.

Net cash used in investing activities in the 3M FY2022 of HK\$0.5 million was due to purchase of property, plant and equipment during the period.

Net cash from financing activities amounted to HK\$0.7 million in the 3M FY2022, mainly due to advance from a shareholder of HK\$0.9 million, partially offset by repayment of a related party of HK\$0.2 million.

As a result, the Group’s cash and cash equivalents remained unchanged at HK\$0.5 million as at 31 September 2021 and 30 June 2021.

### **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 Zhongdian Gaoxin Digital Technologies Limited (“**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 Internet Data Centre (“**IDC**”) business in the People’s Republic of China (“**PRC**”). A downward trend of service fees as well as customer demand continues resulting 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 Company had, on 30 October 2020, obtained shareholders’ approval for, *inter alia*, the proposed diversification of the Group’s existing business to include new businesses (which comprise tourism, food and beverage, and entertainment). The Company has commenced exploring potential opportunities in the new businesses. The Company will make the necessary announcements in compliance with the requirements of the Catalist Rules as and when there is material development. Please refer to the Company’s circular to shareholders dated 14 October 2020 for further details on the aforementioned proposed diversification.

Since then, the Group is 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 (FY2021: nil).

**(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 as the Group is still generating 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 1st quarter financial statements for the period ended 30 September 2021 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**

**10 November 2021**