

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

**Unaudited Condensed Interim Consolidated Financial Statements for the Three Months Ended  
30 September 2023**

*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 disclaimer of opinion issued by the Company's auditors in its latest audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 30 June 2023.*

*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

**SINOCLOUD GROUP LIMITED**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2023**  
**(Expressed in Hong Kong thousand dollars)**

	Note	Three Months Ended		
		30.09.2023 (Unaudited)	30.09.2022 (Unaudited)	% + / (-)
<b>Revenue</b>	<b>4</b>	1,376	1,969	(30)
Depreciation of property, plant and equipment		(692)	(615)	13
Depreciation of right-of-use assets		287	(354)	N.M.
Reversal of financial assets and contract assets	<b>6</b>	32	-	N.M.
Bandwidth fees		39	(47)	N.M.
Employee benefits expenses		(599)	(890)	(33)
Other income	<b>5</b>	6	244	(98)
Other expenses		(2,529)	(2,433)	4
Foreign exchange gain		20	83	(76)
Finance costs	<b>7</b>	<u>(1,621)</u>	<u>(1,735)</u>	(7)
<b>Loss before taxation</b>	<b>8</b>	(3,681)	(3,778)	(3)
Income tax expense		<u>-</u>	<u>-</u>	-
<b>Loss for the financial period</b>		(3,681)	(3,778)	(3)
<b>Other comprehensive income:</b>				
- Currency translation differences arising from consolidation		<u>2,337</u>	<u>5,892</u>	(60)
Other comprehensive income for the financial period, net of tax		<u>2,337</u>	<u>5,892</u>	(60)
<b>Total comprehensive (expense)/income for the financial period</b>		<u>(1,344)</u>	<u>2,114</u>	N.M.
<b>Loss attributable to:</b>				
- Owners of the Company		(2,732)	(3,505)	(22)
- Non-controlling interests		<u>(949)</u>	<u>(273)</u>	>100
		<u>(3,681)</u>	<u>(3,778)</u>	(3)
<b>Total comprehensive (expense)/income attributable to:</b>				
- Owners of the Company		(660)	577	N.M.
- Non-controlling interests		<u>(684)</u>	<u>1,537</u>	N.M.
		<u>(1,344)</u>	<u>2,114</u>	N.M.
<b>Loss per share attributable to the owners of the Company</b>				
Basic (HK cents)	<b>9</b>	(1.30)	(2.09) *	(38)

\* restated to take into account the effects of share consolidation and the bonus element in the rights issue during year ended 30 June 2023.

*N.M.: Not meaningful*

## B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

**SINOCLOUD GROUP LIMITED**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2023**

(Expressed in Hong Kong thousand dollars)

	Note	The Group		The Company	
		As at	As at	As at	As at
		30.09.2023	30.06.2023	30.09.2023	30.6.2023
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	38,950	39,920	-	-
Right-of-use assets		11,349	14,952	-	-
Investment in subsidiaries		-	-	28,057	28,057
Deferred tax assets		11,966	11,966	-	-
		62,265	66,838	28,057	28,057
<b>Current assets</b>					
Trade and other receivables		7,135	6,943	89	187
Contract assets		114	501		
Derivative asset		957	957	957	957
Cash and bank balances		598	1,387	-	4
		8,804	9,788	1,046	1,148
<b>TOTAL ASSETS</b>		71,069	76,626	29,103	29,205
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		34,075	35,532	7,891	6,722
Contract liabilities		191	107	-	-
Borrowings	12	9,864	7,801	-	-
Redeemable convertible bond	13	15,389	15,178	15,389	15,178
Lease liabilities		-	77	-	-
Income tax payable		8,317	8,325	-	-
		67,836	67,020	23,280	21,900
<b>Non-current liabilities</b>					
Lease liabilities		53,022	56,221	-	-
		53,022	56,221	-	-
<b>TOTAL LIABILITIES</b>		120,858	123,241	23,280	21,900
<b>NET (LIABILITIES) / ASSETS</b>		(49,789)	(46,615)	5,823	7,305
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	14	21,059	21,059	21,059	21,059
Share premium		489,868	489,868	489,868	489,868
Contributed surplus		16,456	16,456	16,456	16,456
Translation reserve		9,279	8,720	-	-
Statutory reserve		7,066	7,066	-	-
Revaluation reserve		98	98	-	-
Other reserve		22,384	22,384	7,264	7,264
Accumulated losses		(530,690)	(527,958)	(528,824)	(527,342)
		35,520	37,693	5,823	7,305
<b>Non-controlling interest</b>		(85,309)	(84,308)	-	-
<b>TOTAL (DEFICIT)/EQUITY</b>		(49,789)	(46,615)	5,823	7,305

## C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

### SINOCLOUD GROUP LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(Expressed in Hong Kong thousand dollars)

	Three Months Ended	
	30.09.2023 (Unaudited)	30.09.2022 (Unaudited)
<b>Cash flow from operating activities</b>		
Loss before tax	(3,681)	(3,778)
<i>Adjustments:</i>		
Depreciation of property, plant and equipment	692	615
Depreciation of right-of-use assets	(287)	354
Reversal of financial assets and contract assets	(32)	-
Interest expense	1,621	1,735
Operating loss before working capital changes	(1,687)	(1,074)
Trade and other receivables	166	965
Trade and other payables	(978)	(3,147)
Contract assets	387	-
Contract liabilities	84	295
Cash used in operations	(2,028)	(2,961)
Interest paid	(69)	(168)
<b>Net cash used in operating activities</b>	(2,097)	(3,129)
<b>Cash flow from investing activities</b>	-	-
<b>Cash flow from financing activities</b>		
Advances to related parties, net	(364)	(1,270)
Advances from directors, net	1,174	-
Advances from a shareholder, net	-	790
<b>Net cash from/(used in) financing activities</b>	810	(480)
<b>Net decrease in cash and cash equivalents</b>	(1,287)	(3,609)
Cash and cash equivalents at beginning of the financial period	1,330	150
Effect of exchange rate changes in cash and cash equivalents	498	3,857
<b>Cash and cash equivalents at end of the financial period</b>	541	398
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	598	398
Less: Frozen bank account in PRC	(57)	-
	541	398

## D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

*FY2024*

*Group - First Quarter*

	Attributable to equity holders of the Company								Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Contributed Surplus	Translation Reserve	Statutory Reserve	Revaluation Reserve	Other reserve	Accumulated Losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Balance as at 1 July 2023</b>	<b>21,059</b>	<b>489,868</b>	<b>16,456</b>	<b>8,720</b>	<b>7,066</b>	<b>98</b>	<b>22,384</b>	<b>(527,958)</b>	<b>(84,308)</b>	<b>(46,615)</b>
Loss for the period	-	-	-	-	-	-	-	(2,732)	(949)	(3,681)
Currency translation differences arising from consolidation	-	-	-	559	-	-	-	-	(52)	507
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,732)</b>	<b>(1,001)</b>	<b>(3,174)</b>
<b>Balance as at 30 September 2023</b>	<b>21,059</b>	<b>489,868</b>	<b>16,456</b>	<b>9,279</b>	<b>7,066</b>	<b>98</b>	<b>22,384</b>	<b>(530,690)</b>	<b>(85,309)</b>	<b>(49,789)</b>

*FY2023*

*Group - First Quarter*

	Attributable to equity holders of the Company								Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Contributed Surplus	Translation Reserve	Statutory Reserve	Revaluation Reserve	Other reserve	Accumulated Losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Balance as at 1 July 2022</b>	<b>15,878</b>	<b>481,352</b>	<b>16,456</b>	<b>7,359</b>	<b>7,066</b>	<b>98</b>	<b>22,384</b>	<b>(529,967)</b>	<b>(84,357)</b>	<b>(63,731)</b>
Loss for the period	-	-	-	-	-	-	-	(3,505)	(273)	(3,778)
Currency translation differences arising from consolidation	-	-	-	4,082	-	-	-	-	1,810	5,892
<b>Total comprehensive expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,082</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,505)</b>	<b>1,537</b>	<b>2,114</b>
<b>Balance as at 30 September 2022</b>	<b>15,878</b>	<b>481,352</b>	<b>16,456</b>	<b>11,441</b>	<b>7,066</b>	<b>98</b>	<b>22,384</b>	<b>(533,472)</b>	<b>(82,820)</b>	<b>(61,617)</b>

*FY2024*

*Company - First Quarter*

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 2023	21,059	489,868	16,456	7,264	(527,342)	7,305
Loss for the period	-	-	-	-	(1,482)	(1,482)
Balance as at 30 September 2023	<u>21,059</u>	<u>489,868</u>	<u>16,456</u>	<u>7,264</u>	<u>(528,824)</u>	<u>5,823</u>

*FY2023*

*Company - First Quarter*

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 2022	15,878	481,352	16,456	7,264	(492,586)	28,364
Loss for the period	-	-	-	-	(1,576)	(1,576)
Balance as at 30 September 2022	<u>15,878</u>	<u>481,352</u>	<u>16,456</u>	<u>7,264</u>	<u>(494,162)</u>	<u>26,788</u>

## **E. NOTE TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **1. General information**

SinoCloud Group Limited (the “**Company**” and its subsidiaries, the “**Group**”) 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 (“**IDC**”) services.

#### Coronavirus (COVID-19) Impact

Economic growth has been decelerating in the People’s Republic of China (“**PRC**”), post-COVID-19, and will likely to continue. The slow down in economic growth has affected the PRC’s investment environment, which also affected the Group’s IDC business. In addition, the inability to resolve local-level debts in Guizhou province of the PRC has significant and continued impact on the Group’s major customers, in particular, their ability to renew contracts, to make prompt payments and to adhere to agreed repayment plans. Consequently, this has adversely affected the Group’s financial performance and cash flows for the current financial period and is expected to continue to adversely affect the Group’s financial performance and cash flows in the upcoming financial years.

Despite of the current situation, the Company will continue to explore new business opportunities in the IDC business and other industries for the purpose of improving the financial performance, financial position and cash flows of the Group in the future.

### **2. Basis of preparation**

This condensed interim consolidated financial statements for the three months ended 30 September 2023 (“**3M FY2024**”) have been prepared in accordance with *IAS 34 Interim Financial Reporting*. The condensed interim consolidated 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 consolidated financial statements of the Group for the financial year ended 30 June 2023.

The accounting policies adopted are consistent with those of the latest audited financial year which were prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”). The condensed interim consolidated financial statements for 3M FY2024 is presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) as indicated.

#### Going concern

The Group recorded a net loss of HK\$3,681,000 for 3M FY2024 and negative operating cash flows of HK\$2,097,000 for 3M FY2024, and was in net current liabilities of HK\$59,032,000 as at 30 September 2023. As of 30 September 2023, the Group’s cash and bank balances available for use amounted to HK\$541,000 while its current liabilities amounted to HK\$67,836,000.

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 of the Company (“**Management**”) has assessed that the Group and the Company are able to continue as going concerns due to the following key considerations and assumptions:



- a) The Group has obtained continuing financial support from a substantial 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 for the aggregate balance owing to Mr. Lam of HK\$21,920,000 (which comprise borrowings of HK\$6,110,000 (Note 12), liability component of the redeemable convertible bond of HK\$15,389,000 (Note 13) and related interests of HK\$154,000 and HK\$267,000 respectively as at 30 September 2023), unless the Group has sufficient funds to pay other creditors in full.
- b) The Group is confident that its sole operating subsidiary in the PRC, Guiyang Zhongdian Gaoxin Digital Technologies Limited (“**Guiyang Tech**”) will be able to (i) secure new contracts to achieve full capacity for Phase 1 in 2027 and (ii) increase average selling prices annually by 6% for all customers. Further, based on discussions with its major customers in the government sector, management is positive that the government related hosting projects will be renewed accordingly. During 3M FY2024, a new contract servicing a Guiyang government bureau amounted to RMB2.0 million was signed to provide hosting and broadband services for 19 months.
- c) The Group has obtained continuing financial support from a director of the Company to enable the Group to operate as a going concern and to meet its obligations as and when they fall due.
- d) In relation to a loan from a PRC bank which was defaulted by Guiyang Tech (Note 12), management believes that the bank is willing to grant forbearance, upon settlement of quarterly interests owing to the bank, and remains confident that the bank will extend the repayment terms of the said loan to March 2025.
- e) 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 of the view that there will be no cash outflow required for lease payments for the next 12 months.
- f) Management has successfully negotiated for favourable payment terms with its former supplier providing bandwidth and utilities in the IDC premises and has agreed to further defer due date of the overdue amounts of HK\$10,028,000 to 31 July 2024.

Please refer to Section F, Note 6, under “Working Capital”, of this announcement for additional information, which should be read in conjunction with the above assessment.

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.

The board of directors of the Company has reviewed and concurred with the aforementioned Management’s assessment of the Group’s and the Company’s ability to continue as a going concern.

## **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 2023 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 interim consolidated financial statements for the three months ended 30 September 2023, 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 latest audited consolidated financial statements as at and for the year ended 30 June 2023 ("FY2023").

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 2023

	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	1,376	-	1,376
Segment loss	(805)	(1,255)	(2,060)
Finance costs			(1,621)
Loss before tax			(3,681)
Income tax			-
Loss for the financial period			(3,681)
<u>Other segment items</u>			
Depreciation of property, plant and equipment	139	-	139
Depreciation of right-of-use assets	266	-	266
Reversal of financial assets and contract assets	(32)	-	(32)

##### for the period ended 30 September 2022

	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	1,969	-	1,969
Segment loss	(1,038)	(1,005)	(2,043)
Finance costs			(1,735)
Loss before tax			(3,778)
Income tax expense			-
Loss for the financial period			(3,778)
<u>Other segment items</u>			
Depreciation of property, plant and equipment	615	-	615
Depreciation of right-of-use assets	354	-	354

##### 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>	
	30.09.2023	30.09.2022
	HK\$'000	HK\$'000
Government grants	6	244
	<u>6</u>	<u>244</u>

**6 Reversal of financial assets and contract assets**

Reversal of financial assets and contract assets amounting to HK\$0.03 million for the three months ended 30 September 2023 (three months ended 30 September 2022: HK\$ Nil) represent recovery of trade receivables from counter parties during the period.

**7 Finance costs**

	<b>Three months ended</b>	
	30.09.2023	30.09.2022
	HK\$'000	HK\$'000
Interest expense on		
- Redeemable convertible bonds	454	629
- Loans	223	173
- Lease liabilities	944	933
	<u>1,621</u>	<u>1,735</u>

**8 Loss before taxation**

	<b>Three months ended</b>	
	30.09.2023	30.09.2022
	HK\$'000	HK\$'000
Loss before taxation is stated after charging:		
Directors' remuneration		
- directors of the Company	78	78
Directors' fees		
- directors of the Company	52	90
Audit fees		
- auditors of the Company	356	274
- other auditors	32	14
	<u>468</u>	<u>396</u>

## 9 Loss per Share

	<b>Group</b>	
	<b>3 Months Ended</b>	
	<b>30.9.2023 (Unaudited)</b>	<b>30.9.2022 (Restated)</b>
Loss attributable to equity holders of the Company (HK\$'000)	(2,732)	(3,505)
Weighted average number of shares in issue	210,593,153	167,415,726
<b>Loss per ordinary share (HK cents)</b>		
- Based on weighted average number of ordinary shares in issue	<b>(1.30)</b>	<b>(2.09)</b>
- On a fully diluted basis	<b>(1.30)</b>	<b>(2.09)</b>

### Notes:

- (1) The weighted average number of shares in issue for the three months ended 30 September 2022 is restated to take into account the effects of the share consolidation and the bonus element in the rights issue which were completed in April 2023 and May 2023, respectively.
- (2) The Convertible Bond, which will expire on 22 June 2024, has no dilutive effect for the three months ended 30 September 2023 and 30 September 2022.

## 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>	
	30.09.2023 HK\$'000	30.09.2022 HK\$'000
Advances from directors, net	1,174	-
Repayment to related parties	(364)	(1,270)
	<u>322</u>	<u>1,769</u>
<b>Key management personnel compensation</b>		
Directors of the Company		
- Salary and related costs	78	299
- Contribution to defined contribution plans	4	14
- Directors' fee	52	360
Directors of subsidiaries		
- Salary and related costs	183	1,080
- Contribution to defined contribution plans	5	16
	<u>322</u>	<u>1,769</u>
Categories of total compensation		
- Short-term employment benefits	313	1,739
- Post-employment benefits	9	30
	<u>322</u>	<u>1,769</u>

## 11 Property, plant and equipment

There was no acquisition or impairment of property, plant and equipment during 3M FY2024 (FY2023: Acquisition and impairment loss of property, plant and equipment of HK\$123,000 and HK\$941,000, respectively).

## 12 Borrowings

	Interest rate	Due within	Due after	Total
		1 year	1 year but less than 5 years	
		HK\$'000	HK\$'000	HK\$'000
<b>Group</b>				
<b><u>As at 30 September 2023</u></b>				
Loan 1 (Unsecured) - Fixed rate	7.20%	3,754	-	3,754
Loan 21 (Unsecured) - Fixed rate	10.00%	4,018	-	4,018 (Note 1)
Loan 22 (Unsecured) - Fixed rate	10.00%	2,092	-	2,092 (Note 2)
		<u>9,864</u>	<u>-</u>	<u>9,864</u>
<b><u>As at 30 June 2023</u></b>				
Loan 1 (Unsecured) - Fixed rate	7.20%	3,783	-	3,783
Loan 5 (Unsecured) - Fixed rate	6.00%	931	-	931
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
Loan 9 (Unsecured) - Fixed rate	10.00%	248	-	248
Loan 10 (Unsecured) - Fixed rate	10.00%	180	-	180
Loan 11 (Unsecured) - Fixed rate	10.00%	100	-	100
Loan 12 (Unsecured) - Fixed rate	10.00%	155	-	155
Loan 13 (Unsecured) - Fixed rate	10.00%	435	-	435
Loan 14 (Unsecured) - Fixed rate	10.00%	200	-	200
Loan 15 (Unsecured) - Fixed rate	10.00%	150	-	150
Loan 16 (Unsecured) - Fixed rate	10.00%	480	-	480
Loan 17 (Unsecured) - Fixed rate	10.00%	150	-	150
Loan 18 (Unsecured) - Fixed rate	10.00%	153	-	153
Loan 19 (Unsecured) - Fixed rate	10.00%	70	-	70
Loan 20 (Unsecured) - Fixed rate	10.00%	60	-	60
		<u>7,801</u>	<u>-</u>	<u>7,801</u>

### **Company**

#### **As at 30 September 2023 and 30 June 2023**

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 quarterly basis, commencing in June 2023 and is to be fully settled upon maturity in March 2024. Guiyang Tech has defaulted on the loan. However, Management believes that the bank is willing to grant forbearance, upon settlement of quarterly interests owing to the bank, and remains confident that the bank will extend the repayment terms of the loan by at least another one year to March 2025.

Note 1:

Loan 21 is the aggregate amount of Loan 5 to Loan 20. The Company has signed a loan extension agreement with Mr. Lam to extend all loans with the same terms for one year tenure on 1 July 2023 to 30 June 2024. All these loans owing to Mr. Lam are unsecured and carry interest at 10% per annum.

Note 2:

The Company has signed an interest-to-loan agreement with Mr. Lam to capitalise convertible loan interests payable and loan interests payable of HK\$1,492,000 and HK\$600,000 respectively to a loan (Loan 22) carrying interest at 10% per annum on 1 July 2023 with 1 year tenure to 30 June 2024.

### 13 Redeemable Convertible Bond

The convertible bonds (“**Bond**”) issued on 23 November 2020, with a tenure of two years, was originally matured on 22 November 2022. Upon signing three Supplemental Agreements during FY2023, the Bond was last extended on 22 June 2023 (“**Extension Date**”) for one year and will mature on 22 June 2024 (“**Maturity Date**”). The principal terms and conditions of the Bond are summarised as follows:

<b>Principal Amount</b>	:	Up to HK\$31,060,000, and current outstanding nominal amount is HK\$16,060,000 (equivalent to S\$2,867,857, at the agreed fixed exchange rate of 5.6).
<b>Issue Price</b>	:	100% of the aggregate principal amount of the Bond.
<b>Interest Rate</b>	:	The Bond bears interest at a rate of 6.0% simple interest on 365-day basis, payable quarterly.
<b>Maturity Date</b>	:	The Bond shall be redeemable at 100% of its principal amount together with all accrued and unpaid interest that was scheduled to be paid at the Maturity Date.
<b>Issue Date</b>	:	23 November 2020
<b>Purchase</b>	:	The Company and/or any of its related corporations may at any time purchase the Bond from the Bondholder. All Bond purchased by or on behalf of the Company or any of its related corporations may be surrendered for cancellation by and, if so surrendered, shall together with all Bond redeemed by the Company, be cancelled forthwith.
<b>Conversion</b>	:	Convert at S\$0.0622 per share at an agreed fixed exchange rate of S\$1.00 : HK\$5.60.
<b>Voluntary Conversion</b>	:	The Bondholder may convert all or part of the outstanding Bond and any accrued and unpaid interest in respect of the Bond (if and where the Bondholder waives its right for cash payment of such amount) into new Shares at the Conversion Price at any time within the period commencing three (3) months from the Issue Date up until the Maturity Date. The Company may reject any conversion of Bond of an aggregate principal amount of less than HK\$1,000,000.

The Bond contains two components, the liability and equity components. The initial fair value of the two components was determined based on gross proceeds at issuance. The initial fair value of the liability component was estimated to be approximately HK\$27,261,000 as at the Issue Date by using the Trinomial Tree Model, taking into account the terms and conditions of the Bond. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of Bond is 10.42% per annum. The residual amount representing the value of the equity component of approximately HK\$3,799,000, was presented in equity under the

heading 'other reserve'. Fair value of the liability component was determined on 23 November 2020 using the Trinomial Tree Model and the major inputs into the model are as follows:

	At Issue Date
Stock price	S\$0.001
Exercise price	S\$0.0011
Credit spread	10.3%
Option life	2 years
Risk free rate	0.12%

Upon Extension Date, as the terms of Bond changed, the fair value of the liability component was required to be remeasured using the Trinomial Tree Model. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of Bond is 11.86% per annum for the extended one year tenure (10.42% per annum under original two years tenure). The value of the equity component of approximately HK\$3,799,000 remained unchanged and presented in equity under the heading 'other reserve'. Fair value of the liability component was determined on 22 June 2023 using the Trinomial Tree Model and the major inputs into the model are as follows:

	At Issue Date
Stock price	S\$0.041
Exercise price	S\$0.0622
Credit spread	7.65%
Option life	1 year
Risk free rate	4.21%

The movement of liability component of redeemable convertible bond is as follows:

	Group and Company
	HK\$'000
Liability component as at 30 June 2023	15,178
Accumulated amortisation of interest expense	454
Accrued coupon interest included in other payables	(243)
Liability component as at 30 September 2023	15,389

## 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 2023 and 30 September 2023	210,593,153	21,059	210,593,153	21,059



14 Share Capital (continued)

- (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 2023	As at 30 September 2022
Number of shares that may be issued on conversion of all outstanding convertibles	50,458,038 <sup>(1)</sup>	4,383,378,402 <sup>(1)</sup>
Total number of issued shares (excluding treasury shares and subsidiary holdings) <sup>(2)</sup>	210,593,153	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 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 as at 30 June 2022 was HK\$24.06 million. 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 was 4,383,378,402 as at 30 June 2022 and 30 September 2022, based on a conversion price of S\$0.0011 per share.

On 18 November 2022, 22 March 2023 and 27 June 2023, the Company entered into a conditional supplemental agreement, on the respective dates, to, *inter alia*, extend the original maturity date for the outstanding principal amount to 22 June 2024. As at 30 June 2023 and 30 September 2023, the outstanding principal amount of the Convertible Bond was HK\$16.06 million, together with the accrued convertible bond interest of HK\$1.52 million, which may be converted into 50,458,038 new shares, at a conversion price of S\$0.0622 per share.

As at the date of this announcement and save as disclosed above, no conversion of the Convertible Bond has taken place.

#### 14 Share Capital (continued)

- (2) There were no treasury shares and subsidiary holdings as at 30 September 2022, 30 June 2023 and 30 September 2023.

#### 15 Net Asset Value

	Group		Company	
	As at 30 September 2023 (Unaudited)	As at 30 June 2023 (Audited)	As at 30 September 2023 (Unaudited)	As at 30 June 2023 (Audited)
Net asset value attributable to the Group (HK\$'000)	35,520	37,693	5,823	7,305
Number of shares in issue	210,593,153	210,593,153	210,593,153	210,593,153
Net asset value per ordinary share (HK\$)	16.87	17.90	2.77	3.47

#### 16 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 interim consolidated statement of financial position of the Company and its subsidiaries (collectively, the “**Group**”) as at 30 September 2023 and the related condensed interim consolidated profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the three months ended 30 September 2023 and the explanatory notes herein have not been audited or reviewed by the Company’s auditors.

### **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 2023 was 210,593,153 (30 June 2023: 210,593,153). There were no treasury shares as at 30 September 2023 and 30 June 2023.

### **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 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 consolidated financial statements of the Group for the financial year ended 30 June 2023 were subject to a disclaimer of opinion by the Company’s independent auditor (“**Disclaimer of Opinion**”). The basis for the Disclaimer of Opinion is in relation to the following:

- (i) conversion adjustments from generally accepted accounting principles in the People’s Republic of China to international financial reporting standards;
- (ii) impairment assessment of current and non-current assets relating to (a) property, plant and equipment and right-of-use asset, (b) the Expansion Project, (c) deferred tax assets, and (d) investment in subsidiaries;
- (iii) validity and recoverability of trade and other receivables; (iv) validity and accuracy of trade payables and other payables;
- (v) accuracy of lease liabilities and right-of-use assets;
- (vi) the appropriateness of record and disclosure of other income and other expenses;
- (vii) adequate adjustment or disclosure of all significant subsequent events and transactions in the Audited Financial Statements;

- (viii) adequate adjustment or disclosure relating to on-going litigations;
- (ix) appropriateness of going concern assumption used in the preparation of the Audited Financial Statements; and
- (x) whether the opening balances as at 1 July 2022 were fairly stated.

Please refer to the Company's announcement dated 13 October 2023 as well as the annual report of the Company for FY2023 for further information on the Disclaimer of Opinion.

The board of directors (“**Directors**”) and the Management confirm that in response to disclaimer of opinion (v) above, a lease reassessment on the right-of-use assets and lease liabilities have been performed during 3M FY2024 in view of the assumption that no lease payments will be made for the next 12 months ending 30 June 2024. For disclaimer of opinion (ix) above on going concern assumption, please refer to the updated going concern assumption prepared by the Management for purposes of this condensed interim consolidated financial statements for 3M FY2024 under Section E, Note 2, under “Going concern” of this announcement for more information. Save for these, the other audit issues highlighted under the Disclaimer of Opinion remained outstanding as at the date of this announcement. Appropriate announcement will be made for on-going litigations in due course to resolve disclaimer of opinion (vii) and (viii). The remaining audit issues highlighted under the Disclaimer of Opinion related to historical transactions with carryover effect and cannot be resolved as at the date of this announcement.

The Management and the Directors confirmed that the impact of all outstanding audit issues on the financial statements have been 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\$0.6 million, from HK\$2.0 million in the three months ended 30 September 2022 (“**3M FY2023**”) to HK\$1.4 million in the three months ended 30 September 2023 (“**3M FY2024**”). The decrease in revenue was mainly due to decrease in customer demand and service fee reduction, largely attributable to the economic downturn and local debt crisis in China.

**Other income**

Other income of HK\$6,000 in 3M FY2024 and HK\$0.2 million in 3M FY2023 relate to government grant received by Guiyang Tech.

**Expenses**

Depreciation of property, plant and equipment (“**PPE**”) increased by HK\$0.1 million, from HK\$0.6 million in 3M FY2023 to HK\$0.7 million in 3M FY2024, as a result of additional depreciation for new PPE acquired during FY2023.

Reversal of depreciation of right-of-use assets amounted to HK\$0.3 million in 3M FY2024 (3M FY2023: depreciation of right-of-use assets of HK\$0.4 million). The reversal during 3M FY2024 was due to reassessment of lease liabilities and right-of use assets of HK\$0.6 million, partially offset by depreciation of right-of-use assets of HK\$0.3 million, during 3M FY024.

Reversal of financial assets of HK\$0.03 million in 3M FY2024 (3M FY2023: Nil) was attributable to reversal of impairment loss of financial assets due to debt recovery from a customer.

Reversal of bandwidth fees amounted to HK\$0.04 million in 3M FY2024, as a result of adjustment on over-accrual of broadband services during 3M FY2024.

Employee benefits expenses decreased by HK\$0.3 million to HK\$0.6 million in 3M FY2024, from HK\$0.9 million in 3M FY2023, mainly due to reduction in the number of staff as a result of deferral in contract renewal of a government bureau hosting project.

Other expenses, comprising primarily office overhead, operating lease expenses, legal and professional fee and utility service fee, increased by HK\$0.1 million, from HK\$2.4 million in 3M FY2023 to HK\$2.5 million in 3M FY2024, mainly due to increase in the provision of audit fee proposed by the auditors in FY2023.

Foreign exchange gain was HK\$0.02 million in 3M FY2024 (3M FY2023: foreign exchange gain of HK\$8,000), mainly due to the depreciation of Renminbi (“RMB”) against Hong Kong Dollar (“HKD”) during 3M FY2024.

Finance costs decreased by HK\$0.1 million, from HK\$1.7 million in 3M FY2023 to HK\$1.6 million in 3M FY2024. The decrease was mainly due to reduction in interest expense on redeemable convertible bond, partially offset by increase in interest expenses on loans and lease liabilities as a result of lease reassessment during 3M FY2024.

#### **Income tax**

There was no income tax reported in 3M FY2024 and 3M FY2023 as there were no assessable profit generated during both financial periods.

#### **Net loss after taxation**

As a result of the aforesaid, the Group recorded a loss after tax of HK\$3.7 million in 3M FY2024 (3M FY2023: profit after tax of HK\$3.8 million).

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

#### **Non-Current Assets**

Non-current assets of the Group amounted to HK\$62.3 million and HK\$66.8 million as at 30 September 2023 and 30 June 2023 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\$0.9 million, from HK\$39.9 million as at 30 June 2023 to HK\$39.0 million as at 30 September 2023. The decrease was mainly due to depreciation charge of HK\$0.7 million and translation loss of HK\$0.2 million arising from depreciation of RMB against HKD during 3M FY2024.

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

The net book value of right-of-use assets decreased by HK\$3.6 million, from HK\$15.0 million as at 30 June 2023 to HK\$11.4 million as at 30 September 2023. The decrease was due to (i) lease reassessment of HK\$3.2 million, (ii) depreciation charge of HK\$0.3 million, and (iii) the

translation loss of HK\$0.1 million arising from depreciation of RMB against HKD during 3M FY2024.

(iii) Deferred tax assets

Deferred tax assets remained unchanged at HK\$12.0 million as at 30 September 2023 and 30 June 2023. 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\$1.0 million, from HK\$9.8 million as at 30 June 2023 to HK\$8.8 million as at 30 September 2023. Current assets comprised (i) trade and other receivables; (ii) contract assets; (iii) derivative asset; and (iv) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables increased by HK\$0.2 million, from HK\$6.9 million as at 30 June 2023 to HK\$7.1 million as at 30 September 2023. Trade and other receivables as at 30 September 2023 comprise trade receivables of HK\$0.3 million, amount due from a related party of HK\$5.4 million and other receivables and prepayment of HK\$1.4 million.

Trade receivables decreased by HK\$0.3 million, from HK\$0.6 million as at 30 June 2023 to HK\$0.3 million as at 30 September 2023. The decrease was mainly due to decrease in revenue generated by Guiyang Tech during 3M FY2024.

Amount due from a related party of HK\$5.4 million as at 30 September 2023 (30 June 2023: HK\$5.1 million) relates to advances to a related party of a substantial shareholder of the Company. The amount is unsecured, interest-free and repayable on demand.

Other receivables and prepayment increased by HK\$0.1 million, from HK\$1.3 million as at 30 June 2023 to HK\$1.4 million as at 30 September 2023, mainly due to increase in business entertainment expenses during 3M FY2024.

(ii) Contract assets

Contract assets decreased by HK\$0.4 million, from HK\$0.5 million as at 30 June 2023 to HK\$0.1 million as at 30 September 2023, as a result of completion of projects during 3M FY2024. Contract assets pertain to the Company's right to consideration in exchange for goods or services that the entity has transferred to customers when the right is conditioned on something other than the passage of time.

(iii) Derivative asset

Derivative financial instrument of HK\$1.7 million as at 30 September 2023 and 30 June 2023 represent the Company's redemption option embedded in the redeemable convertible bonds.

(iv) Cash and bank balances

Cash and bank balances decreased by HK\$0.8 million, from HK\$1.4 million as at 30 June 2023 to HK\$0.6 million as at 30 September 2023. Please refer to "Cashflows" for the movement in cash and cash equivalents.

**Current Liabilities**

Current liabilities increased by HK\$0.8 million, from HK\$67.0 million as at 30 June 2023 to HK\$67.8 million as at 30 September 2023, mainly due to the following:

(i) Trade and other payables

Trade and other payables decreased by HK\$1.4 million, from HK\$35.5 million as at 30 June 2023 to HK\$34.1 million as at 30 September 2023. Trade and other payables as at 30 September 2023 comprised (a) trade payables of \$1.9 million; (b) other payables of \$18.2 million; (c) VAT payable of \$7.2 million; (d) accruals of \$5.0 million; (e) amount due to directors of the Company of \$1.0 million; and (f) amount due to related parties of \$2.2 million.

- (a) Trade payables remained unchanged at HK\$1.9 million as at 30 September 2023 and 30 June 2023.
- (b) Other payables decreased by HK\$1.6 million, from HK\$18.2 million as at 30 June 2023 to HK\$16.6 million as at 30 September 2023, mainly due to capitalisation of convertible bond interests payable and loan interests payable of HK\$1.5 million and HK\$0.6 million respectively to loan, partially offset by settlement of HK\$0.5 million during 3M FY2024.
- (c) Value added tax (“VAT”) payable decreased by HK\$0.1 million, from HK\$7.2 million as at 30 June 2023 to HK\$7.1 million as at 30 September 2023, mainly due to payment of VAT during 3M FY2024.
- (d) Accruals decreased by HK\$0.8 million, from HK\$5.0 million as at 30 June 2023 to HK\$4.2 million as at 30 September 2023, mainly due to settlement of legal and professional fees payable during 3M FY2024.
- (e) Amount due to Directors of the Company increased by HK\$1.2 million, from HK\$1.0 million as at 30 June 2023 to HK\$2.2 million as at 30 September 2023, as a result of an increase in advances from Directors during 3M FY2024. The amounts were unsecured, interest-free and repayable on demand.
- (f) Amount due to related parties remained unchanged at HK\$2.2 million as at 30 September 2023 and 30 June 2023. The amounts were unsecured, interest-free and repayable on demand.

(ii) Contract liabilities

Contract liabilities increased by HK\$0.1 million, from HK\$0.1 million as at 30 June 2023 to HK\$0.2 million as at 30 September 2023, due to increase in the receipt of customer deposit for IDC contracts where the corresponding IDC services have yet to be fully performed as at 30 September 2023.

(iii) Borrowings

Borrowings increased by HK\$2.1 million, from HK\$7.8 million as at 30 June 2023 to HK\$9.9 million as at 30 September 2023, due to capitalisation of convertible bond interests payable of HK\$1.5 million and loan interests payable of HK\$0.6 million to loan, upon signing an agreement with Mr. Lam during 3M FY2024.

(iv) Redeemable convertible bond

Redeemable convertible bond increased from HK\$15.2 million as at 30 June 2023 to HK\$15.4 million as at 30 September 2023. The increase of HK\$0.2 million was mainly due to accumulated amortisation of interest expense of HK\$0.5 million, partially offset by the accrued coupon interests of HK\$0.3 million during 3M FY2024.

## **Non-current Liabilities**

Non-current liabilities, comprising lease liabilities, decreased by HK\$3.3 million, from HK\$56.3 million as at 30 June 2023 to HK\$53.0 million as at 30 September 2023, due to (i) lease reassessment of HK\$3.8 million, and (ii) effect of depreciation of RMB against HKD amounting to HK\$0.4 million, partially offset by interests incurred of HK\$0.9 million during 3M FY2024.

## **Working Capital**

Due to the changes in current assets and current liabilities as described above, the Group reported a negative working capital of HK\$59.0 million as at 30 September 2023 (30 June 2023: HK\$57.2 million). The Board is of the view that the Group's current liabilities include an amount of HK\$54.1 million (accounting for 80% 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) PRC value added tax payable of HK\$7.1 million 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.
  - (ii) Amount due to related parties amounted to HK\$2.2 million. Management had negotiated with the related parties for not demanding repayment within one year from 30 June 2023.
  - (iii) Other payables for bandwidth and energy saving service for IDC operations in the PRC of HK\$10.0 million. Guiyang Tech has yet to receive the supplier invoice for the aforesaid service and Management expects that the payment for such service fee can be extended by the service provider.
  - (iv) Interest payable for loan and convertible bond issued to a substantial shareholder of the Company (being Mr. Lam) amounting to HK\$0.4 million. The management had negotiated with Mr. Lam on extension for payment of such interest payable, and expects to receive continued financial support from Mr. Lam.
- (b) Contract liabilities of HK\$0.2 million relate to advance payment received by Guiyang Tech in respect of a government contract secured by Guiyang Tech. The amount will be recorded as revenue once the performance of contract is completed.
- (c) Redeemable convertible bond of HK\$15.4 million relates to the convertible bond issued to Mr. Lam. The Group has obtained continuing financial support from 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 to Mr. Lam of HK\$21,920,000 (which comprise borrowings of HK\$6,110,000 (Note 12), liability component of the redeemable convertible bond of HK\$15,389,000 (Note 13) and related interests of HK\$154,000 and HK\$267,000 respectively as at 30 September 2023), unless the Group has sufficient funds to pay other creditors in full.
- (d) Income tax payable of HK\$8.3 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.

Please also 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 3M FY2024 amounted to HK\$2.1 million. This was mainly due to (i) operating loss before working capital changes of HK\$1.6 million; (ii) decrease in trade and other payables of HK\$1.0 million, and (iii) interest paid of HK\$0.1 million, partially offset by (iv) decrease in trade and other receivables of HK\$0.1 million, (v) decrease in contract assets of HK\$0.4 million and (vi) increase in contract liabilities of HK\$0.1 million.

There was no cash flows from investing activities in 3M FY2024.

Net cash from financing activities amounted to HK\$0.8 million in 3M FY2024, mainly due to advance from a director of HK\$1.2 million, partially offset by net advance to related parties of HK\$0.4 million.

As a result of the above, together with the effect of exchange rate changes in cash and cash equivalents of HK\$0.5 million, the Group's cash and cash equivalents decreased from HK\$1.3 million as at 30 June 2023 to HK\$0.5 million as at 30 September 2023.

**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 disclosed in Note 1 of the unaudited result announcement above, due to the significant and continued adverse economic impact on the Group's major customers after COVID-19 pandemic, lower customers' demand and deferral of contract renewal continue to result in a decrease in revenue.

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). Since then, the Company has been exploring potential opportunities in the new businesses. The Company will continue to seek out opportunities and will make the necessary announcements in compliance with the requirements of the Catalist Rules as and when there is any 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 (3M FY2023: 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 FY2024 as the Group is loss making for 3M FY2024.

**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 first quarter consolidated financial statements of the Group for the three months ended 30 September 2023 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 (including incorporation of entity) 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 3M FY2024.

**BY ORDER OF THE BOARD**

**Chan Andrew Wai Men**  
**Executive Chairman**

**Lam Chun Hei, Justin**  
**Executive Director and**  
**Chief Operating Officer**

**14 November 2023**