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

Unaudited Second Quarter Financial Statements And Dividend Announcement for the Financial Period Ended 31 December 2020

*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 material uncertainty relating to going concern issued by the Company's auditors in the latest audited financial statements for the financial year from 1 July 2019 to 30 June 2020.*

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

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

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

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 DECEMBER 2020
(Expressed in Hong Kong thousand dollars)

	3 months ended			6 months ended		
	Group	Group		Group	Group	
	31.12.2020	31.12.2019	%	31.12.2020	31.12.2019	%
	(Unaudited)	(Unaudited)	+ / (-)	(Unaudited)	(Unaudited)	+ / (-)
Revenue	4,529	12,416	(64)	9,724	22,775	(57)
Other income	342	267	28	1,846	270	584
Employee benefits expenses	(752)	(1,556)	(52)	(1,524)	(3,156)	(52)
Depreciation of property, plant and equipment	(1,337)	(1,863)	(28)	(2,818)	(3,722)	(24)
Depreciation of right-of-use assets	(619)	-	N.M.	(1,239)	-	N.M.
Amortisation of intangible assets	-	(1,082)	(100)	-	(3,494)	(100)
Software development expenses written off	-	-	-	-	(1,114)	(100)
Operating lease (expenses)/ income	(51)	7	N.M.	(76)	(1,344)	(94)
Bandwidth fees	(1,508)	(1,842)	(18)	(2,402)	(3,830)	(37)
Foreign exchange loss	(102)	(40)	155	(68)	(47)	45
Other expenses	(3,047)	(3,357)	(9)	(5,648)	(6,396)	(12)
Finance costs	(2,049)	(886)	131	(4,404)	(1,772)	149
(Loss)/ Profit before tax	(4,594)	2,064	N.M.	(6,609)	(1,830)	261
Tax expenses	(35)	(827)	(96)	-	(993)	(100)
(Loss)/ Profit for the financial period	(4,629)	1,237	N.M.	(6,609)	(2,823)	134
(Loss)/ Profit attributable to:						
Equity holders of the Company	(4,047)	(642)	530	(5,947)	(5,074)	17
Non-controlling interest	(582)	1,879	N.M.	(662)	2,251	N.M.
	(4,629)	1,237	N.M.	(6,609)	(2,823)	134

N.M.: Not meaningful

1(a)(ii) A consolidated statement (for the group) of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year

FOR THE PERIOD ENDED 31 DECEMBER 2020
(Expressed in Hong Kong thousand dollars)

	3 Months Ended			6 Months Ended		
	31.12.2020	31.12.2019	%	31.12.2020	31.12.2019	%
	(Unaudited)	**(Unaudited)**	+/(-)	**(Unaudited)**	**(Unaudited)**	+/(-)
(Loss)/ profit for the financial period	(4,629)	1,237	N.M.	(6,609)	(2,823)	134
Other comprehensive income/ (loss)						
Currency translation difference arising from consolidation	6,230	2,369	163	10,365	(4,090)	N.M.
Total comprehensive income/ (loss) for the period	**1,601**	**3,606**	(56)	**3,756**	**(6,913)**	N.M.
Total comprehensive income/ (loss) attributable to						
Equity holders of the Company	51	869	(94)	550	(7,740)	N.M.
Non-controlling interest	1,550	2,737	(43)	3,206	827	288
Total comprehensive income/ (loss) for the period	**1,601**	**3,606**	(56)	**3,756**	**(6,913)**	N.M.

N.M.: Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

SINOCLOUD GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	As at 31.12.2020 (Unaudited)	As at 30.6.2020 (Audited)	As at 31.12.2020 (Unaudited)	As at 30.6.2020 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	193,833	181,366	-	-
Right-of-use assets	31,944	31,961	-	-
Investment in subsidiaries	-	-	57,112	57,112
Deferred tax assets	8,185	8,185	-	-
	233,962	221,512	57,112	57,112
Current assets				
Trade and other receivables	25,881	20,827	199	92
Contract assets	3,563	-	-	-
Cash and bank balances	2,058	303	-	-
	31,502	21,130	199	92
TOTAL ASSETS	265,464	242,642	57,311	57,204
LIABILITIES				
Current liabilities				
Trade and other payables	42,384	36,095	22,972	18,868
Contract liabilities	6,027	152	-	-
Provision for warranty	876	807	-	-
Income tax payable	7,784	7,694	-	-
Borrowings	5,289	8,008	-	3,094
	62,360	52,756	22,972	21,962
Non-current liabilities				
Trade and other payables	-	2,405	-	-
Convertible bonds	28,060	-	-	-
Borrowings	-	20,960	-	-
Lease liabilities	61,772	57,006	-	-
	89,832	80,371	-	-
TOTAL LIABILITIES	152,192	133,127	22,972	21,962
NET ASSETS	113,272	109,515	34,339	35,242
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	14,311	14,311	14,311	14,311
Share premium	473,003	473,003	473,003	473,003
Contributed surplus	16,456	16,456	16,456	16,456
Translation deficit	1,715	(4,782)	-	-
Statutory reserve	7,066	7,066	-	-
Revaluation reserve	98	98	-	-
Other reserve	15,120	15,120	-	-
Accumulated losses	(402,246)	(396,296)	(469,431)	(468,528)
	125,523	124,976	34,339	35,242
Non-controlling interest	(12,251)	(15,461)	-	-
TOTAL EQUITY	113,272	109,515	34,339	35,242

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 31.12.2020 In HK$'000		As at 30.6.2020 In HK$'000	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Amount due to director(s) of the Company	-	281	-	1,156
Amount due to related parties	-	1,242	-	4,333
Loans from shareholder of the Company	-	-	-	3,094
Bank borrowings	-	5,289	-	4,914

Amount repayable after one year

	As at 31.12.2020 In HK$'000		As at 30.6.2020 In HK$'000	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Amount due to a director of the Company	-	-	-	2,405
Loans from shareholders of the Company	-	-	-	20,960
Convertible bonds	-	28,060	-	-
Lease liabilities	-	61,772	-	57,006

Details of any collateral

Not applicable as there are no collateral on the Group's borrowings and debt securities.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

SINOCLOUD GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2020

(Expressed in Hong Kong thousand dollars)

	Three Months Ended		Six Months Ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Cash flow from operating activities				
(Loss)/ profit before tax	(4,594)	2,064	(6,609)	(1,830)
Adjustments:			-	
Depreciation of property, plant and equipment	1,337	1,863	2,818	3,722
Depreciation of right-of-use assets	619	-	1,239	-
Amortisation of intangible assets	-	1,082	-	3,494
Interest expense	2,049	886	4,404	1,772
Operating (loss)/ profit before working capital changes	(589)	5,895	1,852	7,158
Trade and other receivables	(2,471)	(22,204)	(5,054)	(5,383)
Trade and other payables	(2,847)	(1,821)	(1,667)	(4,211)
Contract assets/ amount due from contract work	(1,517)	12,334	(3,563)	6,145
Contract liabilities	5,988	66	5,875	(659)
Cash (used in)/ generated from operations	(1,436)	(5,730)	(2,557)	3,050
Income tax paid	-	(229)	-	(229)
Interest paid	(115)	(105)	(356)	(212)
Net cash (used in)/ generated from operating activities	(1,551)	(6,064)	(2,913)	2,609
Cash flow from investing activities				
Repayment received from advances and earnest deposits to vendors of China Satellite Group	-	6,321	-	11,486
Additions to property, plant and equipment	-	-	-	(9,662)
Net cash generated from investing activities	-	6,321	-	1,824
Cash flow from financing activities				
Deposit received for placement	5,000	-	5,000	-
Repayment to director of the Company	-	(200)	(2,405)	-
Proceeds from/ (repayment to) a loan to director of a subsidiary	-	1,897	-	(1,326)
Proceeds from non-convertible bonds	-	-	15,000	-
Repayment of convertible bonds	(3,000)	-	(3,000)	-
Repayment of loan borrowing from shareholders	-	-	(10,514)	-
Repayment of loan borrowing from a financial institution	(42)	-	(42)	-
Net cash generated from/ (used in) financing activities	1,958	1,697	4,039	(1,326)
Net increase in cash and cash equivalents	407	1,954	1,126	3,107
Cash and cash equivalents at beginning of the financial period	805	1,044	303	572
Effect of exchange rate changes in cash and cash equivalents	846	84	629	(597)
Cash and cash equivalents at end of the financial period	2,058	3,082	2,058	3,082

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Attributable to equity holders of the Company									
	Share Capital	**Share Premium**	**Contributed Surplus**	**Translation Reserve**	**Statutory Reserve**	**Revaluation Reserve**	**Other reserve**	**Accum. Losses**	**Non-Controlling Interest**	**Total Equity**
	HK$'000	**HK$'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 from 1.7.2020 to 30.9.2020	-	-	-	-	-	-	-	(1,903)	(76)	(1,979)
Other comprehensive income, net of tax	-	-	-	2,399	-	-	-	-	1,736	4,135
Total comprehensive income/ (loss)	-	-	-	2,399	-	-	-	(1,903)	1,660	2,156
Balance as at 30 September 2020	**14,311**	**473,003**	**16,456**	**(2,383)**	**7,066**	**98**	**15,120**	**(398,199)**	**(13,801)**	**111,671**
Loss for the period from 1.10.2020 to 31.12.2020	-	-	-	-	-	-	-	(4,047)	(582)	(4,629)
Other comprehensive income, net of tax	-	-	-	4,098	-	-	-	-	2,132	6,230
Total comprehensive income/ (loss)	-	-	-	4,098	-	-	-	(4,047)	1,550	1,601
Balance as at 31 December 2020	**14,311**	**473,003**	**16,456**	**1,715**	**7,066**	**98**	**15,120**	**(402,246)**	**(12,251)**	**113,272**

Group	Attributable to equity holders of the Company									
	Share Capital	Share Premium	Contributed Surplus	Translation Reserve	Statutory Reserve	Revaluation Reserve	Other reserve	Accum. Losses	Non-Controlling Interest	Total Equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 July 2019	**14,311**	**473,003**	**16,456**	**(341)**	**6,454**	**98**	**15,120**	**(289,210)**	**73,242**	**309,133**
(Loss)/ Profit for the period from 1.7.2019 to 30.9.2019	-	-	-	-	-	-	-	(4,432)	372	(4,060)
Other comprehensive loss, net of tax	-	-	-	(4,177)	-	-	-	-	(2,282)	(6,459)
Total comprehensive loss	-	-	-	(4,177)	-	-	-	(4,432)	(1,910)	(10,519)
Balance as at 30 September 2019	**14,311**	**473,003**	**16,456**	**(4,518)**	**6,454**	**98**	**15,120**	**(293,642)**	**71,332**	**298,614**
(Loss)/ Profit for the period from 1.10.2019 to 31.12.2019	-	-	-	-	-	-	-	(642)	1,879	1,237
Other comprehensive loss, net of tax	-	-	-	1,511	-	-	-	-	858	2,369
Total comprehensive loss	-	-	-	1,511	-	-	-	(642)	2,737	3,606
Balance as at 31 December 2019	**14,311**	**473,003**	**16,456**	**(3,007)**	**6,454**	**98**	**15,120**	**(294,284)**	**74,069**	**302,220**

Company	Attributable to equity holders of the Company				
	Share capital	**Share premium**	**Contributed surplus**	**Accumulated losses**	**Total equity**
	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 from 1.7.2020 to 30.9.2020	-	-	-	92	92
Balance as at 30 September 2020	**14,311**	**473,003**	**16,456**	**(468,436)**	**35,334**
Loss for the period from 1.10.2020 to 31.12.2020	-	-	-	(995)	(995)
Balance as at 31 December 2020	**14,311**	**473,003**	**16,456**	**(469,431)**	**34,339**

Company	Attributable to equity holders of the Company				
	Share capital	**Share premium**	**Contributed surplus**	**Accumulated losses**	**Total equity**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Balance as at 1 July 2019	**14,311**	**473,003**	**16,456**	**(351,351)**	**152,419**
Loss for the period from 1.7.2019 to 30.9.2019	-	-	-	(1,609)	(1,609)
Balance as at 30 September 2019	**14,311**	**473,003**	**16,456**	**(352,960)**	**150,810**
Loss for the period from 1.10.2019 to 31.12.2019	-	-	-	(1,418)	(1,418)
Balance as at 31 December 2019	**14,311**	**473,003**	**16,456**	**(354,378)**	**149,392**

1(d)(ii) 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.

	Issued and fully paid-up ordinary shares	Share capital HK$'000
Balance as at 31 December 2020 and 30 September 2020	14,310,670,617	14,311

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

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

	As at 31 December 2020	As at 31 December 2019
Number of shares that may be issued on conversion of all outstanding convertibles	5,104,299,947[(1)]	-
Total number of issued shares (excluding treasury shares and subsidiary holdings[(2)])	14,310,670,617	14,310,670,617

Notes:

(1) On 7 October 2020, the Company entered into a convertible bond agreement (the "**Convertible Bond Agreement**") with 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.

In November 2020, the Subscriber subscribed for the full amount of the Convertible Bond of HK$31.06 million. On 24 December 2020, the Company redeemed HK$3.0 million of the Convertible Bond from the Subscriber. The outstanding principal amount of the Convertible Bond of HK$28.1 million will expire on 22 December 2022. Accordingly, the maximum number of conversion shares which may be allotted and issued to the Subscriber upon the full conversion of the remaining Convertible Bond of HK$28.1 million is 5,104,299,947. As at the date of this announcement, no conversion of the Convertible Bond has taken place.

(2) There were no treasury shares and subsidiary holdings as at 31 December 2020 and 31 December 2019.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares excluding treasury shares as at 31 December 2020 was 14,310,670,617 (30 June 2020: 14,310,670,617). There were no treasury shares as at 31 December 2020 and 30 June 2020.

1(d)(iv) 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.

1(d)(v) 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.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed by the Group's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of matter)

Not applicable.

3A. 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.

Not applicable. The latest audited financial statements of the Group for the financial period from 1 July 2019 to 30 June 2020 (which contained material uncertainty relating to going concern) are not subject to any adverse opinion, qualified opinion or disclaimer of opinion.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 30 June 2020. The adoption of the new and amended International Financial Reporting Standards (IFRS) and IFRIC Interpretations that became effective for annual reporting periods beginning on or after 1 January 2020 is not expected to result in substantial changes to the Group's financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Please refer to paragraph 4 above.

6. Loss per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	3 Months Ended 31.12.2020 (Unaudited)	3 Months Ended 31.12.2019 (Unaudited)	6 Months Ended 31.12.2020 (Unaudited)	6 Months Ended 31.12.2019 (Unaudited)
Loss attributable to equity holders of the Company (HK$'000)	(4,047)	(642)	(5,947)	(5,074)
Weighted average number of shares in issue	14,310,670,617	14,310,670,617	14,310,670,617	14,310,670,617
Loss per ordinary share (HK cents)				
- Based on weighted average number of ordinary shares in issue	**(0.028)**	**(0.004)**	**(0.042)**	**(0.035)**
- On a fully diluted basis (Please see note below)	**(0.028)**	**(0.004)**	**(0.042)**	**(0.035)**

Note:
The Convertible Bond which will expire on 22 December 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 financial period ended 31 December 2020.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	As at 31.12.2020 (Unaudited)	As at 30.6.2020 (Audited)
Net asset value of the Company per ordinary share	**HK$0.0024**	**HK$0.0025**
Net asset value of the Group per ordinary share	**HK$0.0088**	**HK$0.0087**

8. 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 generated in the three months ended 31 December 2020 ("**3MFY2021**") decreased by HK$7.9 million, from HK$12.4 million in the three months ended 31 December 2019 ("**3MFY2020**"), to HK$4.5 million in the 3MFY2021. It decreased by HK$13.1 million to HK$9.7 million in the six months ended 31 December 2020 ("**6MFY2021**"), from HK$22.8 million in the six months ended 31 December 2019 ("**6MFY2020**"). The decrease in revenue was mainly due to decrease in customer demand and service fee reduction, largely attributable to the lockdown in China caused by the COVID-19 pandemic.

Other income

Other income of HK$0.3 million in the 3MFY2021 relates to the waiver of accrued remuneration, and HK$0.3 million in the 3MFY2020 relates to the interest income from bank.

Other income of HK$1.8 million in the 6MFY2021 comprised (i) reversal of accrued and unpaid interest of HK$0.5 million in respect of the Convertible Bond which was fully waived by one of the Subscribers; (ii) waiver of remuneration of HK$0.7 million accrued and unpaid to the Group's directors, arising from cost saving measures implemented within the Group; and (iii) reversal of accrued and unpaid office expenses of HK$0.6 million, in respect of an administrative services agreement which was waived by a director of the Company. Other income of HK$0.3 million in the 6MFY2020 relates to the interest income from bank

Expenses

Employee benefits expenses decreased by HK$0.8 million to HK$0.8 million in the 3MFY2021, from HK$1.6 million in the 3MFY2020, and decreased by HK$1.7 million to HK$1.5 million in the 6MFY2021, from HK$3.2 million in the 6MFY2020, mainly due to certain cost savings measures implemented within the Group.

Depreciation of property, plant and equipment ("**PPE**") decreased by HK$0.6 million, from HK$1.9 million in the 3MFY2020 to HK$1.3 million in the 3MFY2021, and decreased by HK$0.9 million, from HK$3.7 million in the 6MFY2020 to HK$2.8 million in the 6MFY2021, as a result of the full depreciation of certain PPE.

Depreciation of right-of-use assets amounted to HK$0.6 million in the 3MFY2021 and HK$1.2 million in the 6MFY2021, (6MFY2020 and 3MFY2020 : Nil), due to the Company's adoption of IFRS 16 Leases (which became effective for annual reporting periods beginning on or after 1 January 2019) in the fourth quarter ended 30 June 2020. Nil balance was recorded for 6MFY2020 and 3MFY2020 as the Company only adopted IFRS 16 Leases during the preparation of the full year financial results for the financial year ended 30 June 2020.

There were no amortisation charges of intangible assets reported in the 3MFY2021 and 6MFY2021 (3MFY2020 : HK$1.1 million, 6MFY2020 : HK$3.5 million). The respective intangible assets arising from the Company's acquisition of SinoCloud 01 Limited since October 2015, had been fully amortised or impaired during the financial year ended 30 June 2020.

There were no software development expenses written off in 3MFY2021 and 3MFY2020, and 6MFY2021. Software development expenses written off amoutned to HK$1.1 million in the 6MFY2020. This relates to additional expenses that Guiyang Zhongdian Gaoxin Digital Technologies Limited ("**GYZD**") incurred due to termination of certain software development contract.

Operating lease expenses in the 3MFY2021 amounted to HK$51 thousand, as compared to operating lease income of HK$7 thousand in the 3MFY2020. Operating lease expenses decreased by HK$1.2 million, from HK$1.3 million in the 6MFY2020 to HK$0.1 million in the 6MFY2021. The change was mainly due to the adoption of IFRS 16 with effect from financial year on or after 1 January 2019, where lease contract for the IDC of GYZD is accounted for under depreciation of right-of-use assets and interests on lease liabilities.

Bandwidth fees decreased by HK$0.3 million, from HK$1.8 million in the 3MFY2020 to HK$1.5 million in the 3MFY2021, and decreased by HK$1.4 million, from HK$3.8 million in the 6MFY2020 to HK$2.4 million in the 6MFY2021, as a result of decrease in demand for the IDC services.

Foreign exchange loss was HK$0.1 million in the 3MFY2021, HK$40 thousand in the 3MFY2020, HK$68 thousand in the 6MFY2021 and HK$47 thousand in the 6MFY2020, as a result of the translation of payment of foreign currency denominated expenses.

Other expenses, comprising primarily office overhead, legal and professional fee and utility service fee, decreased by HK$0.4 million, from HK$3.4 million in the 3MFY2020 to HK$3.0 million in the 3MFY2021, and decreased by HK$0.8 million, from HK$6.4 million in the 6MFY2020 to HK$5.6 million in the 6MFY2021, mainly due to the decrease in utility service fee as well as office overhead.

Finance costs increased by HK$1.1 million, from HK$0.9 million in the 3MFY2020 to HK$2.0 million in the 3MFY2021, and increased by HK$2.6 million, from HK$1.8 million in the 6MFY2020 to HK$4.4 million in the 6MFY2021. The increase was mainly due to increase in loan from a shareholder of the Company and interest in lease liabilities arising from the adoption of IFRS 16.

Income tax

Income tax expenses decreased by HK$0.8 million, from HK$0.8 million in the 3MFY2020 to HK$35 thousand in the 3MFY2021, and no income tax expenses reported in the 6MFY2021 (6MFY2020 : HK$1.0 million). The decrease was due to decrease in profit generated by GYZD.

Net loss after taxation

As a result of the aforesaid, the Group recorded a loss after tax of HK$4.6 million in the 3MFY2021 as compared to a profit after tax of HK$1.2 million in the 3MFY2020. The Group recorded a loss after tax of HK$6.6 million and HK$2.8 million in the 6MFY2021 and 6MFY2020 respectively.

(B) REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group amounted to HK$234.0 million and HK$221.5 million as at 31 December 2020 and 30 June 2020 respectively. Non-current assets comprised (i) property, plant and equipment; (ii) right-of-use assets; and (iii) deferred tax assets.

(i) Property, plant and equipment

The net book value of property, plant and equipment increased by HK$12.4 million, from HK$181.4 million as at 30 June 2020 to HK$193.8 million as at 31 December 2020. The increase was mainly due to translation gain of HK$15.2 million arising from appreciation of RMB against HKD, partially offset by depreciation charge of HK$2.8 million during 6MFY2021.

(ii) Right-of-use assets

IFRS 16 Leases became effective for annual reporting periods beginning on or after 1 January 2019. Leasees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments. Right-of-use assets was HK$32.0 million, as at 31 December 2020 and 30 June 2020.

(iii) Deferred tax assets

Deferred tax assets remained unchanged at HK$8.2 million as at 31 December 2020 and 30 June 2020. 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$10.4 million, from HK$21.1 million as at 30 June 2020 to HK$31.5 million as at 31 December 2020. Current assets comprised (i) trade and other receivables; (ii) contract assets; and (iii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables increased by HK$5.1 million, from HK$20.8 million as at 30 June 2020 to HK$25.9 million as at 31 December 2020.

Trade and other receivables as at 31 December 2020 comprised trade receivables of HK$3.1 million, and other receivables and prepayment of HK$22.8 million.

(a) Trade receivables increased by HK$2.6 million, from HK$0.5 million as at 30 June 2020 to HK$3.1 million as at 31 December 2020. The increase was mainly due to revenue generated by GYZD during 6MFY2021 which remained uncollected as at 31 December 2020.

(b) Other receivables and prepayment comprising mainly prepayment for software development for the IDC business, increased by HK$2.5 million, from HK$20.3 million as at 30 June 2020 to HK$22.8 million as at 31 December 2020, due to increase in prepaid expenses in the IDC business.

(ii) Contract assets

Contract assets amounted to HK$3.6 million as at 31 December 2020 (30 June 2020 : Nil), relating primarily to the Group's right to consideration for work completed but not billed.

(iii) Cash and bank balances

Cash and bank balances increased by HK$1.8 million, from HK$0.3 million as at 30 June 2020 to HK$2.1 million as at 31 December 2020. Please refer to "Cashflows" for the movement in cash and cash equivalents.

Current Liabilities

Current liabilities increased by HK$9.6 million, from HK$52.8 million as at 30 June 2020 to HK$62.4 million as at 31 December 2020, mainly due to the following:

(i) Trade and other payables

Trade and other payables increased by HK$6.3 million, from HK$36.1 million as at 30 June 2020 to HK$42.4 million as at 31 December 2020. Trade and other payables as at 31 December 2020 comprised (a) trade payables of HK$10.9 million; (b) accruals and other payables of HK$30.0 million; (c) amount due to directors of HK$0.3 million; and (d) amount due to related parties of HK$1.2 million.

(a) Trade payables increased by HK$3.3 million, from HK$7.6 million as at 30 June 2020 to HK$10.9 million as at 31 December 2020, due to the reclassification of non-current portion of lease liabilities to current trade payables as it falls due and payable within 12 months.

(b) Accruals and other payables increased by HK$7.0 million, from HK$23.0 million as at 30 June 2020 to HK$30.0 million as at 31 December 2020, due to receipt of deposit of HK$5.0 million from the placees of the placement announced by the Company on 21 December 2020 ("**Placement**"), as well as other unpaid operating expenses in the 6MFY2021.

(c) Amount due to directors of the Company decreased by HK$0.9 million, from HK$1.2 million as at 30 June 2020 to HK$0.3 million as at 31 December 2020, as a result of settlement in the 6MFY2021.

(d) Amount due to related parties decreased by HK$3.1 million, from HK$4.3 million as at 30 June 2020 to HK$1.2 million as at 31 December 2020, as a result of the settlement in the 6MFY2021. Amount due to related parties is interest-free and repayable on demand.

(ii) Contract liabilities

Contract liabilities increased by HK$5.8 million, from HK$0.2 million as at 30 June 2020 to HK$6.0 million as at 31 December 2020, due to receipt of customer deposit for an annual contract where the corresponding service has yet to be performed in the 6MFY2021.

(iii) Provision for warranty

Provision for warranty increased by HK$0.1 million, from HK$0.8 million as at 30 June 2020 to HK$0.9 million as at 31 December 2019, due to the effect of appreciation of RMB against HKD.

(iv) Income tax payable

Income tax payable increased by HK$0.1 million, from HK$7.7 million as at 30 June 2020 to HK$7.8 million as at 31 December 2020, due to the effect of appreciation of RMB against HKD.

(v) Borrowings

Borrowings decreased by HK$2.7 million, from HK$8.0 million as at 30 June 2020 to HK$5.3 million as at 31 December 2020, due to settlement of loan from a shareholder of the Company of HK$3.4 million, partially offset by an increase of HK$0.3 million arising from appreciation of RMB against HKD. Bank borrowings of HK$5.3 million as at 31 December 2020, relate to loan from a bank, with an interest rate of 8.28% per annum, and is repayable on or before 26 March 2021.

Non-current Liabilities

Non-current liabilities increased by HK$9.6 million, from HK$80.4 million as at 30 June 2020 to HK$90.0 million as at 31 December 2020. Non-current liabilities comprised mainly (i) trade and other payables; (ii) borrowings; (iii) convertible bonds; and (iv) lease liabilities.

(i) Trade and other payables

Trade and other payables of HK$2.4 million as at 30 June 2020 (31 December 2020 : Nil) relate to an interest-free advance provided by a director of the Company, which has been fully repaid as at 31 December 2020.

(ii) Convertible bonds

Convertible bonds of HK$28.1 million as at 31 December 2020 (30 June 2020: Nil) relate to 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. On 24 December 2020, the Company redeemed HK$3.0 million of the Convertible Bond from the Subscriber in order to reduce the interest payable to the Subscriber on the Convertible Bond. The outstanding principal amount of the Convertible Bond of HK$28.1 million will expire on 22 December 2022.

(iii) Borrowings

Borrowings amounted to HK$21.0 million as at 30 June 2020 (31 December 2020 : Nil). The Company had, on 7 October 2020, entered into the Convertible Bond Agreement with the Subscriber. On 23 November 2020, the Subscriber served a notice to the Company to subscribe

for the Convertible Bond of an amount of HK$31,060,000, by discharging outstanding loan and unpaid interest owed by the Company to the Subscriber.

(iv) Lease liabilities

Lease liabilities increased by HK$4.8 million, from HK$57.0 million as at 30 June 2020 to HK$61.8 million as at 31 December 2020, due to effect of appreciation of RMB against HKD amounting to HK$2.2 million, as well as interests incurred during 6MFY2021 of HK$2.6 million.

Working Capital

Due to the changes in current assets and current liabilities as described above, the Group reported a negative working capital of HK$30.9 million and HK$31.7 million as at 31 December 2020 and 30 June 2020 respectively. The board of directors of the Company is of the view that the Company and the Group are able to continue as a going concern, based on the key assumptions set out in the Company's announcement on 12 October 2020. Other than the placement exercise completed on 11 January 2021 as described below, the Company may consider undertaking further fundraising exercises to strengthen its financial position.

The Company had, on 17 December 2020, entered into a placement agreement with two placees. The placees have agreed to subscribe for an aggregate of 1,567,400,000 new ordinary shares in the capital of the Company at an issue price of S$0.0011 per share, amounting to an aggregate consideration of S$1,724,140 (equivalent to approximately HK$10.0 million on the basis of an agreed exchange rate at S$1.00 : HK$5.80). Subsequent to the financial period ended 31 December 2020, the Company had, on 11 January 2021, completed the Placement and raised net proceeds of HK$9.88 million.

(C) CASH FLOWS

(a) 3M FY2021

Net cash used in operating activities in the 3MFY2021 amounted to HK$1.6 million. This was mainly due to (i) operating loss before changes in working capital of HK$0.6 million; (ii) increase in trade and other receivables of HK$2.5 million; (iii) increase in contract assets of HK$1.5 million; (iv) decrease in trade and other payables of HK$2.8 million; and (v) interest paid of HK$0.1 million, partially offset by (vi) increase in contract liabilities of HK$6.0 million.

There was no cash generated from or used in investing activities in the 3MFY2021.

Net cash generated from financing activities amounted to HK$2.0 million in the 3MFY2021, mainly due to (i) deposits received for Placement of HK$5.0 million, partially offset by (ii) partial redemption of Convertible Bond amounting to HK$3.0 million; and (iii) repayment of loan borrowing from a financial institution of HK$42 thousand.

As a result, the Group's cash and cash equivalents increased from HK$0.3 million as at 30 June 2020 to HK$2.1 million as at 31 December 2020.

(b) 6M FY2021

Net cash used in operating activities in the 6MFY2021 amounted to HK$2.9 million. This was mainly due to (i) increase in trade and other receivables of HK$5.1 million; (ii) increase in contract assets of HK$3.6 million; (iii) decrease in trade and other payables of HK$1.7 million; and (iv) interest paid of HK$0.4 million, partially offset by (v) operating before changes in working capital of HK$1.9 million and (vi) increase in contract liabilities of HK$5.9 million.

There was no cash generated from or used in investing activities in the 6MFY2021.

Net cash generated from financing activities amounted to HK$4.0 million in the 6MFY2021, mainly due to (i) deposits received for Placement of HK$5.0 million; (ii) proceeds from non-convertible bonds of HK$15 million, partially offset by (iii) repayment to a director of the Company of HK$2.4 million; (iv) partial redemption of Convertible Bond amounting to HK$3.0 million; (v) repayment of loan borrowing from shareholders of HK$10.5 million; and (vi) repayment of loan borrowing from a financial institution of HK$42 thousand.

As a result, the Group generated cash and cash equivalents of HK$1.8 million in 6MFY2021.

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

The unaudited financial results for 3MFY2021 and 6MFY2021 set out in this announcement are in line with the profit guidance announcement released by the Company on 31 January 2021.

10. 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 GYZD. As announced by the Company previously, GYZD is in the process of expanding its capacity of hosting 1,500 racks in addition to 660 racks currently. Due to changes in GYZD'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, including the Group's 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, numerous new orders which have been secured recently will enable GYZD to partially 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 to the aforementioned. Please refer to the Company's circular to shareholders dated 14 October 2020 for further details on the aforementioned proposed diversification.

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.

11. 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 (3MFY2020: 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.

12. 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 the 3MFY2021 as the Group is loss making in the 3MFY2021.

13. 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.

14. Negative assurance on interim financial statements pursuant to Rule 705(5)

We, Chan Andrew Wai Men and Luk Siu Fung, Mark, 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 interim financial statements for the 3 months and 6 months ended 31 December 2020 to be false or misleading in any material aspect.

15. 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.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer

Luk Siu Fung, Mark
Executive Director

8 February 2021