

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

**Unaudited Condensed Interim Consolidated Financial Statements for the Nine Months Ended
31 March 2024**

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 31 MARCH 2024
(Expressed in Hong Kong thousand dollars)

	Note	3 Months Ended			9 Months Ended		
		31.03.2024 (Unaudited)	31.03.2023 (Unaudited)	% + / (-)	31.03.2024 (Unaudited)	31.03.2023 (Unaudited)	% + / (-)
Revenue	4	3,014	1,495	>100	5,965	6,147	(3)
Depreciation of property, plant and equipment		(693)	(747)	(7)	(2,081)	(2,210)	(6)
Depreciation of right-of-use assets		(278)	(359)	(23)	(244)	(1,060)	(77)
Reversal of financial assets and contract assets	6	-	1	(100)	48	129	(63)
Bandwidth fees		(46)	(58)	(21)	(88)	(197)	(55)
Employee benefits expenses		(557)	(650)	(14)	(1,773)	(1,873)	(5)
Other income	5	-	2	(100)	7	246	(97)
Other expenses		(2,070)	(1,953)	6	(7,550)	(7,654)	(1)
Foreign exchange gain/(loss)		35	(30)	N.M.	15	(46)	N.M.
Finance costs	7	<u>(1,681)</u>	<u>(1,233)</u>	36	<u>(4,957)</u>	<u>(4,642)</u>	7
Loss before taxation	8	<u>(2,276)</u>	<u>(3,532)</u>	(36)	<u>(10,658)</u>	<u>(11,160)</u>	(4)
Income tax expense		-	-	-	-	-	-
Loss for the financial period		<u>(2,276)</u>	<u>(3,532)</u>	(36)	<u>(10,658)</u>	<u>(11,160)</u>	(4)
Other comprehensive income/(expense):							
Other comprehensive income/(expense) for the financial period, net of tax		<u>2,920</u>	<u>(725)</u>	N.M.	<u>1,164</u>	<u>1,830</u>	(36)
		<u>2,920</u>	<u>(725)</u>	N.M.	<u>1,164</u>	<u>1,830</u>	(36)
Total comprehensive income/(expense) for the financial period		<u>644</u>	<u>(4,257)</u>	N.M.	<u>(9,494)</u>	<u>(9,330)</u>	2
Loss attributable to:							
- Owners of the Company		(2,092)	(3,119)	(33)	(8,438)	(10,122)	(17)
- Non-controlling interests		<u>(184)</u>	<u>(413)</u>	(55)	<u>(2,220)</u>	<u>(1,038)</u>	>100
		<u>(2,276)</u>	<u>(3,532)</u>	(36)	<u>(10,658)</u>	<u>(11,160)</u>	(4)
Total comprehensive income/(expense) attributable to:							
- Owners of the Company		1,054	(3,823)	N.M.	(7,192)	(8,609)	(16)
- Non-controlling interests		<u>(410)</u>	<u>(434)</u>	(5)	<u>(2,302)</u>	<u>(721)</u>	>100
		<u>644</u>	<u>(4,257)</u>	N.M.	<u>(9,494)</u>	<u>(9,330)</u>	2
Loss per share attributable to the owners of the Company							
Basic (HK cents)	9	(0.99)	(1.86) *	(47)	(4.01)	(6.05) *	(34)

* restated to take into account the effects of share consolidation and the bonus element in the rights issue during the financial 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 31 MARCH 2024

(Expressed in Hong Kong thousand dollars)

	Note	The Group		The Company	
		As at 31.03.2024 (Unaudited)	As at 30.06.2023 (Audited)	As at 31.03.2024 (Unaudited)	As at 30.6.2023 (Audited)
ASSETS					
Non-current assets					
Property, plant and equipment	11	37,935	39,920	-	-
Right-of-use assets		10,924	14,952	-	-
Investment in subsidiaries		-	-	28,057	28,057
Deferred tax assets		11,966	11,966	-	-
		60,825	66,838	28,057	28,057
Current assets					
Trade and other receivables		10,334	6,943	175	187
Contract assets		662	501	-	-
Derivative asset		957	957	957	957
Cash and bank balances		31	1,387	-	4
		11,984	9,788	1,132	1,148
TOTAL ASSETS		72,809	76,626	29,189	29,205
LIABILITIES					
Current liabilities					
Trade and other payables		39,362	35,532	10,674	6,722
Contract liabilities		1,080	107	-	-
Borrowings	12	10,099	7,801	-	-
Redeemable convertible bond	13	15,827	15,178	15,827	15,178
Lease liabilities		-	77	-	-
Income tax payable		8,328	8,325	-	-
		74,696	67,020	26,501	21,900
Non-current liabilities					
Lease liabilities		55,470	56,221	-	-
		55,470	56,221	-	-
TOTAL LIABILITIES		130,166	123,241	26,501	21,900
NET (LIABILITIES) / ASSETS		(57,357)	(46,615)	2,688	7,305
EQUITY					
Capital and reserves attributable to equity holders of the Company					
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		8,625	8,720	-	-
Statutory reserve		7,066	7,066	-	-
Revaluation reserve		98	98	-	-
Other reserve		22,384	22,384	7,264	7,264
Accumulated losses		(536,396)	(527,958)	(531,959)	(527,342)
		29,160	37,693	2,688	7,305
Non-controlling interest		(86,517)	(84,308)	-	-
TOTAL (DEFICIT)/EQUITY		(57,357)	(46,615)	2,688	7,305

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

SINOCLOUD GROUP LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2024

(Expressed in Hong Kong thousand dollars)

	<u>3 Months Ended</u>		<u>9 months Ended</u>	
	<u>31.03.2024</u> (Unaudited)	<u>31.03.2023</u> (Unaudited)	<u>31.03.2024</u> (Unaudited)	<u>31.03.2023</u> (Unaudited)
Cash flow from operating activities				
Loss before tax	(2,276)	(3,532)	(10,658)	(11,160)
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	693	747	2,081	2,210
Depreciation of right-of-use assets	278	359	244	1,060
Reversal of financial assets and contract assets	-	(1)	(48)	(129)
Interest expense	1,681	1,233	4,957	4,642
Operating gain/(loss) before working capital changes	376	(1,194)	(3,424)	(3,377)
Trade and other receivables	(1,099)	(20)	(1,978)	1,219
Trade and other payables	(820)	1,551	2,225	(3,626)
Contract assets	(71)	-	(161)	-
Contract liabilities	756	(221)	973	(389)
Cash used in operations	(858)	116	(2,365)	(6,173)
Interest paid	(79)	(83)	(218)	(753)
Net cash (used in)/from operating activities	<u>(937)</u>	<u>33</u>	<u>(2,583)</u>	<u>(6,926)</u>
Cash flow from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flow from financing activities				
Advances (to)/from related parties, net	(1,322)	(191)	(1,399)	3,262
Advances from directors, net	503	-	2,282	-
Advances from a shareholder, net	200	303	200	1,723
Net cash (used in)/from financing activities	<u>(619)</u>	<u>112</u>	<u>1,083</u>	<u>4,985</u>
Net (decrease)/increase in cash and cash equivalents	(1,556)	145	(1,500)	(1,941)
Cash and cash equivalents at beginning of the financial period	471	374	1,330	150
Effect of exchange rate changes in cash and cash equivalents	1,116	19	201	2,329
Cash and cash equivalents at end of the financial period, representing cash and bank balances	<u>31</u>	<u>538</u>	<u>31</u>	<u>538</u>
Analysis of cash and cash equivalents				
Cash and bank balances	31	538	31	538
Less: Frozen bank account in PRC	-	-	-	-
	<u>31</u>	<u>538</u>	<u>31</u>	<u>538</u>

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

FY2024

Group - Third 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	HK\$'000	HK\$'000		
Balance as at 1 July 2023	21,059	489,868	16,456	8,720	7,066	98	22,384	(527,958)	(84,308)	(46,615)	
Loss for the period	-	-	-	-	-	-	-	(2,732)	(949)	(3,681)	
Currency translation differences arising from consolidation	-	-	-	559	-	-	-	-	(52)	507	
Total comprehensive income/(expense) for the period	-	-	-	559	-	-	-	(2,732)	(1,001)	(3,174)	
Balance as at 30 September 2023	21,059	489,868	16,456	9,279	7,066	98	22,384	(530,690)	(85,309)	(49,789)	
Loss for the period	-	-	-	-	-	-	-	(3,614)	(1,087)	(4,701)	
Currency translation differences arising from consolidation	-	-	-	(1,900)	-	-	-	-	144	(1,756)	
Total comprehensive income / (loss) for the period	-	-	-	(1,900)	-	-	-	(3,614)	(943)	(6,457)	
Balance as at 31 December 2023	21,059	489,868	16,456	7,379	7,066	98	22,384	(534,304)	(86,252)	(56,246)	
Loss for the period	-	-	-	-	-	-	-	(2,092)	(183)	(2,275)	
Currency translation differences arising from consolidation	-	-	-	1,246	-	-	-	-	(82)	1,164	
Total comprehensive income / (loss) for the period	-	-	-	1,246	-	-	-	(2,092)	(265)	(1,111)	
Balance as at 31 March 2024	21,059	489,868	16,456	8,625	7,066	98	22,384	(536,396)	(86,517)	(57,357)	

FY2023

Group - Third Quarter

Attributable to equity holders of the Company

	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Translation Reserve HK\$'000	Statutory Reserve HK\$'000	Revaluation Reserve HK\$'000	Other reserve HK\$'000	Accumulated Losses HK\$'000	Non- Controlling Interest HK\$'000	Total Equity HK\$'000
Balance as at 1 July 2022	15,878	481,352	16,456	5,488	7,066	98	22,384	(512,811)	(77,130)	(41,219)
Profit for the period	-	-	-	-	-	-	-	(3,505)	(273)	(3,778)
Currency translation differences arising from consolidation	-	-	-	4,082	-	-	-	-	1,810	5,892
Total comprehensive income for the period	-	-	-	4,082	-	-	-	(3,505)	1,537	2,114
Balance as at 30 September 2022	15,878	481,352	16,456	9,570	7,066	98	22,384	(516,316)	(75,593)	(39,105)
Loss for the period	-	-	-	-	-	-	-	(3,498)	(352)	(3,851)
Currency translation differences arising from consolidation	-	-	-	(1,865)	-	-	-	-	(1,472)	(3,337)
Total comprehensive expense for the period	-	-	-	(1,865)	-	-	-	(3,498)	(1,824)	(7,188)
Balance as at 31 December 2022	15,878	481,352	16,456	7,705	7,066	98	22,384	(519,814)	(77,417)	(46,293)
Loss for the period	-	-	-	-	-	-	-	(3,119)	(413)	(3,531)
Currency translation differences arising from consolidation	-	-	-	(704)	-	-	-	-	(21)	(725)
Total comprehensive loss for the period	-	-	-	(704)	-	-	-	(3,119)	(434)	(4,256)
Balance as at 31 March 2023	15,878	481,352	16,456	7,001	7,066	98	22,384	(522,933)	(77,851)	(50,549)

FY2024

Attributable to equity holders of the Company

Company - Third Quarter

	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	21,059	489,868	16,456	7,264	(528,824)	5,823
Loss for the period	-	-	-	-	(1,714)	(1,714)
Balance as at 31 December 2023	21,059	489,868	16,456	7,264	(530,538)	4,109
Loss for the period	-	-	-	-	(1,421)	(1,421)
Balance as at 31 December 2023	<u>21,059</u>	<u>489,868</u>	<u>16,456</u>	<u>7,264</u>	<u>(531,959)</u>	<u>2,688</u>

FY2023

Attributable to equity holders of the Company

Company - Third Quarter

	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	15,878	481,352	16,456	7,264	(494,162)	26,788
Loss for the period	-	-	-	-	(1,399)	(1,399)
Balance as at 31 December 2022	15,878	481,352	16,456	7,264	(495,561)	25,389
Loss for the period	-	-	-	-	(880)	(880)
Balance as at 31 March 2023	<u>15,878</u>	<u>481,352</u>	<u>16,456</u>	<u>7,264</u>	<u>(496,441)</u>	<u>24,509</u>

E. NOTE TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

SinoCloud Group Limited (the “**Company**”, and together with 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 the provision of internet data centre (“**IDC**”) services.

Economic Growth in the PRC

Economic growth has been decelerating in the People’s Republic of China (“**PRC**”) 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 extended 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 foreseeable future.

Despite of the current situation, the Company could be able to secure new business with a government bureau at Guizhou province of the PRC and other private sector entities, and 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.

2. Basis of preparation

The condensed interim consolidated financial statements for the third quarter (“**3M FY2024**”) and nine months (“**9M FY2024**”) ended 31 March 2024 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 condensed interim consolidated financial statements of the Group for the three months ended 31 December 2023.

The accounting policies and methods of computations adopted are consistent with those adopted by the Group in its latest audited consolidated financial statements for FY2023, which were prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”). The condensed interim consolidated financial statements for 3M FY2024 and 9M FY2024 are presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) as indicated.

Going concern

The Group incurred a net loss of HK\$10,658,000 for 9M FY2024. Further, the Group recorded negative operating cash flows of HK\$2,583,000 for 9M FY2024, and was in net current liabilities of HK\$62,712,000 as at 31 March 2024. As of 31 March 2024, the Group’s cash and bank balances available for use amounted to HK\$31,000 while its current liabilities amounted to HK\$74,696,000.

These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts on the ability of the Group and of the Company to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis as the management 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\$22,534,000 or 30.2% of current liabilities (comprising borrowings of HK\$6,310,000 (Note 12), liability component of the redeemable convertible bond of HK\$15,827,000 (Note 13) and related interests of HK\$465,000 and HK\$750,000 respectively as at 31 March 2024), unless the Group has sufficient funds to pay other creditors in full.
- b) Notwithstanding the challenging economic environment in the PRC, the Group is cautiously 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, which is largely in line with the Gross Domestic Product growth in the PRC in recent years. Further, based on discussions with its major customers in the government sector, the management is positive that the government related hosting projects will be renewed accordingly. During 9M 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), the Management believes that the PRC bank is willing to grant forbearance, upon settlement of quarterly interests owing to the PRC bank. Guiyang Tech is in discussion with the PRC bank to extend the maturity of the loan 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. The Management is therefore of the view that there will be no cash outflow required for lease payments for the next 12 months.
- f) The 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\$10,296,000 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 3M FY2024 and 9M FY2024, the Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's latest audited consolidated financial statements as at and for the financial year ended 30 June 2023.

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 makers ("CODMs") reviews internal management reports on a quarterly basis. The following summary describes the operations 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 CODMs. All other segments' items include the following:

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

Business segments

	Three months ended 31.03.24			Nine months ended 31.03.24		
	Internet Data Centre Services	All other segments	Total	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	3,014	-	3,014	5,965	-	5,965
Segment loss	596	(1,191)	(595)	(1,873)	(3,828)	(5,701)
Finance costs			(1,681)			(4,957)
Loss before tax			(2,276)			(10,658)
Income tax			-			-
Loss for the financial period			(2,276)			(10,658)
<u>Other segment items</u>						
Depreciation of property, plant and equipment	693	-	693	2,081	-	2,081
Depreciation of right-of-use assets	278	-	278	244	-	244
Reversal of financial assets and contract assets	-	-	-	(48)	-	(48)
	Three months ended 31.03.23			Nine months ended 31.03.23		
	Internet Data Centre Services	All other segments	Total	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	1,495	-	1,495	6,147	-	6,147
Segment loss	(1,309)	(990)	(2,299)	(3,325)	(3,193)	(6,518)
Finance costs			(1,233)			(4,642)
Loss before tax			(3,532)			(11,160)
Income tax expense			-			-
Loss for the financial period			(3,532)			(11,160)
<u>Other segment items</u>						
Depreciation of property, plant and equipment	747	-	747	2,210	-	2,210
Depreciation of right-of-use assets	359	-	359	1,060	-	1,060
Reversal of financial assets and contract assets	(1)	-	(1)	(129)	-	(129)

Geographical information

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

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

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

5 Other income

	Three months ended		Nine months ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants	-	2	6	246
Bank interest income	-	-	1	-
	<u>-</u>	<u>2</u>	<u>7</u>	<u>246</u>

6 Reversal of financial assets and contract assets

Reversal of financial assets and contract assets was Nil (three months ended 31 March 2023: HK\$0.001 million) and HK\$0.05 million for the three months and nine months ended 31 March 2024 (nine months ended 31 March 2024: HK\$0.13 million), respectively. It represents recovery of trade receivables from counter parties during the respective periods.

7 Finance costs

	Three months ended		Nine months ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense on				
- Redeemable convertible bonds	462	-	1,376	1,000
- Loans	233	200	680	645
- Lease liabilities	986	1,033	2,901	2,997
	<u>1,681</u>	<u>1,233</u>	<u>4,957</u>	<u>4,642</u>

8 Loss before taxation

	Three months ended		Nine months ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Loss before taxation is stated after charging:

Directors' remuneration				
- directors of the Company	75	78	225	236
Directors' fees				
- directors of the Company	60	90	172	270
Audit fees				
- auditors of the Company	359	250	1,069	830
- other auditors	32	20	95	62

9 Loss per Share

	Group			
	3 Months Ended 31.03.2024 (Unaudited)	3 Months Ended 31.03.2023 (Unaudited)	9 Months Ended 31.03.2024 (Unaudited)	9 Months Ended 31.03.2023 (Unaudited)
Loss attributable to equity holders of the Company (HK\$'000)	(2,092)	(3,119)	(8,438)	(10,122)
Weighted average number of shares in issue	210,593,153	167,415,726	210,593,153	167,415,726
Loss per ordinary share (HK cents)				
- Based on weighted average number of ordinary shares in issue	(0.993)	(1.863)	(4.007)	(6.046)
- On a fully diluted basis	(0.993)	(1.863)	(4.007)	(6.046)

Notes:

- (1) The weighted average number of shares in issue for the three months and nine months ended 31 March 2023 are 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 and nine months ended 31 March 2024 and 31 March 2023.

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.

	Three months ended		Nine months ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advances from directors, net	503	-	2,282	-
Advances from/(to) related parties, net	<u>(1,322)</u>	<u>(191)</u>	<u>(1,399)</u>	<u>3,262</u>
<u>Key management personnel compensation</u>				
Directors of the Company				
- Salary and related costs	75	78	225	236
- Contribution to defined contribution plans	3	2	11	11
- Directors' fee	60	90	172	270
Directors of subsidiaries				
- Salary and related costs	180	184	540	553
- Contribution to defined contribution plans	5	5	14	14
	<u>323</u>	<u>359</u>	<u>962</u>	<u>1,084</u>
Categories of total compensation				
- Short-term employment benefits	315	352	937	1,059
- Post-employment benefits	8	7	25	25
	<u>323</u>	<u>359</u>	<u>962</u>	<u>1,084</u>

11 Property, plant and equipment

There was no acquisition or impairment of property, plant and equipment during 3M FY2024 and 9M 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	
		HK\$'000	than 5 years	HK\$'000
Group				
<u>As at 31 March 2024</u>				
Loan 1 (Unsecured) - Fixed rate	7.20%	3,789	-	3,789
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)
Loan 23 (Unsecured) - Fixed rate	10.00%	200	-	200
		<u>10,099</u>	<u>-</u>	<u>10,099</u>
<u>As at 30 June 2023</u>				
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 31 March 2024 and 30 June 2023

Nil

Note 1

The Company signed a loan extension agreement with Mr Lam to extend all loans (Loan 5 to Loan 20) with the same terms for one year tenure on 1 July 2023.

Note 2

The Company 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 loan carrying interest at 10% per annum on 1 July 2023 with 1 year tenure.

Loan 1

This loan was obtained by Guiyang Tech from a PRC bank 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 and is in discussion with the PRC bank to extend the repayment terms of the loan to March 2025.

Loan 23

The loans are due to Mr Lam. The loans are unsecured, interest bearing at 10% per annum and repayment within one year.

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:

Principal Amount	:	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).
Issue Price	:	100% of the aggregate principal amount of the Bond.
Interest Rate	:	The Bond bears interest at a rate of 6.0% simple interest on 365-day basis, payable quarterly.
Maturity Date	:	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.
Issue Date	:	23 November 2020
Purchase	:	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.
Conversion	:	Convert at S\$0.0622 per share at an agreed fixed exchange rate of S\$1.00 : HK\$5.60.
Voluntary Conversion	:	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	1,375
Accrued coupon interest included in other payables	(726)
Liability component as at 31 March 2024	<u>15,827</u>

14 Share Capital

- (2) **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 31 March 2024	210,593,153	21,059	210,593,153	21,059

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

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

	As at 31 March 2024	As at 31 March 2023
Number of shares that may be issued on conversion of all outstanding convertibles	48,259,531 ⁽¹⁾	4,383,378,402 ⁽¹⁾
Total number of issued shares (excluding treasury shares and subsidiary holdings) ⁽²⁾	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 redeemed, in aggregate, 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 31 December 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 31 March 2024, the outstanding principal amount of the Convertible Bond was HK\$16.06 million, together with the accrued convertible bond interest of HK\$0.75 million, which may be converted into 48,259,531 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.

- (2) There were no treasury shares and subsidiary holdings as at 31 March 2023, 30 June 2023 and 31 March 2024.

15 Net Asset Value

	Group		Company	
	As at 31 March 2024 (Unaudited)	As at 30 June 2023 (Audited)	As at 31 March 2024 (Unaudited)	As at 30 June 2023 (Audited)
Net asset value attributable to the Group (HK\$'000)	29,160	37,693	2,688	7,305
Number of shares in issue (excluding treasury shares) ^{(1), (2)}	210,593,153	210,593,153	210,593,153	210,593,153
Net asset value per ordinary share (HK cents)	13.85	17.90	1.28	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 31 March 2024 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 3M FY2024 and 9M FY2024 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 31 March 2024 was 210,593,153 (30 June 2023: 210,593,153). There were no treasury shares as at 31 March 2024 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 9M 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 assumptions prepared by the Management for purposes of this condensed interim consolidated financial statements for 9M 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 increased by HK\$1.5 million, from HK\$1.5 million in the three months ended 31 March 2023 (“**3M FY2023**”) to HK\$3.0 million in the three months ended 31 March 2024 (“**3M FY2024**”), mainly attributable to increase in revenue recognised from services rendered to private sector customers. It decreased by HK\$0.2 million, from HK\$6.2 million in the nine months ended 31 March 2023 (“**9M FY2023**”) to HK\$6.0 million in the nine months ended 31 March 2024 (“**9M FY2024**”), mainly due to decrease in customer demand and deferral of service renewal, largely attributable to slower economic growth in China, partially offset by increase in revenue from private sector customers during the 9M FY2024.

Other income

Other income of HK\$7,000 in 9M FY2024 relates to the bank interest income and government grant received by Guiyang Tech (9M FY2023: HK\$0.2 million). There is no other income in 3M FY2024 (3M FY2023: bank interest income of HK\$2,000).

Expenses

Depreciation of property, plant and equipment (“**PPE**”) decreased by HK\$0.05 million, from HK\$0.75 million in 3M FY2023 to HK\$0.70 million in 3M FY2024, and decreased by HK\$0.1 million, from

HK\$2.2 million in 9M FY2023 to HK\$2.1 million in 9M FY2024, as a result of the full depreciation of certain PPE.

Depreciation of right-of-use assets amounted to HK\$0.3 million in 3M FY2024 (3M FY2023: HK\$0.4 million) and HK\$0.2 million in 9M FY2024 (9M FY2023: HK\$1.1 million). The decrease was due to reassessment of lease liabilities and right-of-use assets as at 31 March 2024.

Reversal of financial assets and contract assets of HK\$0.05 million in 9M FY2024 (9M FY2023: HK\$0.1 million) was attributable to reversal of impairment loss of financial assets due to debt recovery from customers.

Bandwidth fees (i) decreased by HK\$0.01 million, from HK\$0.06 million in 3M FY2023 to HK\$0.05 million in 3M FY2024, and (ii) decreased by HK\$0.11 million, from HK\$0.20 million in 9M FY2023 to HK\$0.09 million in 9M FY2024, due to decrease in fees charged by the service provider and adjustment on over-accrual of broadband services.

Employee benefits expenses (i) decreased by HK\$0.1 million, from HK\$0.7 million in 3M FY2023 to HK\$0.6 million in 3M FY2024, and (ii) HK\$0.1 million, from HK\$1.9 million in 9M FY2023 to HK\$1.8 million in 9M FY2024, due to reduction of staff during 3M FY2024.

Other expenses, comprising primarily office overheads, legal and professional fees and utility service fees, increased by (i) HK\$0.1 million, from HK\$2.0 million in 3M FY2023 to HK\$2.1 million in 3M FY2024, mainly attributable to an increase in audit fees, and legal and professional fees during 3M FY2024, and (ii) decreased by HK\$0.1 million, from HK\$7.7 million in 9M FY2023 to HK\$7.6 million in 9M FY2024, mainly due to a decrease in utility service fees, partially offset by increase in audit fees, and legal and professional fees during 9M FY2024.

Foreign exchange gain in 3M FY2024 and 9M FY2024 is HK\$35,000 and HK\$15,000 respectively (Foreign exchange loss in 3M FY2023 and 9M FY2023: HK\$30,000 and HK\$46,000 respectively). The forex exchange gain in the respective period was mainly due to appreciation of Renminbi (“RMB”) against Hong Kong Dollar (“HKD”) in 3M FY2024 and 9M FY2024.

Finance costs increased by (i) HK\$0.5 million, from HK\$1.2 million in 3M FY2023 to HK\$1.7 million in 3M FY2024, and (ii) HK\$0.4 million, from HK\$4.6 million in 9M FY2023 to HK\$5.0 million in 9M FY2024, due to an increase in interest expense on redeemable convertible bonds and loans from Mr Lam, partially offset by reduction in interest expense on lease liabilities during 3M FY2024 and 9M FY2024.

Income tax

There was no income tax reported in 3M FY2024, 3M FY2023, 9M FY2024 and 9M FY2023 as there was no assessable profit generated during the respective financial periods.

Net loss after taxation

As a result of the aforesaid, the Group recorded a loss after tax of HK\$2.3 million in 3M FY2024 (3M FY2023: loss after tax of HK\$3.5 million), and a loss after tax of HK\$10.7 million in 9M FY2024 (9M FY2023: loss after tax of HK\$11.2 million).

(B) REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group amounted to HK\$60.8 million and HK\$66.8 million as at 31 March 2024 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\$2.0 million, from HK\$39.9 million as at 30 June 2023 to HK\$37.9 million as at 31 March 2024. The decrease was mainly due to depreciation charge of HK\$2.1 million, partially offset by translation gain of HK\$0.1 million arising from appreciation of RMB against HKD during 9M FY2024.

(ii) Right-of-use assets

The net book value of right-of-use assets decreased by HK\$4.1 million, from HK\$15.0 million as at 30 June 2023 to HK\$10.9 million as at 31 March 2024. The decrease was due to (i) lease reassessment of HK\$3.3 million, and (ii) depreciation charge of HK\$0.8 million during 9M FY2024.

(iii) Deferred tax assets

Deferred tax assets remained unchanged at HK\$12.0 million as at 31 March 2024 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 increased by HK\$2.2 million, from HK\$9.8 million as at 30 June 2023 to HK\$12.0 million as at 31 March 2024. 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\$3.4 million, from HK\$6.9 million as at 30 June 2023 to HK\$10.3 million as at 31 March 2024. Trade and other receivables as at 31 March 2024 comprise trade receivables of HK\$0.5 million, amount due from a related party of HK\$6.5 million, and other receivables and prepayment of HK\$3.3 million.

Trade receivables decreased by HK\$0.1 million, from HK\$0.6 million as at 30 June 2023 to HK\$0.5 million as at 31 March 2024. The decrease was mainly due to receipt of payment during 9M FY2024.

Amount due from a related party of HK\$6.5 million as at 31 March 2024 (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\$2.0 million, from HK\$1.3 million as at 30 June 2023 to HK\$3.3 million as at 31 March 2024, mainly due to increase in advance to a vendor during 9M FY2024.

(ii) Contract assets

Contract assets increased by HK\$0.2 million, from HK\$0.5 million as at 30 June 2023 to HK\$0.7 million as at 31 March 2024, as a result of increase in projects unbilled during 9M 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\$1.0 million as at 31 March 2024 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\$1.37 million, from HK\$1.4 million as at 30 June 2023 to HK\$0.03 million as at 31 March 2024. Please refer to "Cashflows" for the movement in cash and cash equivalents.

Current Liabilities

Current liabilities increased by HK\$7.7 million, from HK\$67.0 million as at 30 June 2023 to HK\$74.7 million as at 31 March 2024, mainly due to the following:

(i) Trade and other payables

Trade and other payables increased by HK\$3.9 million, from HK\$35.5 million as at 30 June 2023 to HK\$39.4 million as at 31 March 2024. Trade and other payables as at 31 March 2024 comprised (a) trade payables of HK\$0.3 million; (b) other payables of HK\$23.8 million; (c) VAT payable of HK\$6.9 million; (d) accruals of HK\$2.7 million; (e) amount due to directors of the Company of HK\$3.5 million; and (f) amount due to related parties of HK\$2.2 million.

(a) Trade payables decreased by HK\$1.6 million, from HK\$1.9 million as at 30 June 2023 to HK\$0.3 million as at 31 March 2024, mainly due to settlement during 9M FY2024.

(b) Other payables increased by HK\$5.6 million, from HK\$18.2 million as at 30 June 2023 to HK\$23.8 million as at 31 March 2024, mainly due to advances from various independent third parties of HK\$5.8 million during 9M FY2024.

(c) Value added tax ("VAT") payable decreased by HK\$0.3 million, from HK\$7.2 million as at 30 June 2023 to HK\$6.9 million as at 31 March 2024, mainly due to settlement during 9M FY2024.

(d) Accruals decreased by HK\$2.3 million, from HK\$5.0 million as at 30 June 2023 to HK\$2.7 million as at 31 March 2024, mainly due to settlement of legal and professional fees, and utility payables during 9M FY2024.

(e) Amount due to Directors of the Company increased by HK\$2.5 million, from HK\$1.0 million as at 30 June 2023 to HK\$3.5 million as at 31 March 2024, as a result of an increase in advances from Directors during 9M 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 31 March 2024 and 30 June 2023. The amounts were unsecured, interest-free and repayable on demand.

(ii) Contract liabilities

Contract liabilities increased by HK\$1.0 million, from HK\$0.1 million as at 30 June 2023 to HK\$1.1 million as at 31 March 2024, 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 31 March 2024.

(iii) Borrowings

Borrowings increased by HK\$2.2 million, from HK\$7.8 million as at 30 June 2023 to HK\$10.0 million as at 31 March 2024, mainly due to conversion 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 9M FY2024.

(iv) Redeemable convertible bond

Redeemable convertible bond increased from HK\$15.2 million as at 30 June 2023 to HK\$15.8 million as at 31 March 2024. The increase of HK\$0.6 million was mainly due to accumulated amortisation of interest expense of HK\$1.3 million, partially offset by the accrued coupon interests of HK\$0.7 million during 9M FY2024.

Non-current Liabilities

Non-current liabilities, comprising lease liabilities, decreased by HK\$0.7 million, from HK\$56.2 million as at 30 June 2023 to HK\$55.5 million as at 31 March 2024, due to (i) lease reassessment of HK\$3.8 million, partially offset by (ii) effect of appreciation of RMB against HKD amounting to HK\$0.2 million, and (iii) interests incurred of HK\$2.9 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\$62.7 million as at 31 March 2024 (30 June 2023: HK\$57.2 million). The Board is of the view that the Group's current liabilities include an aggregate amount of HK\$59.2 million (accounting for 79% 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\$6.9 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. The 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\$10.1 million. Guiyang Tech has yet to receive the supplier invoice for the aforesaid service and the Management expects that the payment for such service fee can be extended by the service provider.
- (iv) Interest payable for loan and convertible bond issued to a substantial shareholder of the Company (being Mr. Lam) amounting to HK\$1.2 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\$1.1 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\$15.8 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\$22,534,000 (which comprise borrowings of HK\$6,310,000 (Note 12), liability component of the redeemable convertible bond of HK\$15,827,000 (Note 13) and related interests of HK\$465,000 and HK\$750,000 respectively as at 31 March 2024), 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 2022.

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

(a) 3M FY2024

Net cash used in operating activities in 3M FY2024 amounted to HK\$0.9 million. This was mainly due to (i) increase in trade and other receivables of HK\$1.1 million; (ii) decrease in trade and other payables of HK\$0.8 million, (iii) increase in contract assets of HK\$0.07 million, and (iv) interest paid of HK\$0.08 million, partially offset by (v) operating profit before working capital changes of HK\$0.4 million; and (vi) increase in contract liabilities of HK\$0.75 million.

There was no net cash from or used in investing activities in 3M FY2024.

Net cash used in financing activities amounted to HK\$0.6 million in 3M FY2024, mainly due to the net advances to related parties of HK\$1.3 million, partially offset by the net advances from directors and a shareholder of HK\$0.5 million and HK\$0.2 million respectively.

As a result of the above, together with the effect of exchange rate changes in cash and cash equivalents of HK\$1.1 million, the Group's cash and cash equivalents decreased from HK\$0.4 million as at 31 December 2023 to HK\$0.03 million as at 31 March 2024.

(b) 9M FY2024

Net cash used in operating activities in 9M FY2024 amounted to HK\$2.6 million. This was mainly due to (i) operating loss before working capital changes of HK\$3.4 million; (ii) increase in trade and other receivables of HK\$2.0 million, (iii) increase in contract assets of HK\$0.2 million, and (iv) interest paid of HK\$0.2 million; partially offset by (v) increase in trade, and other payables of HK\$2.2 million; and (vi) increase in contract liabilities of HK\$1.0 million.

There was no net cash from or used in investing activities in the 9M FY2024.

Net cash from financing activities amounted to HK\$1.1 million in 9M FY2024, mainly due to the net advances from directors and a shareholder of HK\$2.3 million and HK\$0.2 million respectively, partially offset by the net advances to related parties of HK\$1.4 million.

As a result of the above and the effect of exchange rate changes in cash and cash equivalents of HK\$0.2 million, the Group's cash and cash equivalents decreased from HK\$1.3 million as at 30 June 2023 to HK\$0.03 million as at 31 March 2024.

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 the 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.

On 8 March 2024, the Company announced that a non-binding Memorandum of Understanding was entered into with Mr Luk Siu Fung, the former Executive Director and Chief Executive Officer of the Company, to acquire 60% shareholding interests of two investment holding companies to be incorporated in Hong Kong ("**Targets**") ("**Proposed Acquisition**"). The Targets, after reorganisation, will own certain food and beverage businesses in Hong Kong and China. The Company will make the necessary announcement(s) in compliance with the requirements of the Catalist Rules as and when there is material development on the Proposed Acquisition.

9. Dividend

If a decision regarding dividend has been made :-

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

None.

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

Nil for 3M FY2024 and 9M FY2024 (Nil for 3M FY2023 and 9M FY2023).

(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 and 9M FY2024 as the Group is loss making during the respective financial periods.

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

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

12. Negative confirmation pursuant to Rule 705(5)

We, Chan Andrew Wai Men and Lam Chun Hei, Justin, being directors of the Company do hereby confirm on behalf of the Board of Directors that, to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the condensed interim consolidated financial statements of the Group for 3M FY2024 and 9M FY2024 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 pursuant to Rule 706(A) of the Catalist Rules

The Company did not acquire or dispose shares in an entity (including incorporation and struck off of entity) which will result in that entity becoming or ceasing to be, a subsidiary or an associated company of the Company, or result in a change in the Company's shareholding percentage in a subsidiary or an associated company since the end of the previous reporting period, up to 31 March 2024.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Executive Chairman

Lam Chun Hei, Justin
Executive Director and
Chief Operating Officer

14 May 2024