SINOCLOUD GROUP LIMITED
(Incorporated in Bermuda on 13 August 2003)
(Registration No. 34050)

DISCLAIMER OF OPINION ON AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022 (“FY2022”)

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors ("**Board**") of SinoCloud Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company's independent auditor, Crowe Horwath First Trust LLP (the "**Independent Auditor**"), has issued a Disclaimer of Opinion on the Group’s audited financial statements for FY2022 (the “**Audited Financial Statements**”) (“**Independent Auditor’s Report**”). The basis for the Disclaimer of Opinion is in relation to (i) opening balances of the carrying amounts of property, plant and equipment, right-of-use asset, prepayments and deferred tax asset; (ii) impairment assessment of property, plant and equipment and rights of use asset; (iii) validity and completeness of trade and other payables; (iv) recoverability of deferred tax asset; (v) impairment assessment of investment in subsidiaries; (vi) validity of certain transactions reflected in other expenses and other income; (vii) recoverability of balance due from a related party included in trade and other receivables; (viii) adequate adjustment or disclosure of all significant subsequent events and transactions in the Audited Financial Statements; (ix) completeness of litigations and enforcement proceedings and corresponding liabilities; and (x) appropriateness of going concern assumption used in the preparation of the Audited Financial Statements.

A copy of the Independent Auditor’s Report and an extract of Notes 2, 4, 5, 6, 8, 9, 13, 15, 16, 29, 30 and 39 to the Audited Financial Statements are attached to this announcement for further information. Unless otherwise defined, all capitalised terms used herein shall have the same meaning as ascribed to them in the Independent Auditor’s Report.

Notwithstanding the above, the Audited Financial Statements have been prepared on a going concern basis due to reasons as disclosed in Note 2 to the Audited Financial Statements. The Board is of the opinion that the Group will be able to continue as a going concern, for the following reasons:

(a) As disclosed in Note 5 to the Audited Financial Statements, the Company’s sole operating subsidiary in the PRC, Guiyang Zhongdian Gaoxin Digital Technologies Limited (“**Guiyang Tech**”) is entitled to a rent-free period of its 20-year lease of the IDC premises since 2014, until the receipt of notice from the landlord. Management is confident that this rent-free period shall be extended for at least 12 months from the date of this report, given that Guiyang Tech has received the confirmation from the landlord that Guiyang Tech is still entitled to the rent-free period before the landlord obtains the property use rights.

(b) Management has successfully negotiated for favorable payment terms with its key suppliers, in particular, those providing bandwidth and utilities in the IDC premises, and has agreed to extend its credit terms and to defer payments by at least 12 months from the reporting date.

(c) The Group is confident of deferring payment of the entire balance of “defaulted” Loan 1 from a PRC bank of $4,671,000 (Note 15), of which 25% was due in September 2021, March 2022 and September 2022 respectively, and the remaining 25% will be due upon maturity in March 2023. No repayment has been made to date and management expects to rollover the loan totaling $4,671,000 in full for another two years to March 2025. A related party, the guarantor of the loan, has agreed to undertake the repayment of the entire amount of loan, should the bank request for those contractual installments from Guiyang Tech within the next 12 months.

(d) The Group has obtained continuing financial support from a substantial shareholder ("**Shareholder A**") to enable the Group to operate as a going concern and to meet its obligations as and when they fall due. Such financial support shall include not recalling for the aggregate balance owing to Shareholder A of $29,309,000 (which comprise borrowings of $4,584,000 (Note 15), liability component of the redeemable convertible bond of $23,638,000 (Note 16) and related interests of $914,000 and $173,000 respectively (Note 13) as at 30 June 2022), unless the Group has sufficient funds to pay other creditors in full.

(e) Subsequent to year end, the Company received a cash injection of $1,190,000 from Shareholder A, which shall be disbursed in 10 tranches during the period from July 2022 to November 2022. Further, on 30 September 2022, the Company announced its share consolidation and rights issue, whereby the Company proposed a share consolidation of every one hundred existing issued ordinary shares into one consolidated ordinary share ("**Proposed Share Consolidation**") and to undertake a renounceable non-written rights issue on the basis of one rights share for every two consolidated shares, at an issue price of S$0.05 for each rights share, immediately upon the completion of the Proposed Share Consolidation ("**Proposed Rights Issue**"). The Proposed Share Consolidation and Proposed Rights Issue are subject to approvals from the Singapore Exchange and the Company's shareholders at a special general meeting. The estimated net proceeds from the Proposed Rights Issue are expected to be approximately $21,020,000 (S$3,850,000) under the maximum subscription scenario and $9,390,000 (S$1,720,000) under the minimum subscription scenario.

The Board of Directors of the Company is confident that the Company is able to achieve the maximum subscription scenario, receive cash injection by end January 2023, make partial redemption of the redeemable convertible bond to Shareholder A as well as a partial repayment of borrowings to Shareholder A, and the remaining proceeds to be used as the Group's working capital to enable the Group to operate as a going concern for the next 12 months from the reporting date. The Board of Directors assessed that such funds are adequate for the Group's working capital for the next 12 months from the reporting date.

(f) On 18 November 2022, the Company entered into a supplementary agreement to the Convertible Bond Agreement dated 7 October 2020 with a significant shareholder (Shareholder A) to extend the maturity date of the convertible bonds by a period of four months from 22 November 2022 to 22 March 2023 ("**Extension Period**") and the conversion price to be changed from S$0.0011 to S$0.000825 for each conversion share. The amendments shall be conditional upon the approval of the shareholders of the Company. In addition, the amendment to the conversion price shall be conditional upon the completion of the Proposed Share Consolidation, as announced on 30 September 2022, as disclosed in Note 39(a). As of 18 November 2022, Shareholder A has agreed to waive the entire interest payable under the Convertible Bond Agreement during the Extension Period.

The Board of Directors of the Company is confident that upon partial redemption of the redeemable convertible bonds and after the completion of the Proposed Share Consolidation and Proposed Rights Issue, Shareholder A shall be agreeable to extend the redeemable convertible bonds by another two years.

The Board is of the view that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner and confirmed that all material disclosures have been provided for trading of the Company's shares to continue.

The Independent Auditor's Report, together with the Audited Financial Statements, will form part of the Company's annual report for FY2022 ("**2022 Annual Report**") which shall be released separately on SGXNet on 29 November 2022. Shareholders of the Company ("**Shareholders**") are advised to read this announcement in conjunction with the 2022 Annual Report.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Chan Andrew Wai Men
Executive Chairman
29 November 2022

Crowe Horwath First Trust LLP
9 Raffles Place
#19-20 Republic Plaza Tower 2
Singapore 048619
Main +65 6221 0338
www.crowe.sg

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINOCLOUD GROUP LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of SinoCloud Group Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 12 to 89, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. <u>Opening balances</u>

We expressed a disclaimer of opinion on the prior year financial statements for the financial year ended 30 June 2021 ("FY 2021"). The Company's sole operating subsidiary, Guiyang Zhongdian Gaoxin Digital Technologies Limited ('Guiyang Tech") operates an internet data centre in Guiyang, Guizhou Province in the PRC ("IDC Centre"). Due to significant operating losses reported by Guiyang Tech and a utilisation rate of less than 50% of its existing hosting capacity ("Phase 1"), management deferred its expansion project ("Deferment") which includes the construction of an additional 1,500 racks, a call centre to improve response time to customers and the development of related software ("Expansion Project").

Management engaged an external valuer to carry out an impairment assessment of the non-current assets attributable to Guiyang Tech and concluded that no impairment charge was required, notwithstanding the Deferment of the Expansion Project. We were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of the key assumptions used in the determination of the recoverable amount of these non-current assets, taking into consideration of the low utilisation rate and uncertainty in obtaining funding of $133,475,000 for the completion of the Expansion Project. We were also unable to determine if any provisions on additional liabilities, including onerous contracts, were necessary due to the impact of the Deferment of the Expansion Project.

Consequently, we were unable to determine whether any adjustments were necessary in respect of the Group's carrying amounts of property, plant and equipment, right-of-use assets and prepayments, amounting to an aggregate of $243,616,000 as at 30 June 2021.

Basis for Disclaimer of Opinion (Continued)

1. Opening balances (Continued)

Further, we were also unable to assess the recoverability of the Group's deferred tax asset of $11,966,000 relating to Guiyang Tech, as utilisation of deductible temporary differences and unused tax losses is subject to the availability of future taxable profits.

As a result of the above, we were also unable to determine whether any adjustment to the carrying amount of the Company's investment in subsidiaries (net of impairment) of $57,112,000, which was entirely attributable to Guiyang Tech, was necessary.

In view of the above matters that remain unresolved (as evidenced by further developments described below), we are unable to determine whether the opening balances as at 1 July 2021 are fairly stated. Since the opening balances as at 1 July 2021 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 30 June 2022, we are unable to determine whether adjustments might have been necessary in respect of the Group's financial statements and the Company's statement of financial position for the financial year ended 30 June 2022 (FY 2022).

2. Impairment assessment of current and non-current assets

a) Expansion Project

During the current financial year, Guiyang Tech entered into 2 termination agreements in May and June 2022 with its respective contractors to terminate the Expansion Project ("Termination"). Management represented that this was largely due to the COVID pandemic and weak market conditions in Guiyang Province and confirmed that Guiyang Tech has no further obligations to pay its capital commitments of $133,475,000 (arising from committed contracts) and no contingent liabilities or additional provisions were required.

Following the Termination, management engaged an external valuer to ascertain the salvage value of the Expansion Project, based on the repossession value using the depreciated replacement cost approach. The market value of the Expansion Project, in the existing state, was valued at $23,369,000 ("Salvage Value"), taking into consideration of the current cost of replacement of the building and its improvements, less deductions for physical deterioration, obsolescence and optimisation, as disclosed in Note 4. Accordingly, the Expansion Project was written down to the Salvage Value and an impairment of $140,736,000 was charged to the consolidated profit and loss statement. Correspondingly, management also wrote off prepayments of $20,665,000 relating to the Expansion Project as disclosed in Note 9, pursuant to the Termination.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINOCLOUD GROUP LIMITED (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Impairment assessment of current and non-current assets (Continued)

a) Expansion Project (Continued)

Based on the information made available to us, we were unable to understand the business rationale of the Termination, given the lack of documentary evidence. Further, we were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of using the depreciated replacement cost approach and the key inputs used to compute the Salvage Value, based on the limited information provided to us. We were unable to obtain independently verifiable supporting evidence, or perform alternative audit procedures, to corroborate management's representations that all liabilities relating to the Termination had been adequately accounted for as at FY 2022. There were also no alternative audit procedures that we could perform to assess the financial impact of the Termination in respect of the Group's liabilities arising from committed contracts and potential contingent liabilities.

In addition, we were unable to obtain independently verifiable supporting evidence or perform alternative audit procedures, such as circularisation procedures, to determine whether certain long outstanding non-trade payables included in the Group's trade and other payables balance of $30,306,000 (Note 13) relate to Phase 1 or the Expansion Project. Consequently, we were unable to satisfy ourselves as to the validity and completeness of the Group's trade and other payables as at FY 2022.

b) Property, plant and equipment and right of use assets – Phase I

As at 30 June 2022, after impairment of the Expansion Project, the Group's remaining carrying amounts of property, plant and equipment of $23,711,000 and right-of-use asset of $17,664,000 are attributable to Phase I of Guiyang Tech's existing hosting capacity. Management engaged an external valuer to carry out an impairment assessment by estimating the recoverable amount of these non-current assets attributable to Phase I, based on value-in-use ("VIU") computation. As disclosed in Note 4 to the financial statements, the key assumptions used in the VIU computation includes, *inter-alia*, (i) the ability to secure new contracts and to achieve full capacity in Phase I by 2024; and (ii) the ability to increase average selling prices by 13% and 15% for customers in the government and private sectors respectively.

Based on the outcome of management's assessment, no impairment charge was required for Phase I. However, in view of the current utilisation rate of less than 50%, significant losses during FY 2022, and the Termination as described in (a) above, we were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of the key assumptions used in the determination of the recoverable amount of Phase I based on the current information made available to us. Consequently, we were unable to determine whether any adjustments were necessary in respect of the Group's carrying amounts of property, plant and equipment and right-of-use asset as at 30 June 2022.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINOCLOUD GROUP LIMITED (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Impairment assessment of current and non-current assets (Continued)

c) Deferred tax asset

Consequently, due to the matters highlighted above, we were also unable to determine whether any adjustments were necessary in respect of the Group's deferred tax asset of $11,966,000 relating to Guiyang Tech as at 30 June 2022, as the utilisation of deductible temporary differences and unused tax losses is subject to the availability of future taxable profits, which is largely dependent upon the realisation of the assumptions as disclosed above.

d) Investment in subsidiaries

As at 30 June 2022, the carrying amount of the Company's investment in subsidiaries, net of impairment, amounted to $57,112,000 which is entirely attributable to the investment in Guiyang Tech. Due to the factors as discussed above, we were also unable to determine whether any adjustment to the carrying amount of the investment in subsidiaries was necessary.

3. Validity of certain transactions during the year

a) Transaction No. 1

During the financial year, Guiyang Tech received credit notes in August 2021 ("Credit Notes") from a vendor ("Supplier A") amounting to $8,041,000, pursuant to a purchase agreement with Supplier A on 21 December 2017 amounting to $11,814,000, in relation to the purchase of a list of equipment ("Equipment Set 1"). Based on delivery documents made available to us, Equipment Set 1 was delivered by Supplier A and another vendor ("Supplier B") in year 2018.

Following the receipt of Credit Notes, Guiyang Tech re-entered into another agreement with Supplier B on 10 August 2021 to purchase lesser quantity of Equipment Set 1 for a total consideration of $10,155,000 ("Equipment Set 1A"). Consequently, $2,114,000 was charged to the consolidated profit or loss statement (Note 30), purportedly due to the increase in selling price of Equipment Set 1A.

b) Transaction No. 2

On 9 September 2021, pursuant to the Termination, Guiyang Tech received a memorandum of agreement ("MOA") from Supplier B to terminate a purchase agreement, previously executed between Guiyang Tech and Supplier B on 21 March 2018, in relation to the purchase of equipment amounting to $8,898,000 for the Expansion Project ("Equipment Set 2"). In year 2018, Guiyang Tech prepaid the entire balance for the purchase of Equipment Set 2 and in FY 2021, management made a full impairment charge on the prepayment of Equipment Set 2, following the Deferment of the Expansion Project.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINOCLOUD GROUP LIMITED (Continued)

Basis for Disclaimer of Opinion (Continued)

3. Validity of certain transactions during the year (Continued)

b) Transaction No. 2 (Continued)

Pursuant to the terms of the MOA, Guiyang Tech is able to offset the prepaid amount for Equipment Set 2 of $8,898,000 with the purchase consideration for Equipment Set 1A of $10,155,000, resulting in a net balance owing to Supplier B of $1,257,000. Consequently, management reversed the impairment of prepayment amounting to $8,898,000 (Note 29) in relation to Equipment Set 2.

c) Transaction No. 3

During the financial year, management recorded "other income" of $551,000 (Note 29) relating to a waiver of debt from a bandwidth supplier ("Supplier C"), pursuant to a termination agreement dated 14 January 2019, notwithstanding that the provision of bandwidth services had been rendered.

Based on the information made available to us, we were unable to obtain satisfactory explanations from management on the business rationale and commercial substance of these transactions. We were also unable to determine the validity of the transactions for current and previous financial year and whether Equipment Set 2 were fully delivered as at the date of this report, given the lack of delivery documents. We were also unable to obtain independently verifiable supporting evidence or perform alternative audit procedures such as circularisation procedures to Supplier A and Supplier C, to corroborate management's representations. Consequently, we were unable to determine the financial effects, if any, on the current and previous financial year and whether adjustments and/or additional disclosures in the consolidated financial statements were necessary.

4. Recoverability of balance due from a related party

As at 30 June 2022, Guiyang Tech has a non-trade balance due from a related party of $4,099,000 (Note 9). We have not been able to obtain independently verifiable supporting evidence, or perform alternative audit procedures, to ascertain the recoverability of the balance, due to the lack of subsequent receipts. Further, we were also unable to ascertain the veracity of the related party's unaudited financial statements provided to us for the purpose of determining the financial capability of the related party. Consequently, we were unable to determine whether any adjustments were necessary in respect of the Group's carrying amount of trade and other receivables as at 30 June 2022.

5. Subsequent events

Up to the date of this report, we are unable to complete subsequent events review procedures that we consider necessary for the Group. Consequently, we are unable to ascertain whether all significant subsequent events and transactions have been adequately adjusted or disclosed in these financial statements.

6. Litigations and enforcement proceedings

Subsequent to financial year, during August 2022, Guiyang Tech, together with a key management personnel and 4 other parties, were involved in various on-going litigations and enforcement proceedings relating to disputes over loans granted by a microfinance company in the PRC. Management represents that these loans were not granted to Guiyang Tech and no provision of liabilities were required. We were not able to obtain sufficient documentary evidence, or perform alternative audit procedures, to corroborate management's representation and to satisfy ourselves that no provisions of liabilities were required from these litigations and claims made against Guiyang Tech. We were also not able to determine the completeness of such claims and any corresponding liabilities.

7. Going concern assumption

As disclosed in Note 2 to the financial statements, the Group and the Company reported significant losses of $166,373,000 and $9,251,000 respectively and negative operating cash flows of $6,179,000 and $2,819,000 respectively for the financial year ended 30 June 2022. As at that date, the Group and the Company were in net liabilities positions of $41,219,000 and $28,748,000 respectively. As of 30 June 2022, the Group's cash and bank balances available for use amounted to $150,000 while its current liabilities amounted to $67,612,000. As detailed above, the Group's sole operating subsidiary, Guiyang Tech, has terminated the Expansion Project, resulting in a significant impairment charge of construction in progress of $140,736,000 and prepayments written off of $20,665,000 in the consolidated profit and loss statement. These conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the abilities of the Group and the Company to continue as going concerns.

Further, as disclosed in Note 15, Guiyang Tech has defaulted on loan repayments, on a half-yearly basis, for a working capital loan of $4,671,000 ("Loan 1") as specified in the bank loan agreement. Management represents that the bank is willing to accept full repayment of Loan 1 upon maturity in March 2023 or roll over the facility for two more years to March 2025, and that a key management personnel and a related party ("Guarantors of Loan 1") will make full repayment on behalf of Guiyang Tech, in the event that the bank requests for immediate repayment.

Notwithstanding the above, the Board of Directors have prepared the financial statement on a going concern basis based on the assumptions as disclosed in Note 2, which includes, *inter-alia*, the continuing financial support from a substantial shareholder ("Shareholder A") to enable the Group to operate as a going concern and to meet its obligations as and when they fall due. Such financial support shall include not recalling for the aggregate balance owing to Shareholder A of $29,309,000 (comprising borrowings of $4,584,000, redeemable convertible bond of $23,638,000 and related interests) as at 30 June 2022, unless the Group has sufficient funds to pay other creditors in full. Further, the Board of Directors is confident that the Company shall complete its rights issue to its existing shareholders and a maximum cash injection of $21,020,000 shall be received by January 2023.

As at the date of this report, due to the matters highlighted above, we have not been able to obtain sufficient audit evidence regarding the financial abilities of the Guarantors of Loan 1 and Shareholder A to provide continuous financial support to the Group and the Company to repay its debts as and when they fall due and the likely outcome of the Group's ability to complete its fund-raising activities. Accordingly, we were unable to satisfy ourselves as to the appropriateness of the going concern basis of accounting used in the preparation of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINOCLOUD GROUP LIMITED (Continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of International Financial Reporting Standards (IFRSs), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing ("ISAs") and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we had fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

The engagement partner on the audit resulting in this independent auditor's report is Adeline Ng Cheah Chen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

29 November 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

SinoCloud Group Limited (the "Company") is a limited liability company domiciled and incorporated in Bermuda and is listed on the Catalist Market 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 subsidiaries are shown in Note 7 to the financial statements.

The financial statements for the financial year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 29 November 2022.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group and the Company reported a net loss of $166,373,000 and $9,251,000 (2021: $17,098,000 and $15,329,000) respectively and negative operating cash flows of $6,179,000 and $2,819,000 (2021: $939,000 and $29,475,000) respectively for the financial year ended 30 June 2022. As at that date, the Group and the Company were in net liabilities positions of $41,219,000 and $28,748,000 respectively (2021: net current liabilities of $23,491,000, net assets of $122,424,000). As of 30 June 2022, the Group's cash and bank balances available for use amounted to $150,000 (2021: $461,000) while its current liabilities amounted to $67,612,000 (2021: $53,209,000).

These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts on the ability of the Group and of the Company to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis as management has assessed that the Group and the Company are able to continue as going concerns due to the following key considerations and assumptions:

(a) As disclosed in Note 5, the Company's sole operating subsidiary in the PRC, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech") is entitled to a rent-free period of its 20-year lease of the IDC premises since 2014, until the receipt of notice from the landlord. Management is confident that this rent-free period shall be extended for at least 12 months from the date of this report, given that Guiyang Tech has received the confirmation from the landlord that Guiyang Tech is still entitled to the rent-free period before the landlord obtains the property use rights.

(b) Management has successfully negotiated for favorable payment terms with its key suppliers, in particular, those providing bandwidth and utilities in the IDC premises, and has agreed to extend its credit terms and to defer payments by at least 12 months from the reporting date.

(c) The Group is confident of deferring payment of the entire balance of "defaulted" Loan 1 from a PRC bank of $4,671,000 (Note 15), of which 25% was due in September 2021, March 2022 and September 2022 respectively, and the remaining 25% will be due upon maturity in March 2023. No repayment has been made to date and management expects to rollover the loan totaling $4,671,000 in full for another two years to March 2025. A related party, the guarantor of the loan, has agreed to undertake the repayment of the entire amount of loan, should the bank request for those contractual installments from Guiyang Tech within the next 12 months.

2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

(d) The Group has obtained continuing financial support from a substantial shareholder (“Shareholder A”) to enable the Group to operate as a going concern and to meet its obligations as and when they fall due. Such financial support shall include not recalling for the aggregate balance owing to Shareholder A of $29,309,000 (which comprise borrowings of $4,584,000 (Note 15), liability component of the redeemable convertible bond of $23,638,000 (Note 16) and related interests of $914,000 and $173,000 respectively (Note 13) as at 30 June 2022), unless the Group has sufficient funds to pay other creditors in full.

(e) Subsequent to year end, the Company received a cash injection of $1,190,000 from Shareholder A, which shall be disbursed in 10 tranches during the period from July 2022 to November 2022. Further, on 30 September 2022, the Company announced its share consolidation and rights issue, whereby the Company proposed a share consolidation of every one hundred existing issued ordinary shares into one consolidated ordinary share (“ Proposed Share Consolidation”) and to undertake a renounceable non-written rights issue on the basis of one rights share for every two consolidated shares, at an issue price of S$0.05 for each rights share, immediately upon the completion of the Proposed Share Consolidation (“Proposed Rights Issue”). The Proposed Share Consolidation and Proposed Rights Issue are subject to approvals from the Singapore Exchange and the Company’s shareholders at a special general meeting. The estimated net proceeds from the Proposed Rights Issue are expected to be approximately $21,020,000 (S$3,850,000) under the maximum subscription scenario and $9,390,000 (S$1,720,000) under the minimum subscription scenario.

The Board of Directors of the Company are confident that the Company is able to achieve the maximum subscription scenario, receive cash injection by end January 2023, make partial redemption of the redeemable convertible bond to Shareholder A as well as a partial repayment of borrowings to Shareholder A, and the remaining proceeds to be used as the Group’s working capital to enable the Group to operate as a going concern for the next 12 months from the reporting date. The Board of Directors assessed that such funds are adequate for the Group’s working capital for the next 12 months from the reporting date.

(f) On 18 November 2022, the Company entered into a supplementary agreement to the Convertible Bond Agreement dated 7 October 2020 with a significant shareholder (Shareholder A) to extend the maturity date of the convertible bonds by a period of four months from 22 November 2022 to 22 March 2023 (‘Extension Period”) and the conversion price to be changed from S$0.0011 to S$0.000825 for each conversion share. The amendments shall be conditional upon the approval of the shareholders of the Company. In addition, the amendment to the conversion price shall be conditional upon the completion of the Proposed Share Consolidation, as announced on 30 September 2022, as disclosed in Note 39(a). As of 18 November 2022, Shareholder A has agreed to waive the entire interest payable under the Convertible Bond Agreement during the Extension Period.

The Board of Directors of the Company is confident that upon partial redemption of the redeemable convertible bonds and after the completion of the Proposed Share Consolidation and Proposed Rights Issue, Shareholder A shall be agreeable to extend the redeemable convertible bonds by another two years.

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 the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements	Software platform	Plant and machineries	Motor vehicles	Furniture, fixtures, computer and other equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
As at 1 July 2020	19,726	6,795	57,381	612	1,980	149,366	235,860
Additions	-	-	-	-	54	-	54
Currency translation differences	1,920	661	5,586	60	194	14,542	22,963
As at 30 June 2021	21,646	7,456	62,967	672	2,228	163,908	258,877
As at 1 July 2021	21,646	7,456	62,967	672	2,228	163,908	258,877
Additions	-	-	-	-	748	-	748
Currency translation differences	(552)	(190)	(1,591)	(17)	(78)	(4,138)	(6,566)
As at 30 June 2022	21,094	7,266	61,376	655	2,898	159,770	253,059
Accumulated depreciation							
As at 1 July 2020	17,851	2,925	32,607	349	762	-	54,494
Depreciation during the financial year	1,119	729	3,445	62	377	-	5,732
Currency translation differences	1,763	301	3,251	35	83	-	5,433
As at 30 June 2021	20,733	3,955	39,303	446	1,222	-	65,659

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold improvements	Software platform	Plant and machineries	Motor vehicles	Furniture, fixtures, computer and other equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation							
As at 1 July 2021	20,733	3,955	39,303	446	1,222	-	65,659
Depreciation during the financial year	708	750	3,569	64	465	-	5,556
Currency translation differences	(545)	(124)	(1,103)	(13)	(45)	-	(1,830)
As at 30 June 2022	20,896	4,581	41,769	497	1,642	-	69,385
Impairment loss							
As at 1 July 2021	-	-	-	-	-	-	-
Addition	200	-	-	-	-	140,736	140,936
Currency translation differences	(7)	-	-	-	-	(4,335)	(4,342)
As at 30 June 2022	193	-	-	-	-	136,401	136,594
Net carrying amount							
As at 30 June 2022	5	2,685	19,607	158	1,256	23,369	47,080
As at 30 June 2021	913	3,501	23,664	226	1,006	163,908	193,218

Property, plant and equipment is mainly attributable to Guiyang Tech, which is operating an IDC business, and considered to be a single Cash-Generating Unit ('CGU'). Construction in progress representing the development and construction of Phase II and a Call Centre (collectively, "Expansion Project") was terminated during the financial year. Accordingly, management engaged an external valuer to ascertain the salvage value of the Expansion Project, based on the repossession value using the depreciated replacement cost approach. The market value of the Expansion Project, in the existing state, was valued at $23,369,000 ("Salvage Value"), taking into consideration of the current cost of replacement of the building and its improvements, less deductions for physical deterioration, obsolescence and optimisation. The Expansion Project has been written down to the Salvage Value and an impairment of $140,736,000 was charged to the consolidated profit and loss statement.

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment of existing IDC Centre (Phase 1)

The Group, which has only 1 sole operating subsidiary, Guiyang Tech, reported net loss before tax of $166,373,000 for the financial year ended 30 June 2022. The utilisation rate of Guiyang Tech's existing hosting capacity is less than 50% since commencement and certain secured contracts have been delayed in terms of capacity requirement and timing.

Accordingly, as at reporting date, the Group performed an impairment test for Guiyang Tech's non-current assets attributable to Phase 1, which includes property, plant equipment of $23,711,000 and right-of-use asset of $17,664,000 (Note 5). As at 30 June 2022, the total carrying amount, subject to impairment test, amounted to $41,375,000 ("Assets"). Management concluded that no impairment is required as the total recoverable amount of these Assets, based on the value-in-use ("VIU") computation, was higher than the total carrying amount of the Assets as at 30 June 2022.

The key assumption used in the VIU computation are as follow:

	Group	
	2022	2021
Average utilisation rate	**Phase I only**	**Phase I & II**
- Year 1 (2021: Year 1 to 2)	45%	61%
- Year 2 onwards (2021: Year 3 to 6)	100%	94%
Average selling price		
- Government sector	Increase by 13%	Increase by 12%
- Private sector	Increase by 15%	Increase by 9%

Average utilisation rate

The utilisation rate is forecasted based on management's expectations of the utilisation of hosting capacity. Management forecasted an increase in the utilisation rate on the assumption that Guiyang Tech was able to secure new contracts from certain state-owned enterprises in the PRC and realise certain postponed orders from existing contracts, including a general improvement of the overall economic environment of the IDC sector in the PRC, achieving full utilisation of Phase I in Year 2 (2021: full utilisation of Phase I and Phase II by Year 6).

Average selling price

The growth rate of the selling price is forecasted based on current actual price and management's expectations based on historical trends.

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment of existing IDC Centre– (Phase 1) - Continued

Sensitivity analysis

Management performed sensitivity analysis of the utilisation rate and discount rate as follow:

2022	Changes in rate	Effect on the value in use increase / (decrease)
		$'000
Utilisation rate	+10%	(1,731)
	-10%	(7,225)
Average growth rate of selling price	+1%	3,006
	-1%	(2,845)

5. RIGHT-OF-USE ASSET

	Leasehold Property
	$'000
Cost	
As at 1 July 2020	34,507
Decrease arising from reassessment of lease liabilities (Note 17)	(2,975)
Currency translation differences	3,359
As at 30 June 2021	34,891
As at 1 July 2021	34,891
Decrease arising from reassessment of lease liabilities (Note 17)	(8,961)
Currency translation differences	(882)
As at 30 June 2022	25,048
Accumulated depreciation	
As at 1 July 2020	2,546
Depreciation during the financial year	2,451
Currency translation differences	302
As at 30 June 2021	5,299

5. RIGHT-OF-USE ASSET (Continued)

	Leasehold Property
	$'000
Accumulated depreciation	
As at 1 July 2021	5,299
Depreciation during the financial year	2,289
Currency translation differences	(204)
As at 30 June 2022	7,384
Net carrying amount	
As at 30 June 2022	17,664
As at 30 June 2021	29,592

The right-of-use asset represents a leasehold property located at Guizhou province of the PRC. In May 2014, a subsidiary, Guiyang Tech entered into an operating lease agreement with the landlord, a state-owned enterprise, to lease the internet data centre ("IDC") premises for 20 years. As set out in the lease agreement, Guiyang Tech is entitled to a rental-free period since 2014 until receipt of notice from the landlord. The Group estimates future lease payments to the landlord, based on management's best estimates which are revised half-yearly. As at date of this report, the Group has not received payment notice from the landlord.

The Group is restricted from sub-leasing, operating the premises for other purposes. There are no other restrictions or covenants imposed by the lease contracts.

The corresponding lease liabilities is disclosed in Note 17.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2022	2021
	$'000	$'000
Unquoted equity shares, at cost	60,166	60,166
Accumulated impairment loss	(3,054)	(3,054)
	57,112	57,112

The cost of investment in subsidiaries relate entirely to Guiyang Tech as at 30 June 2022 and 30 June 2021.

A) Impairment assessment

On the basis that no impairment is required as the recoverable amount of Guiyang Tech's non-current assets, based on the value-in-use ("VIU") computation, was higher than the carrying amount as at 30 June 2022, management concluded that no additional impairment is required for the cost of investment in subsidiaries. The key assumptions used in the VIU computation are disclosed in Note 4.

6. INVESTMENT IN SUBSIDIARIES (Continued)

B) Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country / Region of incorporation and place of business	Proportion (%) of ownership interest	
			2022 %	2021 %
Held by the Company				
SinoCloud Investment Holdings Limited (i) (ii)	Investment holding	BVI, Hong Kong	100	100
Held by SinoCloud Investment Holdings Limited				
SinoCloud Group (HK) Limited (ii)	Management services	Hong Kong	100	100
SinoCloud Assets Management Company Limited (i) (ii)	Investment holding	BVI, Hong Kong	100	100
SinoCloud 01 Limited (i) (ii)	Investment holding	BVI, Hong Kong	100	100
Armarda International Inc (i) (ii)	Dormant	BVI, Hong Kong	100	100
Held by SinoCloud Assets Management Company Limited				
SinoCloud Asset Management Limited (ii)	Investment holding	Hong Kong	100	100
Zhong Yun Shi Dai Data Technology (Beijing) Co., Ltd. (中云时代数据科技(北京)有限公司) (ii)	Management services	PRC	100	100
Held by SinoCloud 01 Limited				
SinoCloud 01 (HK) Limited (ii)	Investment holding	Hong Kong	100	100
SinoCloud Data (Guiyang) Limited(ii)	Investment holding	PRC	100	100
Guiyang Zhongdian Gaoxin Digital Technologies Limited ("贵阳中电高新数据科技有限公司) ("Guiyang Tech") (ii)	Internet data centre services	PRC	60	60

(i) Not required to be audited by law of the country / region of incorporation.
(ii) Audited by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

C) Interest in subsidiary with non-controlling interests

	Proportion (%) of ownership interest		Group	
	2022 %	2021 %	2022 $'000	2021 $'000
Guiyang Zhongdian Gaoxin Digital Technologies Limited	40	40	(77,130)	(16,001)

6. INVESTMENT IN SUBSIDIARIES (Continued)

C) Interest in subsidiary with non-controlling interests (Continued)

The summarised financial information below represents amounts of non-wholly owned subsidiary of the Group that has material non-controlling interests before intragroup eliminations:

	Guiyang Zhongdian Gaoxin Digital Technologies Limited	
	2022	2021
	$'000	$'000
Statement of Financial Position		
Current assets	9,045	25,296
Non-current assets	76,708	232,289
Current liabilities	(40,614)	(68,541)
Non-current liabilities	(56,768)	(68,611)
Net (liabilities) / assets	(11,629)	120,433
Statement of Profit and Loss		
Revenue	13,445	9,680
Other income	14,952	2,007
Expenses	(184,932)	(21,237)
Loss for the financial year	(156,535)	(9,550)
Loss attributable to owners of the company	(93,921)	(5,730)
Loss attributable to the non-controlling interests	(62,614)	(3,820)
Other Comprehensive Income		
Other comprehensive income attributable to owners of the company	2,230	5,242
Other comprehensive income attributable to non-controlling interests	1,485	3,280
Other comprehensive income for the financial year	3,715	8,522
Total Comprehensive Loss		
Total comprehensive loss attributable to owners of the company	(91,691)	(488)
Total comprehensive loss attributable to non-controlling interests	(61,129)	(540)
Total comprehensive loss for the financial year	(152,820)	(1,028)
Statement of Cash Flows		
Net cash inflow from operating activities	863	428
Net cash outflow from investing activities	(748)	(54)
Net cash outflow from financing activities	-	(586)
Net cash inflow / (outflow)	115	(212)

7. INVESTMENT IN ASSOCIATE (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in the consolidated financial statements:

	Group	
	2022	2021
	$'000	$'000
Net liabilities	(36,825)	(36,825)
Proportion of the Group's ownership interest	45%	45%
Share of net liabilities	(16,468)	(16,468)
Goodwill on acquisition	158,750	158,750
Impairment loss	(142,282)	(142,282)
	-	-

The associate has remained dormant since the financial year ended 31 March 2018, the Group has not recognised losses relating to CSMCG, where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $104,000, of which $104,000 was the share of the current financial year's losses. The Group has no obligation in respect of these losses.

8. DEFERRED TAX ASSETS

The components and movement of deferred tax assets during the financial year prior to offsetting are as follows:

Deferred tax assets	At beginning of the financial year	Recognised in profit or loss	Currency translation differences	At end of the financial year
	$'000	$'000	$'000	$'000
30 June 2022				
Net difference between net carrying amount of property, plant and equipment and their tax base	(1,053)	-	-	(1,053)
Capitalised expenditures	(1,997)	-	-	(1,997)
Allowance for impairment	11,092	-	-	11,092
Unused tax losses	2,488	-	-	2,488
Other adjustment	1,436	-	-	1,436
	11,966	-	-	11,966

8. DEFERRED TAX ASSETS (Continued)

Deferred tax assets	At beginning of the financial year	Recognised in profit or loss	Currency translation differences	At end of the financial year
	$'000	$'000	$'000	$'000
30 June 2021				
Net difference between net carrying amount of property, plant and equipment and their tax base	(762)	(213)	(78)	(1,053)
Capitalised expenditures	(1,389)	(462)	(146)	(1,997)
Allowance for impairment	10,215	(115)	992	11,092
Provision for warranty	121	(128)	7	-
Unused tax losses	-	2,433	55	2,488
Other adjustment	-	1,403	33	1,436
	8,185	2,918	863	11,966

Unused tax losses
The PRC subsidiaries have tax losses of approximately $12,001,000 (2021: $9,952,000) that is available for offset against its future taxable profits subject to the agreement of the tax authorities and compliance with certain provisions of tax legislation. These tax losses expire by end of 5 years from the losses recorded.

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. The amount of taxation for which no deferred tax assets are recognised amounted to $2,049,000. The board of directors assessed that no deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised.

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade receivables				
- Third parties	20,973	18,275	-	-
- A related party	5,923	6,427	-	-
Less: Expected credit losses (Note 38(iii))	(25,304)	(24,028)	-	-
	1,592	674	-	-
Other receivables	3,220	2,743	-	-
Refundable deposits	110	38	-	-
Due from a related party (non-trade) (i)	4,099	63	-	-
	9,021	3,518	-	-
Prepayments (ii)	131	20,806	81	110
	9,152	24,324	81	110

9. TRADE AND OTHER RECEIVABLES (Continued)

(i) Due from a related party (non-trade)

The amount due from a related party represents a company controlled by a key management personnel and a substantial shareholder of the Group. This non-trade balance is interest-free, unsecured and repayable on demand.

(ii) Prepayments

Prepayments of $Nil (2021: $20,257,000) relate to construction in progress of the development and construction of Phase II and Call Centre (collectively, "Expansion Project"). The amount as at the reporting date is stated after impairment loss of $20,665,000 (2021: $240,000) due to the termination of the Expansion Project (2021: cessation of business of 1 contractor).

10. AMOUNT DUE FROM SUBSIDIARIES (NON-TRADE)

	Company	
	2022	2021
	$'000	$'000
Non-current		
Due from subsidiaries	215,988	226,811
Less: Expected credit losses [1] [2] (Note 37(iii))	(215,988)	(226,811)
	-	-

Amounts due from subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current. These amounts are interest-free, unsecured and do not have fixed terms of repayment.

(1) Expected credit losses recognised are based on the assumption that the repayment of the amount is not likely, if demanded at the reporting date. As at 30 June 2022, Guiyang Tech is in a net current liability position of $31,569,000 (2021: $43,245,000) and has significant difficulties to make repayments.

(2) Expected credit losses recognised are based on the assumption that the repayment of the amount is not likely, if demanded at the reporting date. As at the reporting date, Sinocloud Group (HK) Ltd ("SGHK") is in a net current liability position of $6,823,000 (2021: $10,956,000) and has significant difficulties to make repayments.

As at reporting date and based on management's future forecasts in the short to medium term, the subsidiaries do not have accessible highly liquid assets and are not expected to generate sufficient net cash inflows for repayments. Accordingly, the amounts due from subsidiaries are assessed to be credit-impaired (Stage 3) and, correspondingly, the amounts due from subsidiaries are fully impaired.

11. AMOUNT DUE FROM ASSOCIATE (NON-TRADE)

	Group	
	2022	2021
	$'000	$'000
Due from associate	22,549	22,549
Less: Expected credit losses (Note 37 (iii))	(22,549)	(22,549)
	-	-

During the previous financial year, there is a reversal of impairment loss on amount due from associate amounting to $170,000 charged to profit or loss as disclosed in Note 27.

12. DERIVATIVE ASSET

	Group and Company	
	2022	2021
	$'000	$'000
Redemption option – FVTPL	1,733	4,933

As disclosed in Note 16, the redemption option relates to the Company's right, at any time within the period commencing from the issuance of the Bond to maturity, to redeem the Bond at 100% of the Nominal Value, together with interests accumulated to date. The Company measures the redemption option at fair value, using the trinomial tree option pricing model to value the redemption option. Increase in fair value since inception is included in "Other income" (Note 29) while decrease in fair value during the year is included in "Fair value loss on derivative asset".

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Current				
Trade payables	424	8,365	-	-
Other payables [(i)]	13,305	13,023	1,176	1,241
Accruals	13,176	16,726	1,072	646
Amount due to directors (non-trade) [(ii)]	414	165	414	-
Amount due to related parties (non-trade) [(iii)]	2,987	1,200	4,262	-
	30,306	39,479	6,924	1,887
Non-current				
Amount due to a director (non-trade) [(iv)]	-	-	-	-
	30,306	39,479	6,924	1,887

13. TRADE AND OTHER PAYABLES (Continued)

(i) Other payables consist of construction costs for the IDC Centre amounting to approximately $1,530,000 (2021: $1,570,000), interest payable on Bond of $914,000 (2021: $921,000), interest payable on loans of $173,000 (2021: $250,000) and salary payable to employees of $567,000 (2021: $81,000).

(ii) Amount due to directors (non-trade) pertains to remuneration due to directors / former directors of the Company. These non-trade balances are interest-free, unsecured and repayable and.

(iii) Amount due to related parties (non-trade) pertains to balances due to substantial shareholder and key management personnel of Guiyang Tech (2021: key management personnel of Guiyang Tech) and companies controlled by key management personnel. These balances are interest-free, unsecured and repayable on demand.

(iv) Amount due to directors of the Company (non-trade) is interest-free, unsecured and repayable on demand.

Reconciliation of liabilities arising from financing activities

				Non-cash changes	
2022	As at 1 July 2021	Financing cash flows	Waiver of liabilities	Others	As at 30 June 2022
	$'000	$'000	$'000	$'000	$'000
Amount due to directors (non-trade)					
- current	165	249	-	-	414
Amount due to related parties					
- current	1,200	1,787	-	-	2,987
	1,365	2,036	-	-	3,401

				Non-cash changes	
2021	As at 1 July 2020	Financing cash flows	Waiver of liabilities	Others*	As at 30 June 2021
	$'000	$'000	$'000	$'000	$'000
Amount due to directors (non-trade)					
- current	1,156	(271)	(720)	-	165
- non-current	2,405	-	-	(2,405)	-
Amount due to related parties					
- current	4,333	(3,133)	-	-	1,200
	7,894	(3,404)	(720)	(2,405)	1,365

* Settlement of amount owing to directors amounting to $2,405,000 via set-off with the proceeds from issuance of Bond (Note 16).

14. PROVISION FOR WARRANTY

	Group 2022 $'000	Group 2021 $'000
At beginning of the financial year	-	807
Reversal (Note 29)	-	(866)
Currency translation differences	-	59
At end of the financial year	-	-

The provision for warranty on sale of equipment was reversed upon the lapse of warranty period of 3 years.

15. BORROWINGS

	Interest rate	Due within 1 year $'000	Due after 1 year but less than 5 years $'000	Total $'000
Group				
2022				
Loan 1 (Unsecured) – Fixed rate	7.20%	4,671	-	4,671
Loan 2 (Unsecured) – Fixed rate	6.00%	-	300	300
Loan 3 (Unsecured) – Fixed rate	6.00%	-	550	550
Loan 4 (Unsecured) – Fixed rate	6.00%	-	1,500	1,500
Loan 5 (Unsecured) – Fixed rate	6.00%	-	1,000	1,000
Loan 6 (Unsecured) – Fixed rate	10.00%	-	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
		4,671	4,584	9,255
2021				
Loan 1 (Unsecured) – Fixed rate	7.20%	2,402	2,390	4,792

Company

2022 and 2021

Nil

Loan 1

This loan was obtained by Guiyang Tech from a PRC bank to finance its working capital and is guaranteed by a key management personnel of Guiyang Tech and his controlled entity ("Guarantors"). The loan is repayable on a half-yearly basis, commencing in September 2021, and is expected to be fully settled in March 2023. Guiyang Tech has defaulted on its loan repayments as specified in the bank loan agreement. Management represents that the bank is willing to accept full repayment of Loan 1 upon maturity in March 2023 or roll over the facility for two more years to March 2025, and that the Guarantors will make full repayment on behalf of Guiyang Tech, in the event that the bank requests for immediate repayment.

15. BORROWINGS (Continued)

Loan 2 to Loan 6
The loans are due to a substantial shareholder of the Company (“Shareholder A”). The loans are unsecured, interest bearing at 6% per annum and repayable in two years after 3 business days of drawdown date.

Loan 7 to Loan 11
The loans, due to Shareholder A, are unsecured, interest bearing at 10% per annum and are repayable from 12 months to 18 months from drawdown date.

Reconciliation of liabilities arising from financing activities

2022	As at 1 July 2021	Financing cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Others*	As at 30 June 2022
	$'000	$'000	$'000	$'000	$'000
Loans					
- current	2,402	-	(121)	2,390	4,671
- non-current	2,390	4,584	-	(2,390)	4,584
	4,792	4,584	(121)	-	9,255

2021	As at 1 July 2020	Financing cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Reclassification from loans to Bond	As at 30 June 2021
	$'000	$'000	$'000	$'000	$'000
Loans					
- current	8,008	(5,606)	-	-	2,402
- non-current	20,960	2,226	464	(21,260)	2,390
	28,968	(3,380)	464	(21,260)	4,792

* Others relates to the reclassification of the non-current portion of the liabilities due to passage of time based on the maturity dates.

16. REDEEMABLE CONVERTIBLE BOND

	Group and Company	
	2022	2021
	$'000	$'000
Liability component on initial recognition	28,539	28,539
Redemption (Note A)	(7,000)	(7,000)
Liability component subsequent to redemption	21,539	21,539
Accumulated amortisation of interest expense	4,463	2,035
Accrued coupon interest included in other payables	(2,364)	(921)
Liability component as at financial year end	23,638	22,653

On 7 October 2020, the Company issued a redeemable convertible bond ("Bond") to Shareholder A at 6% interest per annum (effective interest rate: 10.24% per annum), denominated in Hong Kong dollars, amounting to $31,060,000 ("Nominal Value"). Interest is repayable quarterly or on a deferred basis up to the maturity date. Bond is repayable two years from the issue date at the Nominal Value, together with interests, or conversion into shares of the Company at the holder's option at any time after three months from the issue date until the maturity date at an agreed conversion rate of S$ 0.0011 per ordinary share (equivalent to $0.00616 at a fixed exchange rate). The Company has the right, at any time within the period commencing from the issuance of Bond to maturity, to redeem Bond at 100% of the Nominal Value, together with interests accumulated to date.

<u>Note A</u>
In year 2021, the Company exercised its redemption right and completed a partial redemption of $7,000,000 subsequent to the issuance of Bond.

Reconciliation of cash inflow from issuance of Bond:

	At inception
	$'000
Nominal Value of Bond	31,060
Repayment by way of set-off of the following liabilities:	
- Loan (Note 15)	(21,260)
- Amount due to a director (Note 13)	(2,405)
- Accumulated interests payable of the Group's loans	(2,395)
Cash inflow arising from issuance of Bond	5,000
Represented by:	
Liability component on initial recognition, at fair value	28,539
Derivative financial instrument on initial recognition, at fair value	(4,743)
Equity conversion option on initial recognition (residual) (Note 24)	7,264
Nominal Value of Bond	31,060

At inception, the fair value of the liability component is determined using a market interest rate for an equivalent non-convertible bond. Management carried out an independent valuation of the redemption feature at inception. The residual amount, representing the value of the equity conversion component, is recognised accordingly.

29. OTHER INCOME

	Group	
	2022	2021
	$'000	$'000
Waiver of liabilities [(1)]	5,262	1,115
Reversal for impairment of prepayment	8,898	-
Waiver of debt from bandwidth supplier	551	-
Reversal of provision for warranty upon expiry (Note 14)	-	866
Fair value gain on derivative asset	-	191
Government grants [(2)]	-	53
Others	15	33
	14,726	2,258

[(1)] This includes the waiver of amounts due to directors in relation to salary of key management personnel, directors' salary and directors' fees amounting to $127,000 (2021: $720,000) as 5 (2021: 4) of the Group's key management personnel and directors have agreed to reduce their remuneration for prior years. In addition, other payables and accruals amounting to $5,135,000 (2021: $395,000) were waived by the counterparties during the financial year ended 30 June 2022.

[(2)] This related to Employment Support Scheme (ESS) introduced by the Hong Kong government to provide financial support to employers for retention of employees which represents cash grants for gross monthly wages of eligible employees.

30. OTHER EXPENSES

	Group	
	2022	2021
	$'000	$'000
Entertainment expenses	560	8
Legal and professional fees	1,110	1,651
Travelling expenses	-	140
Audit fees		
- auditors of the Company	955	859
- other auditors	-	116
Utilities	2,773	6,842
Purchase of equipment	2,114	-
Low value asset lease expenses	192	181
Bad debt written off	359	-
Others	394	1,558
	8,457	11,355

38. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value of financial instruments that are carried at fair value (Continued)

Fair value hierarchy (Continued)

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and make assumptions that are based on market conditions existing at each reporting date as follows:

Derivatives (Note 12): the redemption option is measured using the trinomial tree option pricing model to value the embedded derivatives, with and without the redemption option, and the difference of both amounts is attributed to the redemption option.

Where a valuation technique for the financial instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

Borrowing (Note 15) and non-listed convertible bonds (Note 16): Fair value is estimated by using a discounted cash flow model based on market incremental borrowing rate for similar types of borrowing arrangement at reporting date.

39. SIGNIFICANT SUBSEQUENT EVENT

a. On 30 September 2022, the Company proposed to undertake a share consolidation of every one hundred existing shares (“Proposed Share Consolidation”) in the capital of the Company held by the shareholders of the Company as at the record date to be determined by the Directors. As of that date, the Company further proposed renounceable non-underwritten rights issue of up to 79,390,353 new consolidated ordinary shares in the capital at a post consolidation issue price of S$0.05 for each rights share, on the basis of 1 right issue share for every 2 consolidated shares in the share capital of the Company. As of the report date, these proposals are pending approval of the Singapore Exchange.

b. On 18 November 2022, the Company entered into a supplementary agreement to the convertible bond agreement dated 7 October 2020 with a significant shareholder (“Shareholder A”) to extend the maturity date of the convertible bonds by a period of four months from 22 November 2022 to 22 March 2023 (“Extension Period”) and the conversion price to be changed from S$0.0011 to S$0.000825 for each conversion share. The amendments shall be conditional upon the approval of the shareholders of the Company. In addition, the amendment to the conversion price shall be conditional upon the completion of the Proposed Share Consolidation, as announced by the Company on 30 September 2022. As of 18 November 2022, Shareholder A agreed to waive the interest payable under the convertible bond agreement during the Extension Period.