

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

Unaudited Condensed Interim Consolidated Financial Statements for the Three Months and Half Year Ended 31 December 2022

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 2022.

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 DECEMBER 2022
(Expressed in Hong Kong thousand dollars)

Note	3 Months Ended			6 Months Ended			
	31.12.2022 (Unaudited)	31.12.2021 (Unaudited)	% + / (-)	31.12.2022 (Unaudited)	31.12.2021 (Unaudited)	% + / (-)	
Revenue	4	2,683	3,755	(29)	4,652	7,035	(34)
Depreciation of property, plant and equipment		(848)	(1,371)	(38)	(1,463)	(2,724)	(46)
Depreciation of right-of-use assets		(347)	(578)	(40)	(701)	(1,148)	(39)
Reversal of financial assets		128	61	>100	128	9,062	(99)
Bandwidth fees		(92)	(83)	11	(139)	(1,673)	(92)
Employee benefits expenses		(333)	(1,227)	(73)	(1,223)	(1,819)	(33)
Other income	5	-	-	-	244	-	N.M.
Other expenses		(3,268)	(1,586)	>100	(5,701)	(5,067)	13
Foreign exchange loss		(99)	(14)	>100	(16)	(9)	78
Finance costs	6	(1,674)	(1,922)	(13)	(3,409)	(3,766)	(9)
Loss before taxation	7	(3,850)	(2,965)	30	(7,628)	(109)	>100
Income tax expense		-	-	-	-	-	-
Loss for the financial period		(3,850)	(2,965)	30	(7,628)	(109)	>100
Other comprehensive (expense)/income:							
- Currency translation differences arising from consolidation		(3,337)	1,712	N.M.	2,555	1,893	35
Other comprehensive (expense)/income for the financial period, net of tax		(3,337)	1,712	N.M.	2,555	1,893	35
Total comprehensive (expense)/income for the financial period		(7,187)	(1,253)	>100	(5,073)	1,784	N.M.
(Loss)/profit attributable to:							
- Owners of the Company		(3,498)	(3,062)	14	(7,003)	(2,555)	>100
- Non-controlling interests		(352)	97	N.M.	(625)	2,446	N.M.
		(3,850)	(2,965)	30	(7,628)	(109)	>100
Total comprehensive (expense)/income attributable to:							
- Owners of the Company		(5,363)	(2,130)	>100	(4,786)	(1,523)	>100
- Non-controlling interests		(1,824)	877	N.M.	(287)	3,307	N.M.
		(7,187)	(1,253)	>100	(5,073)	1,784	N.M.
Loss per share attributable to the owners of the Company							
Basic (HK cents)	8	(0.022)	(0.019)	16	(0.044)	(0.016)	175

N.M.: Not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

SINOCLOUD GROUP LIMITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Expressed in Hong Kong thousand dollars)

	Note	The Group		The Company	
		As at 31.12.2022 (Unaudited)	As at 30.06.2022 (Audited)	As at 31.12.2022 (Unaudited)	As at 30.6.2022 (Audited)
ASSETS					
Non-current assets					
Property, plant and equipment	10	43,947	47,080	-	-
Right-of-use assets		16,281	17,664	-	-
Investment in subsidiaries		-	-	57,112	57,112
Deferred tax assets		11,966	11,966	-	-
		<u>72,194</u>	<u>76,710</u>	<u>57,112</u>	<u>57,112</u>
Current assets					
Trade and other receivables		4,460	9,152	366	81
Derivative asset		1,733	1,733	1,733	1,733
Cash and bank balances		374	150	-	-
		<u>6,567</u>	<u>11,035</u>	<u>2,099</u>	<u>1,814</u>
TOTAL ASSETS		<u>78,761</u>	<u>87,745</u>	<u>59,211</u>	<u>58,926</u>
LIABILITIES					
Current liabilities					
Trade and other payables		25,129	30,306	9,762	6,924
Contract liabilities		416	584	-	-
Borrowings	11	10,497	4,671	-	-
Redeemable convertible bond	12	24,060	23,638	24,060	23,638
Income tax payable		8,370	8,413	-	-
		<u>68,472</u>	<u>67,612</u>	<u>33,822</u>	<u>30,562</u>
Non-current liabilities					
Borrowings	11	-	4,584	-	-
Lease liabilities		56,582	56,768	-	-
		<u>56,582</u>	<u>61,352</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>125,054</u>	<u>128,964</u>	<u>33,822</u>	<u>30,562</u>
NET (LIABILITIES) / ASSETS		<u>(46,293)</u>	<u>(41,219)</u>	<u>25,389</u>	<u>28,364</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	15,878	15,878	15,878	15,878
Share premium		481,352	481,352	481,352	481,352
Contributed surplus		16,456	16,456	16,456	16,456
Translation reserve		7,705	5,488	-	-
Statutory reserve		7,066	7,066	-	-
Revaluation reserve		98	98	-	-
Other reserve		22,384	22,384	7,264	7,264
Accumulated losses		(519,814)	(512,811)	(495,561)	(492,586)
		<u>31,125</u>	<u>35,911</u>	<u>25,389</u>	<u>28,364</u>
Non-controlling interest		<u>(77,418)</u>	<u>(77,130)</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>(46,293)</u>	<u>(41,219)</u>	<u>25,389</u>	<u>28,364</u>

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

SINOCLOUD GROUP LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2022

(Expressed in Hong Kong thousand dollars)

	3 Months Ended		6 Months Ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Cash flow from operating activities				
Loss before tax	(3,850)	(2,965)	(7,628)	(109)
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	848	1,371	1,463	2,724
Depreciation of right-of-use assets	347	578	701	1,148
Reversal of financial assets	(128)	(61)	(128)	(9,062)
Interest expense	1,674	1,922	3,409	3,766
Operating loss before working capital changes	(1,109)	845	(2,183)	(1,533)
Trade and other receivables	274	(54)	1,239	(79)
Trade and other payables	(2,030)	(4,440)	(5,177)	(267)
Contract liabilities	(463)	2,392	(168)	530
Cash used in operations	(3,328)	(1,257)	(6,289)	(1,349)
Interest paid	(502)	(1,539)	(670)	(1,628)
Net cash used in operating activities	(3,830)	(2,796)	(6,959)	(2,977)
Cash flow from investing activities				
Payments to purchase property, plant and equipment	-	-	-	(447)
Net cash used in investing activities	-	-	-	(447)
Cash flow from financing activities				
Net repayment from/(advance to) related parties	4,723	-	3,453	(157)
Proceeds from borrowings	630	2,700	1,420	3,550
Net cash from financing activities	5,353	2,700	4,873	3,393
Net increase/(decrease) in cash and cash equivalents	1,523	(96)	(2,086)	(31)
Cash and cash equivalents at beginning of the financial period	398	490	150	461
Effect of exchange rate changes in cash and cash equivalents	(1,547)	(182)	2,310	(218)
Cash and cash equivalents at end of the financial period, representing cash and bank balances	374	212	374	212

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

FY2023

Group - Interim

	Attributable to equity holders of the Company									Total Equity HK\$'000
	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	
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)
Loss for the period	-	-	-	-	-	-	-	(3,505)	(273)	(3,778)
Currency translation differences arising from consolidation	-	-	-	4,082	-	-	-	-	1,810	5,892
Total comprehensive income/(expense) 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)

FY2022

Group - Interim

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 2021	15,878	481,352	16,456	4,243	7,066	98	22,384	(409,052)	(16,001)	122,424
Profit for the period	-	-	-	-	-	-	-	507	2,349	2,856
Currency translation differences arising from consolidation	-	-	-	100	-	-	-	-	81	181
Total comprehensive income for the period	-	-	-	100	-	-	-	507	2,430	3,037
Balance as at 30 September 2021	15,878	481,352	16,456	4,343	7,066	98	22,384	(408,545)	(13,571)	125,461
(Loss)/profit for the period	-	-	-	-	-	-	-	(3,062)	97	(2,965)
Currency translation differences arising from consolidation	-	-	-	932	-	-	-	-	780	1,712
Total comprehensive income/(expense) for the period	-	-	-	932	-	-	-	(3,062)	877	(1,253)
Balance as at 31 December 2021	15,878	481,352	16,456	5,275	7,066	98	22,384	(411,607)	(12,694)	124,208

FY2023

Attributable to equity holders of the Company

Company - Interim

	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

FY2022

Attributable to equity holders of the Company

Company - Interim

	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 2021	15,878	481,352	16,456	7,264	(483,335)	37,615
Loss for the period	-	-	-	-	(1,498)	(1,498)
Balance as at 30 September 2021	15,878	481,352	16,456	7,264	(484,833)	36,117
Loss for the period	-	-	-	-	(1,630)	(1,630)
Balance as at 31 December 2021	15,878	481,352	16,456	7,264	(486,463)	34,487

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.

Coronavirus (COVID-19) Impact

COVID-19 pandemic continued to be wide-spreading in the PRC, and the lockdown policy until mid-December 2022 had seriously affected the daily operations of the Group's IDC business in Guiyang province of the PRC. Although the PRC announced the relaxation of epidemic prevention restrictions in December 2022, the rate of coronavirus infection was rising rapidly, which continues to impact the business recovery momentum. Along with global trade tensions and political uncertainty, challenges to the Group’s operations and business performance have never been greater. Even though we had terminated the Expansion Project¹ during the financial year ended 30 June 2022 (“**FY2022**”), we continue to solicit hosting service contracts from different sectors during the period to fill up the existing hosting capacity. In addition, the COVID-19 pandemic and epidemic prevention policy in the PRC has significant impact to the Group’s major customers, in particular, their ability to make prompt payments and to adhere to agreed repayment plans. This has adversely affected the Group’s cash flows.

There is significant uncertainty as to the duration of the COVID-19 pandemic in the PRC and its impact on the locations which the Group operates in, hence, the COVID-19 pandemic will continue to affect the Group’s financial performance in the upcoming financial years/periods.

2. Basis of preparation

The condensed interim consolidated financial statements for the second quarter (“**3M FY2023**”) and six months (“**6M FY2023**”) ended 31 December 2022 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 30 September 2022.

The accounting policies and methods of computations adopted are consistent with those adopted by the Group in its latest audited consolidated financial statements for FY2022, which were prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”). The condensed interim consolidated financial statements for 3M FY2023 and 6M FY2023 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\$7,628,000 for 6M FY2023. Further, the Group recorded negative operating cash flows of HK\$6,959,000 for 6M FY2023, and was in net current liabilities of HK\$61,905,000 as at 31 December 2022. As of 31 December 2022, the Group’s cash and bank balances available for use amounted to HK\$374,000 while its current liabilities amounted to HK\$68,472,000.

¹ Relates to the expansion of hosting capacity of the IDC in Guiyang, Guizhou province in the PRC, including the construction of additional 1,500 racks, and the construction of a call center to improve response time to customers and related software development.

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 Company announced on 30 September 2022 and issued a circular to shareholders on 5 January 2023 (“**Circular**”) relating to (i) proposed share consolidation of every one hundred existing issued ordinary shares into one consolidated ordinary share (“**Proposed Share Consolidation**”), and (ii) proposed renounceable non-underwritten rights issue of up to 79,390,353 new ordinary shares (post-share consolidation) at an issue price of S\$0.05 for each rights share immediately upon completion of the Proposed Share Consolidation (“**Proposed Rights Issue**”), on the basis of one (1) rights share for every two (2) consolidated shares. The Proposed Share Consolidation and the Proposed Rights Issue have been approved by shareholders of the Company in a special general meeting (“**SGM**”) convened on 20 January 2023. The estimated net proceeds from the Proposed Rights Issue is expected to be approximately HK\$22.25 million (approximately S\$3.85 million) under the maximum subscription scenario and approximately HK\$9.68 million (approximately S\$1.68 million) under the minimum subscription scenario. If the maximum subscription scenario is achieved, the Company will be able to use the net proceeds to make partial redemption of the Convertible Bonds (as defined herein) and partial repayment of the borrowings from Mr Lam Cho Ying Terence Joe (“**Mr Lam**”) as well as for general working capital purposes for the Group. Please refer to section 3.9.3 of the Circular for details on the allocation of the net proceeds from the Proposed Rights Issue under the minimum subscription scenario and the maximum subscription scenario.
- b) On 18 November 2022, the Company and the substantial shareholder and convertible bondholder, Mr Lam, had entered into a conditional supplemental agreement to the Convertible Bond Agreement (“**Supplemental Convertible Bond Agreement**”) to amend and vary certain terms of the Convertible Bond Agreement. Pursuant to the Supplemental Convertible Bond Agreement, amongst others:
 - (i) extend the maturity date of the Convertible Bonds by a period of four months from 22 November 2022 (being two years from the date of the issue of the Convertible Bonds) to 22 March 2023 (being 28 months from the date of the issue of the Convertible Bonds) pursuant to the Supplemental Convertible Bond Agreement (Note 13(b)(1)); and
 - (ii) the Convertible Bonds, which are not previously redeemed or cancelled by the Company, shall be redeemed by the Company at 100% of their principal amount together with all accrued and unpaid interest on the date falling 28 months from the date of the issue of the Convertible Bonds, instead of 24 months from the date of the issue of the Convertible Bonds.

The amendments in the Supplemental Convertible Bond Agreement have been approved by shareholders of the Company at the SGM held on 20 January 2023. Subsequent to the SGM, the Company is currently discussing with Mr Lam to further extend the maturity date by another two months from 22 March 2023 to 22 May 2023.
- c) 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.
- d) Management has successfully negotiated for favourable payment terms with its key suppliers, in particular, those providing bandwidth and utilities in the IDC premises, and has agreed to extend its credit terms and to defer payments by at least 12 months from the reporting date.

- e) The Group is confident of deferring payment of the entire amount of Loan 1 from a PRC bank of HK\$4,493,000 (Note 11), 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. Management expects to rollover the entire loan amount for another two years upon maturity in March 2023. A related party, the guarantor of the loan, has agreed to undertake the repayment of the entire amount of the loan, should the bank request for those contractual instalment from Guiyang Tech within the next 12 months.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for further liabilities which may arise. No such adjustments have been made to this financial statements.

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 2022, 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 FY2023 and 6M FY2023, 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 year ended 30 June 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Group's accounting policies, the Management is of the opinion that any instances of application of judgements are not expected to have significant effect on the amounts recognised in the financial statements.

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 Segment and revenue information

The Group has one reportable segment, as described below, which is the Group's strategic business unit. The Group's chief operating decision maker ("CODM") reviews internal management reports on a quarterly basis. The following summary describes the operation in the Group's reportable segments:

- Internet data centre services: Provision of a high-performance internet data centre, cloud computing and big data services in the PRC; and
- Other business operations include investment holding and is categorised as “**All other segments**”.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment results as included in the internal management reports that are reviewed by the Group’s CODM. All other segments’ items include the 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 31.12.22			Six months ended 31.12.22		
	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	2,683	-	2,683	4,652	-	4,652
Segment loss	(978)	(1,198)	(2,176)	(2,016)	(2,203)	(4,219)
Finance costs			(1,674)			(3,409)
Loss before tax			(3,850)			(7,628)
Income tax			-			-
Loss for the financial period			(3,850)			(7,628)
<u>Other segment items</u>						
Depreciation of property, plant and equipment	848	-	848	1,463	-	1,463
Depreciation of right-of-use assets	347	-	347	701	-	701

	Three months ended 31.12.21			Six months ended 31.12.21		
	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	3,755	-	3,755	7,035	-	7,035
Segment (loss) / profit	(338)	(705)	(1,043)	4,966	(1,309)	3,657
Finance costs			(1,922)			(3,766)
Loss before tax			(2,965)			(109)
Income tax expense			-			-
Loss for the financial period			(2,965)			(109)
<u>Other segment items</u>						
Depreciation of property, plant and equipment	1,371	-	1,371	2,724	-	2,724
Depreciation of right-of-use assets	578	-	578	1,148	-	1,148

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		Six months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants	-	-	244	-
	<u>-</u>	<u>-</u>	<u>244</u>	<u>-</u>

6 Finance costs

	Three months ended		Six months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense on				
- Redeemable convertible bonds	371	609	1,000	1,212
- Loans	272	126	445	216
- Lease liabilities	1,031	1,187	1,964	2,338
	<u>1,674</u>	<u>1,922</u>	<u>3,409</u>	<u>3,766</u>

7 Loss before taxation

	Three months ended		Six months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Loss before taxation is stated after charging:

Directors' remuneration				
- directors of the Company	80	41	158	159
Directors' fees				
- directors of the Company	90	90	180	180
	<u>90</u>	<u>90</u>	<u>180</u>	<u>180</u>

8 Loss per Share

	Group			
	3 Months Ended 31.12.2022 (Unaudited)	3 Months Ended 31.12.2021 (Unaudited)	6 Months Ended 31.12.2022 (Unaudited)	6 Months Ended 31.12.2021 (Unaudited)
Loss attributable to equity holders of the Company (HK\$'000)	(3,498)	(3,062)	(7,003)	(2,555)
Weighted average number of shares in issue	15,878,070,617	15,878,070,617	15,878,070,617	15,878,070,617
Loss per ordinary share (HK cents)				
- Based on weighted average number of ordinary shares in issue	(0.022)	(0.019)	(0.044)	(0.016)
- On a fully diluted basis	(0.022)	(0.019)	(0.044)	(0.016)

Note:

The Convertible Bond, which will expire on 22 March 2023 (being 28 months from the date of the issue of the Convertible Bond (Note 13(b)(1)), has no dilutive effect for the respective financial periods ended 31 December 2022 and 31 December 2021.

9 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.

	<u>Three months ended</u>		<u>Six months ended</u>	
	31.12.2022 HK\$'000	31.12.2021 HK\$'000	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Net (repayment from)/advances to related parties	<u>(4,723)</u>	<u>-</u>	<u>(3,453)</u>	<u>157</u>
<u>Key management personnel compensation</u>				
Directors of the Company				
- Salary and related costs	80	41	158	159
- Contribution to defined contribution plans	5	4	9	6
- Directors' fee	90	90	180	180
Directors of subsidiaries				
- Salary and related costs	190	118	378	329
	<u>365</u>	<u>253</u>	<u>725</u>	<u>674</u>
Categories of total compensation				
- Short-term employment benefits	365	253	725	674
	<u>365</u>	<u>253</u>	<u>725</u>	<u>674</u>

10 Property, plant and equipment

There was no acquisition or impairment of property, plant and equipment during 3M FY2023 and 6M FY2023 (FY2022: acquisition, and impairment loss of property, plant and equipment of HK\$744,000 and HK\$140,936,000, respectively).

11 Borrowings

Group	Interest rate	Due within	Due after	Total
		1 year	1 year but less	
		HK\$'000	than 5 years	HK\$'000
<u>As at 31 December 2022</u>				
Loan 1 (Unsecured) - Fixed rate	7.20%	4,493	-	4,493
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	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
		10,497	-	10,497
<u>As at 30 June 2022</u>				
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	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
		4,671	4,584	9,255

Company

As at 31 December 2022 and 30 June 2022

Nil

Loan 1

This loan was obtained by Guiyang Tech from a PRC bank to finance its working capital and is guaranteed by a key management personnel of Guiyang Tech and his controlled entity. The loan is repayable on a half-yearly basis, commencing in September 2021 and is to be fully settled upon maturity in March 2023. Management expects to rollover the entire loan amount for another two years upon maturity.

Loan 2 to Loan 6

The loans are due to a substantial shareholder of the Company, Mr Lam. The loans are unsecured, interest bearing at 6% per annum and repayment within one year.

Loan 7 to Loan 16

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

12 Redeemable Convertible Bond

	Group and Company
	HK\$'000
Liability component as at 30 June 2022	23,638
Accumulated amortisation of interest expense	1,000
Accrued coupon interest included in other payables	(578)
Liability component as at 31 December 2022	<u>24,060</u>

The outstanding principal amount of the redeemable convertible bond of HK\$24.06 million will expire on 22 March 2023 pursuant to the Supplemental Convertible Bond Agreement (Note 13(b)(1)). The Company is currently discussing with Mr Lam to further extend the maturity date by another two months from 22 March 2023 to 22 May 2023.

13 Share Capital

- (a) **Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

	Group and Company			
	Number of shares	Amount (HK\$'000)	Number of shares	Amount (HK\$'000)
As at 30 September 2022 and 31 December 2022	15,878,070,617	15,878	15,878,070,617	15,878

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

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

	As at 31 December 2022	As at 31 December 2021
Number of shares that may be issued on conversion of all outstanding convertibles	4,383,378,402 ⁽¹⁾	4,383,378,402 ⁽¹⁾
Total number of issued shares (excluding treasury shares and subsidiary holdings) ⁽²⁾	15,878,070,617	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 had 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 HK\$3.0 million of the Convertible Bond from the Subscriber in December 2020 and an aggregate of HK\$4.0 million in January and March 2021. On 18 November 2022, the Company and Mr Lam entered into the Supplemental Convertible Bond Agreement to extend the original maturity date for the outstanding principal amount of HK\$24.06 million from 22 November 2022 by an additional four months, to 22 March 2023. As at the date of this announcement, no conversion of the Convertible Bond has taken place.

- (2) There were no treasury shares and subsidiary holdings as at 31 December 2022 and 31 December 2021.

14 Net Asset Value

	Group		Company	
	As at 31.12.2022 (Unaudited)	As at 30.6.2022 (Audited)	As at 31.12.2022 (Unaudited)	As at 30.6.2022 (Audited)
Net asset value attributable to the Group (HK\$)	31,125,000	35,911,000	25,389,000	28,364,000
Number of shares in issue (excluding treasury shares) ⁽¹⁾	15,878,070,617	15,878,070,617	15,878,070,617	15,878,070,617
Net asset value per ordinary share (HK cents)	0.20	0.23	0.16	0.18

Note:

(1) There were no treasury shares as at 31 December 2022 and 30 June 2022.

15 Subsequent Events

Save as disclosed under Notes 2(a) and (b) above, 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 December 2022 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 FY2023 and 6M FY2023 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 December 2022 was 15,878,070,617 (30 June 2022: 15,878,070,617). There were no treasury shares as at 31 December 2022 and 30 June 2022.

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 FY2022 (“**Audited Financial Statements**”) 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 (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. Please refer to the Company’s announcement dated 29 November 2022 as well as the annual report of the Company for FY2022 for further information on the Disclaimer of Opinion.

The board of directors (“**Directors**”) and the Management confirm that the revenue forecast and the underlying assumptions used in the discounted cash flow projection (“**DCF**”) prepared by the Management to derive the value in use of the IDC operated by Guiyang Tech for FY2022, remained unchanged as at 31 December 2022, and no further update to the DCF was made.

The Directors and the Management confirm that there are no outstanding audit issues on the financial statements to be disclosed.

- 6. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

(A) REVIEW OF FINANCIAL RESULTS

Revenue

Revenue decreased by HK\$1.1 million, from HK\$3.8 million in the three months ended 31 December 2021 (“**3M FY2022**”) to HK\$2.7 million in the three months ended 31 December 2022 (“**3M FY2023**”). It decreased by HK\$2.3 million, from HK\$7.0 million in the six months ended 31 December 2021 (“**6M FY2022**”) to HK\$4.7 million in the six months ended 31 December 2022 (“**6M FY2023**”). The decrease in revenue was mainly due to decrease in customer demand and deferral of service renewal, largely attributable to the COVID-19 pandemic situation and the policy or measures implemented to contain it in China.

Other income

No other income was recognised in 3M FY2023, 3M FY2022 and 6M FY2022. Other income of HK\$0.2 million in 6M FY2023 related to government grant received by Guiyang Tech during 6M FY2023.

Expenses

Depreciation of property, plant and equipment (“**PPE**”) decreased by HK\$0.5 million, from HK\$1.4 million in 3M FY2022 to HK\$0.9 million in 3M FY2023, and decreased by HK\$1.2 million, from HK\$2.7 million in 6M FY2022 to HK\$1.5 million in 6M FY2023, as a result of the full depreciation of certain PPE.

Depreciation of right-of-use assets amounted to HK\$0.4 million in 3M FY2023 (3M FY2022: HK\$0.6 million) and HK\$0.7 million in 6M FY2023 (6M FY2022: HK\$1.2 million). The decrease was due to reassessment of lease liabilities and right-of use assets as at 30 June 2022.

Reversal of financial assets of (i) HK\$0.1 million in each of 3M FY2023, 3M FY2022 and 6M FY2023, was mainly related to debt recovery from customers, and (ii) HK\$9.1 million in 6M FY2022, of which HK\$8.9 million was attributable to the utilisation of prepayment made to a vendor previously, fully impaired to offset against trade payables owing to the same party during 6M FY2022. An agreement was signed by the Group with the vendor on the aforementioned offset of prepayment against the outstanding trade payable owed to the vendor.

Bandwidth fees (i) increased by HK\$0.01 million, from HK\$0.08 million in 3M FY2022 to HK\$0.09 million in 3M FY2023, due to an increase in fees charged by the service provider, and (ii) decreased by HK\$1.6 million, from HK\$1.7 million in 6M FY2022 to HK\$0.1 million in 6M FY2023, as a result of the termination of broadband service from a provider during 6M FY2022.

Employee benefits expenses (i) decreased by HK\$0.9 million, from HK\$1.2 million in 3M FY2022 to HK\$0.3 million in 3M FY2023, and (ii) decreased by HK\$0.6 million, from HK\$1.8 million in 6M FY2022 to HK\$1.2 million in 6M FY2023, mainly due to the reduction in the number of staff to fulfill a government bureau hosting project as a result of deferral of contract renewal during 6M FY2023.

Other expenses, comprising primarily office overheads, legal and professional fees and utility service fees, increased by (i) HK\$1.7 million, from HK\$1.6 million in 3M FY2022 to HK\$3.3 million in 3M FY2023, and (ii) HK\$0.6 million, from HK\$5.1 million in 6M FY2022 to HK\$5.7 million in 6M FY2023. The aforementioned increases were mainly due to an increase in utility service fees during 6M FY2023.

Foreign exchange loss increased by HK\$85,000, from HK\$14,000 in 3M FY2022 to HK\$99,000 in 3M FY2023. It increased by HK\$7,000, from HK\$9,000 in 6M FY2022 to HK\$16,000 in 6M FY2023. The increase was mainly due to the depreciation of Renminbi (“RMB”) against Hong Kong Dollar (“HKD”) during the respective financial periods.

Finance costs decreased by HK\$0.2 million, from HK\$1.9 million in 3M FY2022 to HK\$1.7 million in 3M FY2023. It decreased by HK\$0.4 million, from HK\$3.8 million in 6M FY2022 to HK\$3.4 million in 6M FY2023. The decrease was mainly due to a reduction in interest expense on redeemable convertible bonds and lease liabilities, partially offset by an increase in interest expense on loans during 6M FY2023.

Income tax

There was no income tax reported in 3M FY2023, 3M FY2022, 6M FY2023 and 6M FY2022 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\$3.9 million in 3M FY2023 (3M FY2022: loss after tax of HK\$3.0 million), and a loss after tax of HK\$7.6 million in 6M FY2023 (6M FY2022: loss after tax of HK\$0.1 million).

(B) REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group amounted to HK\$72.2 million and HK\$76.7 million as at 31 December 2022 and 30 June 2022 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\$3.2 million, from HK\$47.1 million as at 30 June 2022 to HK\$43.9 million as at 31 December 2022. The decrease was mainly due to the depreciation charge of HK\$1.5 million and translation loss of HK\$1.7 million arising from depreciation of RMB against HKD during 6M FY2023.

(ii) Right-of-use assets

The net book value of right-of-use assets decreased by HK\$1.4 million, from HK\$17.7 million as at 30 June 2022 to HK\$16.3 million as at 31 December 2022. The decrease was mainly due to depreciation charge of HK\$0.7 million and translation loss of HK\$0.7 million arising from depreciation of RMB against HKD during 6M FY2023.

(iii) Deferred tax assets

Deferred tax assets remained unchanged at HK\$12.0 million as at 31 December 2022 and 30 June 2022. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Current Assets

Current assets decreased by HK\$6.4 million, from HK\$11.0 million as at 30 June 2022 to HK\$4.6 million as at 31 December 2022. Current assets comprised (i) trade and other receivables; (ii) derivative asset; and (iii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables decreased by HK\$4.7 million, from HK\$9.2 million as at 30 June 2022 to HK\$4.5 million as at 31 December 2022. Trade and other receivables as at 31 December 2022 comprise trade receivables of HK\$0.2 million, amount due from a related party of HK\$0.7 million and other receivables and prepayment of HK\$3.6 million.

Trade receivables decreased by HK\$1.4 million, from HK\$1.6 million as at 30 June 2022 to HK\$0.2 million as at 31 December 2022. The decrease was mainly due to the decrease in revenue generated by Guiyang Tech which remained outstanding as at 31 December 2022.

Amount due from a related party of HK\$0.7 million as at 31 December 2022 (30 June 2022: HK\$4.1 million) relates to advances made to a related party of the controlling shareholder of the Company. The amount is unsecured, interest-free and repayable on demand.

Other receivables and prepayment, comprised mainly prepayment for legal and professional fees, increased by HK\$0.1 million, from HK\$3.5 million as at 30 June 2022 to HK\$3.6 million as at 31 December 2022, mainly due to prepayment of legal and professional fees relating to the Proposed Share Consolidation and the Proposed Rights Issue during 6M FY2023.

(ii) Derivative asset

Derivative financial instrument of HK\$1.7 million as at 31 December 2022 and 30 June 2022 represents the Company's redemption option embedded in the Convertible Bond.

(iii) Cash and bank balances

Cash and bank balances increased by HK\$0.2 million, from HK\$0.2 million as at 30 June 2022 to HK\$0.4 million as at 31 December 2022. Please refer to "Cashflows" for the movement in cash and cash equivalents.

Current Liabilities

Current liabilities increased by HK\$0.9 million, from HK\$67.6 million as at 30 June 2022 to HK\$68.5 million as at 31 December 2022, mainly due to the following:

(i) Trade and other payables

Trade and other payables decreased by HK\$5.2 million, from HK\$30.3 million as at 30 June 2022 to HK\$25.1 million as at 31 December 2022. Trade and other payables as at 31 December 2022 comprised (a) trade payables of HK\$ Nil; (b) accruals and other payables of HK\$20.5 million; (c) amount due to directors of HK\$0.8 million; (d) amount due to related parties of HK\$2.1 million; (e) redeemable convertible interest payable of HK\$1.4 million; and (f) loan interest payable of HK\$0.3 million.

(a) Trade payables decreased by HK\$0.4 million, from HK\$0.4 million as at 30 June 2022 to HK\$ Nil as at 31 December 2022, due to settlement of trade payables during 6M FY2023.

- (b) Accruals and other payables decreased by HK\$4.9 million, from HK\$25.4 million as at 30 June 2022 to HK\$20.5 million as at 31 December 2022, mainly due to settlement and translation gain arising from depreciation of RMB against HKD during 6M FY2023.
- (c) Amount due to directors of the Company increased by HK\$0.4 million, from HK\$0.4 million as at 30 June 2022 to HK\$0.8 million as at 31 December 2022, as a result of an increase in unsettled directors' fees during 6M FY2023.
- (d) Amount due to related parties which relates to advances from related parties, decreased by HK\$0.9 million, from HK\$3.0 million as at 30 June 2022 to HK\$2.1 million as at 31 December 2022. The amounts were unsecured, interest-free and repayable on demand.
- (e) Redeemable convertible interest payable of HK\$1.4 million as at 31 December 2022 (30 June 2022: HK\$0.9 million) relates to unpaid coupon interests for the redeemable convertible bond issued in November 2020.
- (f) Loan interest payable of HK\$0.3 million as at 31 December 2022 (30 June 2022: HK\$0.2 million) relates to the unpaid loan interests for loans extended to the Company by a substantial shareholder of the Company, Mr Lam.

(ii) Contract liabilities

Contract liabilities decreased by HK\$0.2 million, from HK\$0.6 million as at 30 June 2022 to HK\$0.4 million as at 31 December 2022, due to reduction in the receipt of customer deposit for IDC contracts where the corresponding IDC services have yet to be fully performed as at 31 December 2022.

(iii) Borrowings

Borrowings increased by HK\$5.8 million, from HK\$4.7 million as at 30 June 2022 to HK\$10.5 million as at 31 December 2022. This was due to an increase in borrowings from a substantial shareholder and reclassification of non-current borrowings to current portion during 6M FY2023.

(iv) Redeemable convertible bond

Redeemable convertible bond increased from HK\$23.6 million as at 30 June 2022 to HK\$24.1 million as at 31 December 2022. The amount recorded under redeemable convertible bond relates to the liability component of the Convertible Bond entered into by the Company with the Subscriber on 7 October 2020. In November 2020, the Subscriber subscribed for the full amount of the Convertible Bond of HK\$31.06 million, and there were subsequent redemptions by the Company in December 2020, January 2021 and March 2021. In addition, on 18 November 2022 the maturity of the redeemable convertible bond was extended by an additional four months to 22 March 2023. The Company is currently discussing with the Subscriber to extend the maturity date by another two months to 22 May 2023. Please refer to Note 13 under Section E of this announcement, as well as the Company's announcement dated 11 October 2020 for further details of the terms and conditions of the Convertible Bond.

The increase of HK\$0.5 million in redeemable convertible bond was mainly due to accumulated amortisation of interest expense of HK\$1.0 million, partially offset by the accrued coupon interest of HK\$0.5 million during 6M FY2023.

Non-Current Liabilities

Non-current liabilities decreased by HK\$4.8 million, from HK\$61.4 million as at 30 June 2022 to HK\$56.6 million as at 31 December 2022. Non-current liabilities comprised (i) borrowings; and (ii) lease liabilities.

(i) **Borrowings**

Borrowings decreased by HK\$4.6 million, from HK\$4.6 million as at 30 June 2022 to HK\$ Nil million as at 31 December 2022. This was due to the loans extended by a substantial shareholder of the Company, Mr Lam, to the Company falling due within one year from 31 December 2022 and hence, such loans were reclassified to current borrowings during 6M FY2023.

(ii) **Lease liabilities**

Lease liabilities decreased by HK\$0.2 million, from HK\$56.8 million as at 30 June 2022 to HK\$56.6 million as at 31 December 2022, due to the effect of depreciation of RMB against HKD amounting to HK\$2.2 million, partially offset by interests incurred of HK\$2.0 million during 6M FY2023.

Working Capital

Due to the changes in current assets and current liabilities as described above, the Group reported a negative working capital of HK\$61.9 million as at 31 December 2022 (30 June 2022: HK\$56.6 million). The Board is of the view that the Group's current liabilities include an amount of HK\$63.6 million (accounting for 93% 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 of HK\$6.6 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\$1.5 million. Management had negotiated with the related parties for not demanding repayment within the next 12 months.
- (iii) Accruals for bandwidth and energy saving service for IDC operations in the PRC of HK\$9.7 million. Guiyang Tech has yet to receive the supplier invoice for the aforesaid service and Management expects that the payment for such service fee can be extended by the service provider.
- (iv) Interest payable for loans and redeemable convertible bond issued to a substantial shareholder of the Company (being Mr Lam) amounting to HK\$1.9 million. Management had negotiated with Mr Lam on extension for payment of such interest payable, and expects to receive continuing financial support from Mr Lam.

(b) Contract liabilities of HK\$0.5 million relate to advance payment received by Guiyang Tech in respect of government contracts secured by Guiyang Tech. The amount will be recorded as revenue once the performance of contract is completed.

(c) Redeemable convertible bond of HK\$24.1 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\$30,816,000 (which includes

the liability component of redeemable convertible bond of HK\$24,060,000, borrowings of HK\$6,004,000, and related redeemable convertible bond interests and borrowing interests of HK\$1,492,000 and HK\$370,000 respectively) as at 31 December 2022, unless the Group has sufficient funds for working capital and to pay other creditors in full.

- (d) The Group is in the process of negotiating with a PRC bank to extend the repayment of Loan 1 of HK\$4,493,000 (Note 11). Management expects to rollover the entire loan amount for another two years upon maturity in March 2023. 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 installment from Guiyang Tech within the next 12 months.
- (e) 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 FY2022.

Further to the above, the Company is currently undertaking a Proposed Share Consolidation and Proposed Rights Issue to strengthen the Group's financial position and had negotiated with the bondholder (being, Mr Lam, a substantial shareholder of the Company who has been providing continuing financial support to the Company) to extend the redeemable convertible bond. Please refer to the Company's announcement dated 30 September 2022 and Company's circular to shareholders dated 5 January 2023 for further information.

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 FY2023

Net cash used in operating activities in 3M FY2023 amounted to HK\$3.8 million. This was mainly due to (i) operating loss before working capital changes of HK\$1.1 million; (ii) decrease in trade and other payables of HK\$2.0 million; (iii) decrease in contract liabilities of HK\$0.5 million; and (iv) interest paid of HK\$0.5 million, partially offset by a decrease in trade and other receivables of HK\$0.3 million.

There was no net cash from or used in investing activities in 3M FY2023.

Net cash from financing activities amounted to HK\$5.3 million in 3M FY2023, mainly due to the net repayment from related parties of HK\$4.7 million and proceeds from borrowings of HK\$0.6 million.

As a result of the above, together with the effect of exchange rate changes in cash and cash equivalents of HK\$1.5 million, the Group's cash and cash equivalents remained relatively stable at HK\$0.4 million as at 31 December 2022 and 30 September 2022.

(b) 6M FY2023

Net cash used in operating activities in 6M FY2023 amounted to HK\$7.0 million. This was mainly due to (i) operating loss before working capital changes of HK\$2.2 million; (ii) decrease in trade and other payables of HK\$5.2 million; (iii) decrease in contract liabilities of HK\$0.2 million; and (iv) interest paid of HK\$0.7 million, partially offset by a decrease in trade and other receivables of HK\$1.2 million.

There was no net cash from or used in investing activities in the 6M FY2023.

Net cash from financing activities amounted to HK\$4.9 million in 6M FY2023, mainly due to the net repayment from related parties of HK\$3.5 million and proceeds from borrowings 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\$2.3 million, the Group's cash and cash equivalents increased from HK\$0.2 million as at 30 June 2022 to HK\$0.4 million as at 31 December 2022.

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 continuing adverse effect of COVID-19 pandemic in China and the associated control measures affecting the financial performance of the Group in the past years, downward trend of service fees as well as lower customers' demand continue to result in a decrease in revenue. Notwithstanding the foregoing, the Group will solicit hosting service contracts from different sectors to fill up the existing hosting capacity.

The Company had, on 30 October 2020, obtained shareholders' approval for, *inter alia*, the proposed diversification of the Group's existing business to include new businesses (which comprise tourism, food and beverage, and entertainment). 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. In addition, the Group has been exploring various alternatives to further strengthen its financial position to ensure that it has the ability to expand and diversify its businesses in addition to its current cost cutting measures to reduce operating costs and expenses.

The Company announced on 30 September 2022 and issued a circular to shareholders on 5 January 2023 relating to the (i) Proposed Share Consolidation, and (ii) Proposed Rights Issue. Please refer to Note 2(a) under Section E of this announcement and the circular for details on the Proposed Share Consolidation and Proposed Rights Issue. The Company had on 20 January 2023 convened a SGM and obtained its shareholders' approval for the Proposed Share Consolidation and the Proposed Rights Issue. The Company is currently working on completing the Proposed Share Consolidation and the Proposed Rights Issue. An offer information statement on the Proposed Rights Issue together with all the accompanying documents will be issued by the Company to shareholders in due course.

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 FY2023 and 6M FY2023 (Nil for 3M FY2022 and 6M FY2022).

(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 FY2023 and 6M FY2023 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 FY2023 and 6M FY2023 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 December 2022.

BY ORDER OF THE BOARD

**Chan Andrew Wai Men
Executive Chairman**

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

10 February 2023