

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

Unaudited Full Year Financial Statements And Dividend Announcement for the Financial Year Ended 30 June 2020

Pursuant to Rule 705(2C) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), the Company is required by the SGX-ST to continue to announce its quarterly financial statements in view of the material uncertainty relating to going concern issued by the Company's auditors in the latest audited financial statements for the financial period from 1 April 2018 to 30 June 2019.

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

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
FOR THE PERIOD ENDED 30 JUNE 2020			
(Expressed in Hong Kong thousand dollars)			
	12 months ended	15 months ended	
	Group	Group	
	30.6.2020	30.6.2019	%
	(Unaudited)	(Audited)	+ / (-)
Revenue	33,253	64,695	(49)
Other income	699	8,890	(92)
Employee benefits expenses	(4,491)	(11,124)	(60)
Depreciation of property, plant and equipment	(7,633)	(11,865)	(36)
Depreciation of right-of-use assets	(2,572)	-	NM
Amortisation of intangible assets	(3,102)	(12,062)	(74)
Software development expenses written off	-	(16,393)	(100)
Impairment loss of:			
- financial assets	(38,391)	(1,660)	NM
- prepayments	-	(8,594)	(100)
- intangible assets	(114,282)	-	NM
Operating lease expenses	(53)	(4,257)	(99)
Subcontracting fee	-	(956)	(100)
Bandwidth fee	(6,842)	(15,611)	(56)
Other expenses	(11,512)	(15,594)	(26)
Foreign exchange (loss) / gain	(571)	437	NM
Finance costs	(8,536)	(4,199)	103
Loss before tax	(164,033)	(28,293)	480
Tax expenses	(398)	(2,415)	(84)
Loss for the financial year	(164,431)	(30,708)	435
Loss attributable to:			
Equity holders of the Company	(148,971)	(28,193)	428
Non-controlling interest	(15,460)	(2,515)	515
	<u>(164,431)</u>	<u>(30,708)</u>	<u>435</u>

NM: Not meaningful

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT				
FOR THE PERIOD ENDED 30 JUNE 2020				
(Expressed in Hong Kong thousand dollars)				
		12 months ended	15 months ended	
		30.6.2020	30.6.2019	%
		(Unaudited)	(Audited)	+ / (-)
Loss for the financial year		(164,431)	(30,708)	435
Other comprehensive loss				
Currency translation difference arising from consolidation		(6,833)	(18,390)	(63)
Total comprehensive loss for the year		<u>(171,264)</u>	<u>(49,098)</u>	249
Total comprehensive loss attributable to				
Equity holders of the Company		(153,790)	(39,428)	290
Non-controlling interest		(17,474)	(9,670)	81
Total comprehensive loss for the year		<u>(171,264)</u>	<u>(49,098)</u>	249

NM: Not meaningful

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

SINOCLOUD GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	As at 30.6.2020 (Unaudited)	As at 30.6.2019 (Audited)	As at 30.6.2020 (Unaudited)	As at 30.6.2019 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	181,366	184,138	-	-
Right-of-use assets	31,961	-	-	-
Intangible assets	10,497	139,555	-	-
Investment in subsidiaries	-	-	-	60,166
Investment in associates	-	-	-	-
Amount due from subsidiaries (non-trade)	-	-	91,657	104,507
	<u>223,824</u>	<u>323,693</u>	<u>91,657</u>	<u>164,673</u>
Current assets				
Trade and other receivables	24,330	59,625	92	11,604
Contract assets	16,060	36,241	-	-
Cash and bank balances	303	572	-	-
	<u>40,693</u>	<u>96,438</u>	<u>92</u>	<u>11,604</u>
TOTAL ASSETS	<u>264,517</u>	<u>420,131</u>	<u>91,749</u>	<u>176,277</u>
LIABILITIES				
Current liabilities				
Trade and other payables	36,095	49,984	18,868	10,638
Contract liabilities	152	755	-	-
Redeemable convertible bonds	-	13,220	-	13,220
Provision for warranty	807	838	-	-
Income tax payable	2,950	7,045	-	-
Borrowings	8,008	-	3,094	-
	<u>48,012</u>	<u>71,842</u>	<u>21,962</u>	<u>23,858</u>
Non-current liabilities				
Trade and other payables	2,405	24,109	-	-
Deferred tax liabilities	74	74	-	-
Borrowings	20,960	14,973	-	-
Lease liabilities	57,006	-	-	-
	<u>80,445</u>	<u>39,156</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>128,457</u>	<u>110,998</u>	<u>21,962</u>	<u>23,858</u>
NET ASSETS	<u>136,060</u>	<u>309,133</u>	<u>69,787</u>	<u>152,419</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	14,311	14,311	14,311	14,311
Share premium	473,003	473,003	473,003	473,003
Contributed surplus	16,456	16,456	16,456	16,456
Translation deficit	(5,160)	(341)	-	-
Statutory reserve	7,066	6,454	-	-
Revaluation reserve	98	98	-	-
Other reserve	15,120	15,120	-	-
Accumulated losses	(439,882)	(289,210)	(433,983)	(351,351)
	<u>81,012</u>	<u>235,891</u>	<u>69,787</u>	<u>152,419</u>
Non-controlling interest	55,048	73,242	-	-
TOTAL EQUITY	<u>136,060</u>	<u>309,133</u>	<u>69,787</u>	<u>152,419</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

	As at 30.6.2020 In HK\$'000		As at 30.6.2019 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount due to director(s) of the Company	-	1,156	-	4,209
Amount due to related parties	-	4,333	-	245
Redeemable convertible bonds	-	-	-	13,220
Loans from shareholder of the Company	-	3,094	-	-
Bank borrowings	-	4,914	-	-

Amount repayable after one year

	As at 30.6.2020 In HK\$'000		As at 30.6.2019 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount due to a director of the Company	-	2,405	-	-
Loans from shareholders of the Company	-	20,960	-	9,867
Bank borrowings	-	-	-	5,106
Lease liabilities	-	57,006	-	-

Details of any collateral

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS		
FOR THE YEAR ENDED 30 JUNE 2020		
(Expressed in Hong Kong thousand dollars)		
	12 Months Ended	15 Months Ended
	30.6.2020	30.6.2019
Cash flow from operating activities		
Loss before tax	(164,033)	(28,293)
<i>Adjustments:</i>		
Depreciation of property, plant and equipment	7,633	11,865
Property, plant and equipment written off	-	4
Depreciation of right-of-use assets	2,572	-
Amortisation of intangible assets	3,102	12,062
Waiver of liabilities	(716)	(1,682)
Software development expenses written off	-	16,393
Impairment of prepayment	-	8,594
Impairment of financial assets	38,391	1,660
Impairment of intangible assets	114,282	-
Interest expenses	8,536	4,199
Provision for warranty	-	(322)
Operating profit before working capital changes	9,767	24,480
Trade and other receivables	(6,600)	7,991
Trade and other payables	2,841	1,842
Contract assets	1,574	(32,526)
Contract liability	1,674	814
Cash generated from operations	9,256	2,601
Income tax paid	(4,053)	(133)
Interest paid	(5,267)	(2,683)
Net cash used in operating activities	(64)	(215)
Cash flow from investing activities		
Repayment received from advances and earnest deposits to vendors of CSMCG	11,486	20,122
Additions to property, plant and equipment	(16,092)	(14,747)
Proceeds from refundable deposit for a potential acquisition	-	41,400
Net cash (used in) / generated from investing activities	(4,606)	46,775
Cash flow from financing activities		
Repayment of borrowings	-	(46,868)
Proceeds of loan from shareholders of the Company	966	3,793
Proceeds / (repayment) of loan from directors	372	(1,847)
Proceed from bank borrowings	-	5,423
Proceeds / (repayment) of loan from related parties	3,068	(7,181)
Net cash generated from / (used in) financing activities	4,406	(46,680)
Net decrease in cash and cash equivalents	(264)	(120)
Cash and cash equivalents at beginning of the financial period	572	724
Effect of exchange rate changes in cash and cash equivalents	(5)	(32)
Cash and cash equivalents at end of the financial year / period	303	572

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

<i>Group</i>	Attributable to equity holders of the Company									
	Share	Share	Contributed	Translation	Statutory	Revaluation	Other	Accum.	Non-	Total
	Capital	Premium	Surplus	Deficit	Reserve	Reserve	Reserve	Losses	Controlling	Equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 30 June 2019	14,311	473,003	16,456	(341)	6,454	98	15,120	(289,210)	73,242	309,133
Adoption of IFRS 16	-	-	-	-	-	-	-	(1,089)	(720)	(1,809)
Balance as at 1 July 2019	14,311	473,003	16,456	(341)	6,454	98	15,120	(290,299)	72,522	307,324
Loss for the year	-	-	-	-	-	-	-	(148,971)	(15,460)	(164,431)
Other comprehensive loss, net of tax	-	-	-	(4,819)	-	-	-	-	(2,014)	(6,833)
Total comprehensive loss	-	-	-	(4,819)	-	-	-	(148,971)	(17,474)	(171,264)
<u>Total transactions with owners, recognised directly in equity</u>										
Transfer to statutory reserve fund	-	-	-	-	612	-	-	(612)	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	612	-	-	(612)	-	-
Balance as at 30 June 2020	14,311	473,003	16,456	(5,160)	7,066	98	15,120	(439,882)	55,048	136,060

Group	Attributable to equity holders of the Company									
				Translation					Non-	
	Share	Share	Contributed	Reserve /	Statutory	Revaluation	Other	Accum.	Controlling	Total
	Capital	Premium	Surplus	(Deficit)	Reserve	Reserve	Reserve	Losses	Interest	Equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 31 March 2018	14,311	473,003	16,456	10,894	4,961	98	15,120	(259,241)	82,912	358,514
Adoption of IFRS 9	-	-	-	-	-	-	-	(283)	-	(283)
Balance as at 1 April 2018	14,311	473,003	16,456	10,894	4,961	98	15,120	(259,524)	82,912	358,231
Loss for the year	-	-	-	-	-	-	-	(28,193)	(2,515)	(30,708)
Other comprehensive loss, net of tax	-	-	-	(11,235)	-	-	-	-	(7,155)	(18,390)
Total comprehensive loss	-	-	-	(11,235)	-	-	-	(28,193)	(9,670)	(49,098)
<u>Total transactions with owners, recognised directly in equity</u>										
Transfer to statutory reserve fund	-	-	-	-	1,493	-	-	(1,493)	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	1,493	-	-	(1,493)	-	-
Balance as at 30 June 2019	14,311	473,003	16,456	(341)	6,454	98	15,120	(289,210)	73,242	309,133

Company

	Attributable to equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance as at 1 April 2018	14,311	473,003	16,456	(329,914)	173,856
Loss for the period from 1.4.2018 to 30.6.2019, representing total comprehensive loss	-	-	-	(21,437)	(21,437)
Balance as at 30 June 2019	<u>14,311</u>	<u>473,003</u>	<u>16,456</u>	<u>(351,351)</u>	<u>152,419</u>
Balance as at 1 July 2019	14,311	473,003	16,456	(351,351)	152,419
Loss for the year ended 30.6.2020, representing total comprehensive loss	-	-	-	(82,632)	(82,632)
Balance as at 30 June 2020	<u>14,311</u>	<u>473,003</u>	<u>16,456</u>	<u>(433,983)</u>	<u>69,787</u>

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

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

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

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

	As at 30 June 2020	As at 30 June 2019
Number of shares that may be issued on conversion of all outstanding convertibles	-	1,128,000,000 ⁽¹⁾
Total number of issued shares (excluding treasury shares and subsidiary holdings ⁽²⁾)	14,310,670,617	14,310,670,617

Notes:

(1) On 28 November 2017, the Company entered into two separate convertible bonds agreements with Mr Lam Cho Ying Terence Joe and Mr Soo Kok Beng Peter (“**Subscribers**”) respectively, for bonds in aggregate principal amount of S\$2,256,000 to be issued by the Company, with

maturity date on 27 November 2019 (“**Convertible Bonds**”). The Convertible Bonds are convertible into 1,128,000,000 new shares in the capital of the Company at a conversion price of S\$0.002 for each share. No conversion has taken place since the effective date of the Convertible Bonds. On 26 November 2019, the Company entered into two separate loan agreements dated 26 November 2019 (“**Loan Agreements**”) with the respective Subscribers on the settlement of the amounts due pursuant to the Convertible Bonds of HK\$13,220,160 (“**Loans**”). Pursuant to the Loan Agreements, the Loans are subject to an interest of 15% and 12% per annum respectively, and repayable by 27 May 2020 (the Loans do not have conversion features). Please refer to section 8 of this announcement, under “Review of Financial Position – Current Liabilities: (iii) Redeemable Convertible Bonds” for further details on the Loans.

(2) There were no treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

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

The total number of issued shares excluding treasury shares as at 30 June 2020 was 14,310,670,617 (30 June 2019: 14,310,670,617). There were no treasury shares as at 30 June 2020 and 30 June 2019.

1(d)(iv) A statement showing all sales, transfers, cancellation, and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation, and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any sales, transfers, cancellation, and/or use of subsidiary holdings during and as at the end of the current financial period reported on.

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

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

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: to provide (a) updates on the efforts taken to resolve each outstanding audit issue; and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The latest audited financial statements of the Group for the financial period from 1 April 2018 to 30 June 2019 (which contained material uncertainty relating to going concern) are not subject to any adverse opinion, qualified opinion or disclaimer of opinion.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the financial period from 1 April 2018 to 30 June 2019. The adoption of the new and amended International Financial Reporting Standards (IFRS) and IFRIC Interpretations that became effective for annual reporting periods beginning on or after 1 January 2019 is not expected to result in substantial changes to the Group’s financial statements, save for IFRS 16 Leases.

IFRS 16 Leases

This new standard on leases supersedes the previous standard (IAS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For lessees, IFRS 16 reforms lessee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. The main impact to the Group, on adoption of IFRS 16, is arising from the lease of Internet Data Centre (“IDC”) premises by the Company’s subsidiary, Guiyang Zhongdian Gaoxin Digital Technologies Limited (“GYZD”). As at 30 June 2020, the carrying amount of right-of-use assets and lease liabilities amounted to HK\$31,961,000 and HK\$57,006,000 respectively

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

Please refer to paragraph 4 above.

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

	12 Months Ended 30.6.2020 (Unaudited)	15 Months Ended 30.6.2019 (Audited)
Loss attributable to equity holders of the Company (HK\$’000)	(148,971)	(28,193)
Weighted average number of shares in issue	14,310,670,617	14,310,670,617
Loss per ordinary share (HK cents)		
- Based on weighted average number of ordinary shares in issue	(1.04)	(0.20)
- On a fully diluted basis (Please see note below)	(1.04)	(0.20)

Note:

The Convertible Bonds which expired on 27 November 2019 has no dilutive effect for the financial year ended 30 June 2020.

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

	As at 30.6.2020 (Unaudited)	As at 30.6.2019 (Audited)
Net asset value of the Company per ordinary share	HK\$0.0049	HK\$0.0107
Net asset value of the Group per ordinary share	HK\$0.0057	HK\$0.0165

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

Change of financial year end

On 1 March 2019, the Company announced that it will be changing its financial year end from 31 March to 30 June. Accordingly, the preceding financial period ended 30 June 2019 consists of fifteen months' financial information of the Group from 1 April 2018 to 30 June 2019, while the current financial year ended 30 June 2020 consists of twelve months' financial information of the Group from 1 July 2019 to 30 June 2020.

(A) REVIEW OF FINANCIAL RESULTS

Revenue

Revenue generated in the twelve months ended 30 June ("12M") 2020 decreased by HK\$31.4 million, from HK\$64.7 million in the fifteen months ended 30 June ("15M") 2019, to HK\$33.3 million in the 12M 2020. The decrease in revenue was mainly due to decrease in customer demand and service fee reduction in the 12M 2020, which was largely due to the lockdown in China caused by the COVID-19 pandemic.

Other income

Other income of HK\$0.7 million in the 12M 2020 primarily relates to (i) the waiver of other payables of HK\$0.3 million by a contractor of the Company's subsidiary, GYZD, and (ii) waiver of directors' remuneration of the Group of HK\$0.4 million which had been accrued in prior years, arising from costs saving measures implemented within the Group.

Other income of HK\$8.9 million in the 15M 2019 comprised (i) government subsidy received by GYZD of HK\$7.2 million; (ii) reversal of provision for salary and directors' fees of HK\$1.7 million due mainly to the waiver and/or reduction in directors' remuneration of the Group, arising from a costs saving measures implemented within the Group.

Expenses

Employee benefits expenses decreased by HK\$6.6 million to HK\$4.5 million in the 12M 2020, from HK\$11.1 million in the 15M 2019. The decrease was mainly due to certain cost savings measures implemented within the Group since 2019.

Depreciation of property, plant and equipment (“**PPE**”) decreased by HK\$4.3 million, from HK\$11.9 million in the 15M 2019 to HK\$7.6 million in the 12M 2020. The decrease was a result of the full depreciation of certain PPE during 15M 2019, as well as the impact of 15 months’ depreciation charge in 15M 2019, as compared to 12 months’ depreciation charge in 12M 2020.

Depreciation of right-of-use assets amounted to HK\$2.6 million in the 12M 2020 (15M 2019 : Nil). IFRS 16 Leases becomes effective for annual reporting periods beginning on or after 1 January 2019, as such, the Group adopted IFRS 16 in 12M 2020. The new standard on leases supersedes the previous standard IAS 17 Leases and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. IFRS 16 reforms lessee accounting by introducing a single model similar to the existing finance lease model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments. Leased assets are required to be depreciated in accordance with its respective useful life, which is similar to the depreciation of property, plant and equipment.

Amortisation of intangible assets decreased by HK\$9.0 million, from HK\$12.1 million in the 15M 2019 to HK\$3.1 million in the 12M 2020. The decrease was mainly due to full amortisation of certain intangible assets during 12M 2020. Such amortisation charge relates to the amortisation of intangible assets of customer contract, arising from the Company’s acquisition of SinoCloud 01 Limited (“**SC01**”) since October 2015.

Software development expenses written off of HK\$16.4 million in the 15M 2019 (12M 2020: Nil) were previously recognised under long term assets, and prepayment for software and platform development. As the software application cannot be utilised in the near future, it has been expensed off in 15M 2019 as they do not meet the criteria of capitalisation.

Impairment of financial assets increased by HK\$36.7 million, from HK\$1.7 million in the 15M 2019, to HK\$38.4 million in the 12M 2020, mainly due to impairment of long outstanding trade receivables and contract assets of GYZD. The management of GYZD re-assessed the payment track records, customer relationship and aging analysis, and is of the view that the recoverable amount from the outstanding trade receivables and contract assets is uncertain, in particular, under the current situation during COVID-19 pandemic. Accordingly, an impairment of financial assets are provided. Nevertheless, the management of GYZD will continue to engage in discussions and negotiations with the debtors in order to reach a feasible repayment plan by these debtors to GYZD in the near future.

Impairment of prepayments of HK\$8.6 million in the 15M 2019 (12M 2020: Nil) relates to impairment on payment made for purchase of equipment in the 12M 2018. Impairment was made on the basis of a prudent approach as there was no concrete plan to utilise the equipment or to recover the prepaid amount.

Impairment of intangible assets (relating to the business combination of SC01) (“**Intangible Assets**”) amounted to HK\$114.3 million in the 12M 2020 (15M 2019: Nil). The COVID-19 pandemic creates substantial adverse impact on global economy, including the Group’s internet data centre (“**IDC**”) business, where potential new orders for the Group’s services had been postponed. The schedule of resuming negotiation process and capacity requirement with potential customers are delayed. In addition, the Group experienced a decline in customer demand for the Group’s IDC services and reduction in service fees, resulting in a decline in the Group’s revenue in the 12M 2020. After taking into consideration the aforesaid factors, the management of the Group reassessed the future cash flow of the Group, and compared to the carrying amount of the cash generating unit, to arrive at an impairment of intangible assets in the 12M 2020.

Operating lease expenses were insignificant in the 12M 2020 (of HK\$53,000), and HK\$4.3 million in the 15M 2019. The decrease was mainly due to the adoption of IFRS 16, where the treatment of lease contract for the IDC of GYZD was different from prior years. The lease will be accounted for under depreciation of right-of-use assets and interests on lease liabilities. The operating lease expenses in the 12M 2020 relates to short-term lease contracts for the office premises of the Group.

Subcontracting fee amounted to HK\$1.0 million in the 15M 2019 (12M 2020: Nil). There is no project requiring subcontracting service in the 12M 2020.

Bandwidth fee decreased by HK\$8.8 million, from HK\$15.6 million in the 15M 2019 to HK\$6.8 million in the 12M 2020, as a result of decrease in IDC services in the 12M 2020.

Other expenses, comprising primarily office overhead, legal and professional fee and utility service fee, decreased by HK\$4.1 million, from HK\$15.6 million in the 15M 2019 to HK\$11.5 million in the 12M 2020, mainly due to the decrease in advertising expenses in the IDC business as well as office overhead.

Foreign exchange loss amounted to HK\$0.6 million in the 12M 2020, as compared to a gain of HK\$0.4 million in the 15M 2019. Foreign exchange loss of HK\$0.6 million in 12M 2020 was mainly due to depreciation of RMB against HKD.

Finance costs increased by HK\$4.3 million, from HK\$4.2 million in the 15M 2019 to HK\$8.5 million in the 12M 2020. The increase was mainly due to the adoption of IFRS 16, where HK\$4.8 million out of HK\$8.5 million relates to interest on lease liabilities incurred in the 12M 2020.

Income tax

The Group's income tax expenses reduced by HK\$2.0 million, from HK\$2.4 million in the 15M 2019 to HK\$0.4 million in the 12M 2020, due to decrease in profit generated under GYZD.

Net loss after taxation

As a result of the aforesaid, the Group recorded a loss after tax of HK\$164.4 million and HK\$30.7 million in the 12M 2020 and 15M 2019 respectively.

(B) REVIEW OF FINANCIAL POSITION

Subsequent to the financial year ended 30 June 2020, on 18 August 2020, a subsidiary of the Company in Hong Kong entered into a bond subscription agreement with a shareholder of the Company, Mr Lam Cho Ying Terence Joe, in principal amount of HK\$15,000,000 ("**Bond**"), interest bearing at 6% per annum, and due on 18 August 2021. For the avoidance of doubt, the Bond is not convertible into shares of the Company. The proceeds of the Bond was used for settlement of outstanding expenses and repayment of certain loans, as disclosed below.

Non-Current Assets

Non-current assets of the Group amounted to HK\$223.8 million and HK\$323.7 million as at 30 June 2020 and 30 June 2019 respectively. Non-current assets comprised (i) property, plant and equipment; (ii) right-of-use assets; and (iii) intangible assets.

(i) Property, plant and equipment

The net book value of property, plant and equipment decreased by HK\$2.7 million, from HK\$184.1 million as at 30 June 2019 to HK\$181.4 million as at 30 June 2020. The decrease was

mainly due to depreciation charge of HK\$7.6 million and translation loss of HK\$7.0 million, partially offset by addition of PPE amounting to HK\$11.9 million during the 12M 2020.

(ii) Right-of-use assets

IFRS 16 Leases became effective for annual reporting periods beginning on or after 1 January 2019, as such, the Group adopted IFRS 16 in the 12M 2020. It reforms lease accounting by introducing a single model similar to the existing finance lease model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments. Right-of-use assets of HK\$32.0 million as at 30 June 2020 relate to long-term leased IDC of GYZD.

(iii) Intangible assets

Intangible assets decreased by HK\$129.1 million, from HK\$139.6 million as at 30 June 2019 to HK\$10.5 million as at 30 June 2020, due to impairment of intangible assets as well as amortisation charge in the 12M 2020. Please refer to above section titled “Review of Financial Results – Expenses” for further details on the impairment assessment. The intangible assets as at 30 June 2020 of HK\$10.5 million relate to the business combination of SC01, comprising (i) goodwill of HK\$9.9 million; and (ii) assembled workforce of HK\$0.6 million.

Current Assets

Current assets decreased by HK\$55.7 million, from HK\$96.4 million as at 30 June 2019 to HK\$40.7 million as at 30 June 2020. Current assets comprised (i) trade and other receivables; (ii) contract assets; and (iii) cash and bank balances.

(i) Trade and other receivables

Trade and other receivables decreased by HK\$35.3 million, from HK\$59.6 million as at 30 June 2019 to HK\$24.3 million as at 30 June 2020.

Trade and other receivables as at 30 June 2020 comprised trade receivables of HK\$4.0 million, and other receivables and prepayment of HK\$20.3 million.

(a) Trade receivables decreased by HK\$23.9 million, from HK\$27.9 million as at 30 June 2019 to HK\$4.0 million as at 30 June 2020, due to (i) impairment of financial assets of HK\$18.8 million in the 12M 2020; and (ii) effect of decrease in revenue generated by GYZD of HK\$5.1 million during 12M 2020. Please refer to above section titled “Review of Financial Results – Expenses” for further details on the impairment assessment.

(b) Other receivables and prepayment comprising mainly prepayment for software development for the IDC business remained unchanged at HK\$20.2 million as at 30 June 2020 and 30 June 2019.

(c) Loan and deposit from vendors of China Satellite Mobile Communications Group Limited of HK\$11.5 million as at 30 June 2019 was fully recovered before 30 June 2020.

(ii) Contract assets

Contract assets decreased by HK\$20.1 million, from HK\$36.2 million as at 30 June 2019 to HK\$16.1 million as at 30 June 2020, due to (i) impairment of financial assets of HK\$19.6 million in the 12M 2020; and (ii) settlement of payment for the services delivered of HK\$0.5 million in the 12M 2020. Contract assets pertain to the Company’s right to consideration in exchange for goods or services that the entity has transferred to customers when the right is conditioned on something other than the passage of time. Please refer to above section titled “Review of Financial Results – Expenses” for further details on the impairment assessment.

(iii) Cash and bank balances

Cash and bank balances decreased by HK\$0.3 million, from HK\$0.6 million as at 30 June 2019 to HK\$0.3 million as at 30 June 2020. Please refer to “Cashflows” for the movement in cash and cash equivalents.

Current Liabilities

Current liabilities decreased by HK\$23.8 million, from HK\$71.8 million as at 30 June 2019 to HK\$48.0 million as at 30 June 2020. Current liabilities comprised (i) trade and other payables; (ii) contract liabilities; (iii) redeemable convertible bonds; (iv) provision for warranty; (v) income tax payable; and (vi) borrowings.

(i) Trade and other payables

Trade and other payables decreased by HK\$13.9 million, from HK\$50.0 million as at 30 June 2019 to HK\$36.1 million as at 30 June 2020. Trade and other payables as at 30 June 2020 comprised (a) trade payables of HK\$7.6 million; (b) accruals and other payables of HK\$23.0 million; (c) amount due to directors of HK\$1.2 million; and (d) amount due to related parties of HK\$4.3 million.

- (a) Trade payables to subcontractors decreased by HK\$5.4 million, from HK\$13.0 million as at 30 June 2019 to HK\$7.6 million as at 30 June 2020, primarily due to settlement of subcontracting fees incurred by GYZD.

No trade payable relating to operating lease expenses was recorded as at 30 June 2020 due to adoption of IFRS 16, whereas HK\$4.3 million was recorded as at 30 June 2019.

- (b) Accruals and other payables decreased by HK\$5.4 million, from HK\$28.3 million as at 30 June 2019 to HK\$23.0 million as at 30 June 2020, primarily due to the settlement of the payables as well as a reduction in operating expenses in the 12M 2020.
- (c) Amount due to directors of the Company decreased by HK\$3.0 million, from HK\$4.2 million as at 30 June 2019 to HK\$1.2 million as at 30 June 2020, due to (i) reclassification to non-current liabilities of HK\$2.4 million, following an extension of the loan repayment, which is interest free and repayable after 12 months from 30 June 2020; and (ii) settlement of director remuneration and expenses incurred of HK\$0.6 million in the 12M 2020.
- (d) Amount due to related parties increased by HK\$4.1 million, from HK\$0.2 million as at 30 June 2019 to HK\$4.3 million as at 30 June 2020, due to an increase in short-term advance from related parties, which is interest-free and repayable on demand.

(ii) Contract liabilities

Contract liabilities decreased by HK\$0.6 million, from HK\$0.8 million as at 30 June 2019 to HK\$0.2 million as at 30 June 2020, as a result of subsequent recognition of revenue as and when the Group fulfilled its performance obligations in the 12M 2020.

(iii) Redeemable convertible bonds

Redeemable convertible bonds as at 30 June 2019 relate to the Convertible Bonds of an aggregate principal amount of S\$2,256,000 (equivalent to HK\$13.2 million) entered into by the Company with Mr Lam Cho Ying Terence Joe (“**Mr Lam**”) and Mr Soo Kok Beng Peter (“**Mr Soo**”) in November 2017. The Convertible Bonds expired on 27 November 2019 and the amount outstanding under the Convertible Bonds were converted to loans owing to the aforesaid subscribers (“**Loans**”) pursuant to the Loan Agreements dated 26 November 2019 entered

between the Company with each of Mr Lam and Mr Soo. The Loans are subject to an interest rate of 15% (relating to the Loan owing to Mr Lam) and 12% per annum (relating to the Loan owing to Mr Soo), and shall be repayable on 27 May 2020. On 27 May 2020, Mr Lam agreed to further extend the loan repayment date to 30 November 2021 for the outstanding principal of HK\$10.1 million. Accordingly, HK\$10.1 million of the Loans owing to Mr Lam was classified under non-current liabilities. Whereas, the outstanding principal of HK\$3.1 million of the Loans owing to Mr Soo, was classified as “Borrowings” in part (vi) below.

(iv) Provision for warranty

Provision for warranty remained at HK\$0.8 million as at 30 June 2020 and 30 June 2019.

(v) Income tax payable

Income tax payable decreased by HK\$4.0 million, from HK\$7.0 million as at 30 June 2019 to HK\$3.0 million as at 30 June 2020, as a result of income tax paid by GYZD in the 12M 2020.

(vi) Borrowings

Borrowings of HK\$8.0 million as at 30 June 2020 (30 June 2019: Nil) relates to (i) a loan from a bank, with an interest rate of 8.28% per annum, and is repayable on or before 26 March 2021. The loan has been classified under non-current liabilities in prior year, and is guaranteed by a related party of the Company; and (ii) a loan from a shareholder of HK\$3.1 million (as described in the section titled “Redeemable Convertible Bonds” in part (iii) above). Subsequent to the financial year ended 30 June 2020, as at the date of this announcement, the loan from shareholder of HK\$3.1 million has been fully repaid with proceeds raised from the Bond.

Non-current Liabilities

Non-current liabilities increased by HK\$41.2 million, from HK\$39.2 million as at 30 June 2019 to HK\$80.4 million as at 30 June 2020. Non-current liabilities comprised mainly (i) trade and other payables; (ii) borrowings; and (iii) lease liabilities.

(i) Trade and other payables

Trade and other payables decreased by HK\$21.7 million, from HK\$24.1 million as at 30 June 2019 to HK\$2.4 million as at 30 June 2020. Upon adoption of IFRS 16 Leases in the 12M 2020, lease payables had been reclassified to lease liabilities. Trade and other payables of HK\$2.4 million as at 30 June 2020 solely relates to an advance provided by a director of the Company, which is interest free, repayable after 12 months from 30 June 2020. Subsequent to the financial year ended 30 June 2020, as at the date of this announcement, the amount due to director of the Company of HK\$2.4 million has been fully repaid with proceeds raised from the Bond.

(ii) Borrowings

Borrowings increased by HK\$6.0 million, from HK\$15.0 million as at 30 June 2019 to HK\$21.0 million as at 30 June 2020. The increase was due to further loans from Mr Lam, as described in the section titled “Non-current liabilities – (iii) Redeemable Convertible Bonds” above. These loans are interest bearing at 15% per annum, unsecured, and repayable on 30 November 2021. Subsequent to the financial year ended 30 June 2020, as at the date of this announcement, HK\$7.6 million has been fully repaid with the proceeds raised from the Bonds. The aforesaid increase was partially offset by reclassification of bank borrowings, amounting to HK\$5.1 million as at 30 June 2019 to current liabilities as at 30 June 2020 with an amount of HK\$4.9 million. Please refer to the above section on “Borrowings” under current liabilities for further information.

(iii) Lease liabilities

Lease liabilities amounted to HK\$57.0 million as at 30 June 2020 (30 June 2019 : Nil). IFRS 16 Leases became effective for annual reporting periods beginning on or after 1 January 2019, as such, the Group adopted IFRS 16 in the 12M 2020. The Group is required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments of the IDC.

Working Capital

Due to the changes in current assets and current liabilities as described above, the Group reported a negative working capital of HK\$7.3 million as at 30 June 2020, as compared to a positive working capital of HK\$24.6 million as at 30 June 2019.

As disclosed above, subsequent to the financial year ended 30 June 2020, the Company raised HK\$15,000,000 proceeds from the Bond, which will be due on 18 August 2021. Such proceeds were used to repay certain outstanding borrowings, and will be used for settlement of outstanding expenses and other loan repayments.

(C) CASH FLOWS

Net cash used in operating activities in the 12M 2020 amounted to HK\$64,000. This was mainly due to (i) operating profit before changes in working capital of HK\$9.8 million; (ii) increase in trade and other payables of HK\$2.8 million; (iii) decrease in contract assets of HK\$1.6 million; (iv) increase in contract liabilities of HK\$1.7 million; partially offset by (v) increase in trade and other receivables of HK\$6.6 million; (vi) income tax paid of HK\$4.1 million; and (vii) interest paid of HK\$5.3 million.

Net cash used in investing activities of HK\$4.6 million in the 12M 2020 was due to additions to property, plant and equipment of HK\$16.1 million, partially offset by repayment received from advances and earnest deposits to vendors of CSMCG amount to HK\$11.5 million.

Net cash generated from financing activities was HK\$4.4 million in the 12M 2020, mainly due to (i) proceeds of loan from shareholders of the Company of HK\$1.0 million; (ii) proceeds of loan from directors of the Company of HK\$0.4 million; and (iii) proceeds of loan from related parties of HK\$3.1 million.

As a result, the Group's cash and cash equivalents decreased from HK\$0.6 million as at 30 June 2019 to HK\$0.3 million as at 30 June 2020.

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

The unaudited financial results for 12M 2020 set out in this announcement are in line with the profit guidance announcement released by the Company on 25 August 2020.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group derives its revenue primarily from GYZD. As announced by the Company previously, GYZD is in the process of expanding its capacity of hosting 1,500 racks in addition to 660 racks currently. Due to changes in GYZD's end-users requirements which are further impacted by the COVID-19 pandemic, such expansion will be divided into phases. The milestone construction schedule shall be tied to its target capacity requirement as well as commissioning schedule, where the burden on capital expenditure is minimised.

The recent COVID-19 pandemic created substantial adverse impact on global economy, including the Group's IDC business in the People's Republic of China ("PRC"), where potential new orders for the Group's services had been postponed. The schedule of resuming negotiation process and its respective capacity requirement are delayed. Customer demand as well as service fees have reduced substantially since early 2020, which affected the Group's revenue reported in the 12M 2020, although the Group is currently continuously servicing its customers. Having regard to the aforesaid, the Group reassessed its recoverable amount and provided for an impairment of intangible assets of HK\$114.3 million in the 12M 2020. Moreover, after a reassessment of the outstanding trade receivables and contract assets, the Group provided an impairment of financial assets of HK\$38.4 million. The management is cautious and continues to implement cost cutting measures to reduce operating costs and expenses.

The Group will continue to focus its efforts on its IDC business development in the PRC, and will be looking for other investment opportunities which will enable the Group to maximise its return in the long run.

On 18 August 2020, the Group secured the Bond amounting to HK\$15 million, interest bearing at 6% per annum and repayable on 18 August 2021. Proceeds from the Bond will enable the Group to settle some outstanding loans which are high interest bearing, thereby reducing the Group's exposure to high interest charges. Furthermore, the Group is exploring various alternatives to further strengthen its financial positions to ensure it has the ability to expand and diversify its investment. The Company will make the necessary announcement(s) in due course.

11. Dividend

If a decision regarding dividend has been made :-

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

None.

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

Nil (15M 2019: nil).

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend is declared/recommended by the Directors for the 12M 2020 as the Group is loss making in the 12M 2020.

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

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3, Q4 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

For 12M 2020, the Group has only a single reportable segment, namely internet data centre services. Other business operations include investment holding and is categorised as “all other segments”. For each strategic business units, the Group’s CEO (the chief operating decision maker) reviews internal management reports of each strategic business unit on at least a quarterly basis. The following summary describes the operations in each of the Group’s reportable segments:

Performance is measured in terms of segment profit before income tax, which is provided in the internal management reports reviewed by the Group’s CEO. The management believes that segment profit is applicable for measuring performance as such information is the most relevant in evaluating the results of certain segments as compared to other entities operating within these industries.

12M2020	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	33,253	-	33,253
Segment loss	(149,754)	(5,743)	(155,497)
Finance cost			(8,536)
Loss before tax			(164,033)
Income tax			(398)
Loss for the financial year			(164,431)
Segment assets	263,878	639	264,517
Segment liabilities	96,575	31,882	128,457
Other segment items			
Capital expenditure	11,849	-	11,849
Depreciation of plant and equipment	7,633	-	7,633
Depreciation of right-of-use assets	2,572	-	2,572
Amortisation of intangible assets	3,102	-	3,102
Waiver of liabilities	-	355	355
Impairment expenses	152,673	-	152,673

15M2019	Internet Data Centre Services	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue from external parties	<u>64,695</u>	<u>-</u>	<u>64,695</u>
Segment loss	(12,722)	(11,372)	(24,094)
Finance cost			<u>(4,199)</u>
Loss before tax			(28,293)
Income tax			<u>(2,415)</u>
Loss for the financial period			<u>(30,708)</u>
Segment assets	<u>407,493</u>	<u>12,638</u>	<u>420,131</u>
Segment liabilities	<u>78,378</u>	<u>32,620</u>	<u>110,998</u>
Other segment items			
Capital expenditure	6,884	-	6,884
Depreciation of plant and equipment	11,865	-	11,865
Amortisation of intangible assets	12,062	-	12,062
Development costs	16,393	-	16,393
Waiver of liabilities	-	1,682	1,682
Impairment expenses	<u>10,254</u>	<u>-</u>	<u>10,254</u>

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical presence of the customers. Segment capital expenditure and assets are based on the geographical location of the assets. Geographical information about the Group's revenue and assets is as follows:

12M 2020	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue	-	33,253	33,253
Non-current assets	-	223,824	<u>223,824</u>

15M 2019	Hong Kong	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue	-	64,695	64,695
Non-current assets	-	323,693	<u>323,693</u>

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to the aforesaid section 8 for details.

16. A breakdown of sales

	Group	Group
	12M2020	15M2019
	HK\$'000	HK\$'000
Sales reported from 1 July to 31 December (for 12M2020) / 1 April to 31 December (for 15M2019)	22,775	40,977
Operating loss after tax before deducting non-controlling interests reported from 1 July to 31 December (for 12M2020) / 1 April to 31 December (for 15M2019)	(2,823)	(5,469)
Sales reported from 1 January to 30 June	10,478	23,718
Operating loss after tax before deducting non-controlling interests reported from 1 January to 30 June	(161,608)	(25,239)

- 17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

S\$000	12M 2020	15M 2019
Ordinary	-	-
Preference	-	-
Total	-	-

- 18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10). If there are no such persons, the issuer must make an appropriate negative statement.**

There is no person occupying a managerial position in the Group who is a relative of a director, chief executive officer, or substantial shareholder of the Company pursuant to Rule 704(10) of the Catalist Rules.

- 19. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules**

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

BY ORDER OF THE BOARD

Chan Andrew Wai Men
Chairman and Chief Executive Officer

Chu Yin Ling, Karen
Executive Director

29 August 2020