

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

**Unaudited Second Quarter Financial Statements And Dividend Announcement for the Financial Period Ended 31 December 2019**

*Pursuant to Rule 705(2C) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), the Company is required by the SGX-ST to continue to announce its quarterly financial statements in view of the material uncertainty relating to going concern issued by the Company's auditors in the latest audited financial statements for the financial year ended 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 31 DECEMBER 2019**

**(Expressed in Hong Kong thousand dollars)**

	Three Months Ended			Six Months Ended		
	Group 31.12.2019	Group 31.12.2018	%	Group 31.12.2019	Group 31.12.2018	%
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>+ / (-)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>+ / (-)</b>
Revenue	12,416	14,061	(12)	22,775	27,210	(16)
Other income	267	5,569	(95)	270	5,806	(95)
Employee benefits expenses	(1,556)	(2,473)	(37)	(3,156)	(5,551)	(43)
Depreciation of property, plant and equipment	(1,863)	(2,287)	(19)	(3,722)	(4,550)	(18)
Amortisation of intangible assets	(1,082)	(2,412)	(55)	(3,494)	(4,824)	(28)
Software development expenses	-	-	NM	(1,114)	-	NM
Operating lease income / (expenses)	7	(131)	NM	(1,344)	(1,147)	17
Bandwidth fees	(1,842)	(4,632)	(60)	(3,830)	(8,414)	(54)
Other expenses	(3,397)	(2,817)	21	(6,443)	(6,672)	(3)
Finance costs	(886)	(631)	40	(1,772)	(1,187)	49
<b>Profit / (Loss) before tax</b>	<b>2,064</b>	<b>4,247</b>	<b>(51)</b>	<b>(1,830)</b>	<b>671</b>	<b>NM</b>
Income tax	(827)	(3,400)	(76)	(993)	(3,803)	(74)
<b>Profit / (Loss) for the financial period</b>	<b>1,237</b>	<b>847</b>	<b>46</b>	<b>(2,823)</b>	<b>(3,132)</b>	<b>(10)</b>
<b>Profit / (Loss) attributable to:</b>						
Equity holders of the Company	(642)	(1,650)	(61)	(5,074)	(6,499)	(22)
Non-controlling interest	1,879	2,497	(25)	2,251	3,367	(33)
	<u>1,237</u>	<u>847</u>	<u>46</u>	<u>(2,823)</u>	<u>(3,132)</u>	<u>(10)</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**

**SINOCLOUD GROUP LIMITED**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2019**  
(Expressed in Hong Kong thousand dollars)

	Three Months Ended			Six Months Ended		
	31.12.2019	31.12.2018	%	31.12.2019	31.12.2018	%
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	+ / (-)	<b>(Unaudited)</b>	<b>(Unaudited)</b>	+ / (-)
<b>Profit / (Loss) for the financial period</b>	1,237	847	46	(2,823)	11,933	NM
<b>Other comprehensive income/ (loss)</b>						
Currency translation difference arising from consolidation	2,369	(191)	NM	(4,090)	2,293	NM
<b>Total comprehensive gain / (loss) for the period</b>	<b>3,606</b>	<b>656</b>	450	<b>(6,913)</b>	<b>14,226</b>	NM
<b>Total comprehensive gain / (loss) attributable to</b>						
Equity holders of the Company	869	(1,765)	NM	(7,740)	3,984	NM
Non-controlling interest	2,737	2,421	13	827	10,242	(92)
<b>Total comprehensive gain / (loss) for the period</b>	<b>3,606</b>	<b>656</b>	450	<b>(6,913)</b>	<b>14,226</b>	NM

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

**SINOCLOUD GROUP LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**  
(Expressed in Hong Kong thousand dollars)

	The Group		The Company	
	As at 31.12.2019 (Unaudited)	As at 30.6.2019 (Audited)	As at 31.12.2019 (Unaudited)	As at 30.6.2019 (Audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	187,615	184,138	-	-
Intangible assets	136,061	139,555	-	-
Investment in subsidiaries	-	-	60,166	60,166
Amount due from subsidiaries (non-trade)	-	-	109,082	104,507
	<u>323,676</u>	<u>323,693</u>	<u>169,248</u>	<u>164,673</u>
<b>Current assets</b>				
Trade and other receivables	53,522	59,625	252	11,604
Contract assets	30,096	36,241	-	-
Cash and bank balances	3,082	572	-	-
	<u>86,700</u>	<u>96,438</u>	<u>252</u>	<u>11,604</u>
<b>TOTAL ASSETS</b>	<u>410,376</u>	<u>420,131</u>	<u>169,500</u>	<u>176,277</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	46,113	49,984	20,108	10,638
Contract liabilities	96	755	-	-
Redeemable convertible bonds	-	13,220	-	13,220
Borrowing	13,314	-	-	-
Provision for warranty	821	838	-	-
Income tax payable	3,621	7,045	-	-
	<u>63,965</u>	<u>71,842</u>	<u>20,108</u>	<u>23,858</u>
<b>Non-current liabilities</b>				
Trade and other payables	29,048	24,109	-	-
Borrowing	5,002	5,106	-	-
Deferred tax liabilities	74	74	-	-
Loans from a shareholder	10,067	9,867	-	-
	<u>44,191</u>	<u>39,156</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>108,156</u>	<u>110,998</u>	<u>20,108</u>	<u>23,858</u>
<b>NET ASSETS</b>	<u>302,220</u>	<u>309,133</u>	<u>149,392</u>	<u>152,419</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
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	(3,007)	(341)	-	-
Statutory reserve	6,454	6,454	-	-
Revaluation reserve	98	98	-	-
Other reserve	15,120	15,120	-	-
Accumulated losses	(294,284)	(289,210)	(354,378)	(351,351)
	<u>228,151</u>	<u>235,891</u>	<u>149,392</u>	<u>152,419</u>
<b>Non-controlling interest</b>	<u>74,069</u>	<u>73,242</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>	<u>302,220</u>	<u>309,133</u>	<u>149,392</u>	<u>152,419</u>

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

**Amount repayable in one year or less, or on demand**

	As at 31.12.2019 In HK\$'000		As at 30.6.2019 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount due to a director of the Company	-	3,656	-	4,209
Amount due to related parties	-	358	-	245
Redeemable convertible bonds	-	-	-	13,220
Amount due to shareholders of the Company	-	13,314	-	-

**Amount repayable after one year**

	As at 31.12.2019 In HK\$'000		As at 31.3.2018 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Loans from a shareholder of the Company	-	10,067	-	9,867
Long term loan from bank	-	5,002	-	5,106

**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**

<b>SINOCLOUD GROUP LIMITED</b> <b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> <b>FOR THE PERIOD ENDED 31 DECEMBER 2019</b> (Expressed in Hong Kong thousand dollars)				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Cash flow from operating activities</b>				
Profit / (Loss) before tax	2,064	4,247	(1,830)	671
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	1,863	2,287	3,722	4,550
Amortisation of intangible assets	1,082	2,412	3,494	4,824
Other income arising from provision for warranty	-	(314)	-	(314)
Interest expense	886	631	1,772	1,187
Operating profit before working capital changes	5,895	9,263	7,158	10,918
Trade and other receivables	(22,204)	15,790	(5,383)	19,777
Trade and other payables	(1,755)	(8,938)	(4,870)	(24,202)
Contract assets/ amount due from contract work	12,334	-	6,145	-
Cash (used in) / generated from operations	(5,730)	16,115	3,050	6,493
Income tax paid	(229)	(3,400)	(229)	(3,803)
Interest paid	(105)	(122)	(212)	(243)
<b>Net cash (used in)/ generated from operating activities</b>	<b>(6,064)</b>	<b>12,593</b>	<b>2,609</b>	<b>2,447</b>
<b>Cash flow from investing activities</b>				
Repayment received from advances and earnest deposits to vendors of CSMCG	6,321	-	11,486	13,650
Additions to property, plant and equipment	-	-	(9,662)	-
Proceeds from refundable deposit for a potential acquisition	-	-	-	39,823
Prepayment for software development	-	(12,749)	-	(12,749)
<b>Net cash generated from/ (used in) investing activities</b>	<b>6,321</b>	<b>(12,749)</b>	<b>1,824</b>	<b>40,724</b>
<b>Cash flow from financing activities</b>				
(Repayment to) / advance from director of the Company	(200)	700	-	1,700
Proceeds / (repayment) of loan from director of a subsidiary	1,897	(1,240)	(1,326)	(4,926)
Repayment of loan borrowing from a financial institution	-	-	-	(39,880)
<b>Net cash generated from/ (used in) financing activities</b>	<b>1,697</b>	<b>(540)</b>	<b>(1,326)</b>	<b>(43,106)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>1,954</b>	<b>(696)</b>	<b>3,107</b>	<b>65</b>
Cash and cash equivalents at beginning of the financial period	1,044	1,233	572	1,050
Effect of exchange rate changes in cash and cash equivalents	84	(148)	(597)	(726)
<b>Cash and cash equivalents at end of the financial period</b>	<b>3,082</b>	<b>389</b>	<b>3,082</b>	<b>389</b>

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

**Group**

Attributable to equity holders of the Company

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

**Group**

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	Accum. Losses HK\$'000	Non- Controlling Interest HK\$'000	Total Equity HK\$'000
<b>Balance as at 31 July 2018</b>	<b>14,311</b>	<b>473,003</b>	<b>16,456</b>	<b>2,620</b>	<b>5,863</b>	<b>98</b>	<b>15,120</b>	<b>(256,333)</b>	<b>81,247</b>	<b>352,385</b>
Loss for the period from 1.7.2018 to 30.9.2018	-	-	-	-	-	-	-	(4,849)	870	(3,979)
Other comprehensive loss, net of tax	-	-	-	(4,570)	-	-	-	-	(3,395)	(7,965)
Total comprehensive loss	-	-	-	(4,570)	-	-	-	(4,849)	(2,525)	(11,944)
<b>Balance as at 30 September 2018</b>	<b>14,311</b>	<b>473,003</b>	<b>16,456</b>	<b>(1,950)</b>	<b>5,863</b>	<b>98</b>	<b>15,120</b>	<b>(261,182)</b>	<b>78,722</b>	<b>340,441</b>
Loss for the period from 1.10.2018 to 31.12.2018	-	-	-	-	-	-	-	(1,650)	2,497	847
Other comprehensive loss, net of tax	-	-	-	(115)	-	-	-	-	(76)	(191)
Total comprehensive loss	-	-	-	(115)	-	-	-	(1,650)	2,421	656
<b>Balance as at 31 December 2018</b>	<b>14,311</b>	<b>473,003</b>	<b>16,456</b>	<b>(2,065)</b>	<b>5,863</b>	<b>98</b>	<b>15,120</b>	<b>(262,832)</b>	<b>81,143</b>	<b>341,097</b>



**Company**

## Attributable to equity holders of the Company

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

**Company**

## Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share- based capital reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>Balance as at 1 July 2018</b>	<b>14,311</b>	<b>473,003</b>	<b>16,456</b>	<b>-</b>	<b>(392,405)</b>	<b>111,365</b>
Loss for the period from 1.7.2018 to 30.9.2018	-	-	-	-	(2,584)	(2,584)
<b>Balance as at 30 September 2018</b>	<b>14,311</b>	<b>473,003</b>	<b>16,456</b>	<b>-</b>	<b>(394,989)</b>	<b>108,781</b>
Loss for the period from 1.10.2018 to 31.12.2018	-	-	-	-	(1,951)	(1,951)
Total comprehensive loss	-	-	-	-	(1,951)	(1,951)
<b>Balance as at 31 December 2018</b>	<b>14,311</b>	<b>473,003</b>	<b>16,456</b>	<b>-</b>	<b>(396,940)</b>	<b>106,830</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, 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. 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.**

	<b>Issued and fully paid-up ordinary shares</b>	<b>Share capital HK\$'000</b>
<b>Balance as at 30 June 2019 and 31 December 2019</b>	<b>14,310,670,617</b>	<b>14,311</b>

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, due 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 separate agreements (“**Loan Agreements**”) with the respective Subscribers on the settlement of the principal amounts of the Convertible Bonds of HK\$13,220,160 (“**Loans**”). Pursuant to the Loan Agreements, the Loans will be subject to an interest of 15% per annum, and shall be repayable by 27 May 2020.

The total number of shares that may be issued on conversion of all the outstanding convertibles of the Company as at 31 December 2019 is nil (30 June 2019: 1,128,000,000). As at 31 December 2019 and the date of this announcement, the Company does not have any convertible securities.

There were no treasury shares and subsidiary holdings as at 31 December 2019 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 31 December 2019 was 14,310,670,617 (30 June 2019: 14,310,670,617).

There were no treasury shares as at 31 December 2019 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 qualifications 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 year ended 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 year ended 30 June 2019. The Group has not adopted IFRS 16 Leases in its preparation of the financial statements as at 31 December 2019, and will adopt IFRS 16 Leases by 30 June 2020. The adoption of the new and amended International Financial Reporting Standards (IFRS) and IFRIC Interpretations that are mandatory for financial year beginning on or after 1 July 2019, save for IFRS 16 Leases, is not expected to result in substantial changes to the Group's financial statements.

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

Please refer to paragraph 4 above.

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

	<b>3 Months Ended 31.12.2019 (Unaudited)</b>	<b>3 Months Ended 31.12.2018 (Unaudited)</b>	<b>6 Months Ended 31.12.2019 (Unaudited)</b>	<b>6 Months Ended 31.12.2018 (Unaudited)</b>
Loss attributable to equity holders of the Company (HK\$'000)	(642)	(1,650)	(5,074)	(6,499)
Weighted average number of shares in issue	14,310,670,617	14,310,670,617	14,310,670,617	14,310,670,617
<b>Loss per ordinary share (HK cents)</b>				
- Based on weighted average number of ordinary shares in issue	<b>(0.004)</b>	<b>(0.012)</b>	<b>(0.035)</b>	<b>(0.045)</b>
- On a fully diluted basis (Please see note below)	<b>(0.004)</b>	<b>(0.012)</b>	<b>(0.035)</b>	<b>(0.045)</b>

**Note:**

The Convertible Bonds which expired on 27 November 2019 has no dilutive effect for the three-month and six-month financial period ended 31 December 2019.

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**

	<b>As at 31.12.2019 (Unaudited)</b>	<b>As at 30.6.2019 (Audited)</b>
Net asset value of the Company per ordinary share	<b>HK\$0.010</b>	<b>HK\$0.011</b>
Net asset value of the Group per ordinary share	<b>HK\$0.016</b>	<b>HK\$0.016</b>

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

## **(A) REVIEW OF FINANCIAL RESULTS**

### **Revenue**

Revenue decreased by HK\$1.7 million to HK\$12.4 million in the three months ended 31 December (“**3M**”) 2019, from HK\$14.1 million in the 3M 2018. It decreased by HK\$4.4 million to HK\$22.8 million in the six months ended 31 December (“**6M**”) 2019, from HK\$27.2 million in the 6M 2018. The decrease in revenue was mainly due to decrease in customer demand in the 3M and 6M 2019.

### **Other income**

Other income of HK\$0.3 million relates to the interest income from bank in the 3M and 6M 2019, while other income of HK\$5.6 million in the 3M 2018 and HK\$5.8 million in the 6M 2018 mainly relate to government subsidy of Guiyang Zhongdian Gaoxin Digital Technologies Limited (“**GYZD**”), a subsidiary of the Company.

### **Operating expenses**

Employee benefits expense decreased by HK\$0.9 million to HK\$1.6 million in the 3M 2019, from HK\$2.5 million in the 3M 2018, and decreased by HK\$2.4 million to HK\$3.2 million in the 6M 2019, from HK\$5.6 million in the 6M 2018. The decrease was mainly due to certain cost savings measures undertaken within the Group in 2019.

Depreciation of property, plant and equipment decreased by HK\$0.4 million, from HK\$2.3 million in the 3M 2018 to HK\$1.9 million in the 3M 2019, and decreased by HK\$0.9 million in the 6M 2018 from HK\$4.6 million in the 6M 2018 to HK\$3.7 million in the 6M 2019. The decrease was mainly a result of the full depreciation of certain equipment during 3M and 6M 2019.

Amortisation of intangible assets decreased by HK\$1.3 million from HK\$2.4 million in the 3M 2018 to HK\$1.1 million in the 3M 2019, and decreased by HK\$1.3 million from HK\$4.8 million in the 6M 2018 to HK\$3.5 million in the 6M 2019. The decrease was mainly due to full amortisation of certain intangible assets. Such amortisation charge relates to the amortisation of intangible assets of customer contract and favorable lease, arising from the Company's acquisition of SinoCloud 01 Limited (“**SC01**”) since October 2015.

Software development expenses were previously recognised as a long term asset and a current asset (prepayment for software and platform development). As such software applications cannot be utilised in the near future or cannot generate future economic benefits, they have been expensed off since the last financial year ended 30 June 2019 as they do not meet the capitalisation criteria. Software development expenses written off of HK\$1.1 million in the 6M 2019 relate to additional expenses that GYZD had to incur in 6M 2019 in respect of the development contract, which was terminated during the financial year ended 30 June 2019. There was no such expenses in 6M 2018.

Operating lease income of HK\$7 thousand in 3M2019, as compared to operating lease expenses of HK\$0.1 million in 3M2018, was due to the reversal of the accruals and payables of HK\$14 thousand in respect of the internet data centre (“**IDC**”) of GYZD after the reassessment of operating lease expenses accrued and payable, partially offset by HK\$7 thousand operating lease expenses for other

office. Operating lease expenses increased by HK\$0.2 million, from HK\$1.1 million in 6M2018 to HK\$1.3 million in 6M2019, mainly due to the reassessment of operating lease payable.

Bandwidth fees decreased by HK\$2.8 million, from HK\$4.6 million in the 3M 2018 to HK\$1.8 million in the 3M 2019, and decreased by HK\$4.6 million, from HK\$8.4 million in the 6M 2018 to HK\$3.8 million in the 6M 2019. The decrease was mainly due to the discontinued usage of a lower end broadband service in the 6M 2019.

Other expenses, comprising primarily office overhead, legal and professional fees, provision for warranty, and utility service fees, increased by HK\$0.6 million, from HK\$2.8 million in the 3M 2018 to HK\$3.4 million in the 3M 2019, due to an increase in office overhead and provision for warranty for IDC business. Other expenses decreased slightly by HK\$0.3 million, from HK\$6.7 million in the 3M 2018 to HK\$6.4 million in the 3M 2019, mainly due to decrease in legal and professional fees and utility service fees.

Finance costs increased by HK\$0.3 million, from HK\$0.6 million in the 3M 2018 to HK\$0.9 million in the 3M 2019, and increased by HK\$0.6 million from HK\$1.2 million in the 6M 2018 to HK\$1.8 million in the 6M 2019. The increase was mainly due to an increase in borrowings in 3M 2019 and 6M 2019.

### **Income tax**

The Group's income tax expense decreased by HK\$2.6 million, from HK\$3.4 million in the 3M 2018 to HK\$0.8 million in the 3M 2019, and decreased by HK\$2.8 million from HK\$3.8 million in the 6M 2018 to HK\$1.0 million in the 6M 2019, due to the lower profits generated by GYZD in 3M 2019 and 6M 2019.

### **Net loss after taxation**

As a result of the aforesaid, the Group recorded a profit after tax of HK\$1.2 million in the 3M 2019 (3M 2018: profit after tax of HK\$0.8 million), and a loss after tax of HK\$2.8 million in the 6M 2019 (6M 2018 : loss after tax of HK\$3.1 million).

## **(B) REVIEW OF FINANCIAL POSITION**

### **Non-Current Assets**

Non-current assets of the Group was HK\$323.7 million as at 31 December 2019 and 30 June 2019. Non-current assets comprised (i) property, plant and equipment; and (ii) intangible assets.

#### **(i) Property, plant and equipment**

The net book value of property, plant and equipment increased by HK\$3.5 million, from HK\$184.1 million as at 30 June 2019 to HK\$187.6 million as at 31 December 2019. The increase was mainly due to additions of HK\$10.9 million, partially offset by depreciation charge of HK\$3.6 million, and translation loss of HK\$3.8 million during 6M 2019.

#### **(ii) Intangible assets**

Intangible assets decreased by HK\$3.5 million, from HK\$139.6 million as at 30 June 2019 to HK\$136.1 million as at 31 December 2019, due to amortisation charge during 6M 2019. The intangible assets relate to the business combination of SC01, comprising (i) goodwill of HK\$124.1 million; (ii) favorable lease of HK\$11.4 million; and (iii) assembled workforce of HK\$0.6 million as at 31 December 2019.

## **Current Assets**

Current assets decreased by HK\$9.7 million, from HK\$96.4 million as at 30 June 2019 to HK\$86.7 million as at 31 December 2019. 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\$6.1 million, from HK\$59.6 million as at 30 June 2019 to HK\$53.5 million as at 31 December 2019.

Trade and other receivables as at 31 December 2019 comprised trade receivables of HK\$30.1 million, and other receivables and prepayment of HK\$23.4 million.

(a) Trade receivables increased by HK\$2.2 million, from HK\$27.9 million as at 30 June 2019 to HK\$30.1 million as at 31 December 2019, mainly attributable to revenue generated by GYZD during 6M 2019.

(b) Other receivables and prepayment increased by HK\$3.2 million, from HK\$20.2 million as at 30 June 2019 to HK\$23.4 million as at 31 December 2019, mainly due to increase of (i) HK\$2.5 million for the prepayment in respect of software related development for IDC business, and (ii) HK\$0.7 million in deposits and prepayments.

(c) Loan and deposit from vendors of CSMCG (the “**CSMCG Vendors**”) of HK\$11.5 million as at 30 June 2019 was fully repaid as at 31 December 2019.

### (ii) Contract assets

Contract assets decreased by HK\$6.1 million, from HK\$36.2 million as at 30 June 2019 to HK\$30.1 million as at 31 December 2019, due to settlement of payment for the services delivered during 6M 2019. This pertains to the Company’s right to consideration in exchange for goods or services that the entity has transferred to customers when the right is conditioned on something other than the passage of time.

### (iii) Cash and bank balances

Cash and bank balances increased by HK\$2.5 million, from HK\$0.6 million as at 30 June 2019 to HK\$3.1 million as at 31 December 2019. Please refer to “Cashflows” for the movement in cash and cash equivalents.

## **Current Liabilities**

Current liabilities decreased by HK\$7.8 million, from HK\$71.8 million as at 30 June 2019 to HK\$64.0 million as at 31 December 2019. Current liabilities comprised (i) trade and other payables; (ii) contract liabilities; (iii) redeemable convertible bonds; (iv) short-term borrowing; (v) provision for warranty; and (vi) income tax payable.

### (i) Trade and other payables

Trade and other payables decreased by HK\$3.9 million, from HK\$50.0 million as at 30 June 2019 to HK\$46.1 million as at 31 December 2019. Trade and other payables as at 31 December 2019 comprised (a) trade payables of HK\$11.9 million; (b) accruals and other payables of HK\$30.1 million; (c) amount due to directors of HK\$3.7 million; and (d) amount due to a related party of HK\$0.4 million.

- (a) Trade payables to subcontractors decreased by HK\$1.1 million, from HK\$13.0 million as at 30 June 2019 to HK\$11.9 million as at 31 December 2019, due to settlement of subcontracting fees incurred by GYZD.

Trade payables relating to operating lease expenses amounting to HK\$4.2 million as at 30 June 2019 had been reclassified to non-current liabilities, as GYZD's IDC is still under rent-free period, where no further notice was received from the landlord of GYZD on the commencement of payment of rent.

- (b) Accruals and other payables increased by HK\$1.9 million, from HK\$28.3 million as at 30 June 2019 to HK\$30.2 million as at 31 December 2019, primarily due to expenses related to IDC operation incurred in the 6M 2019.
- (c) Amount due to directors of the Company decreased by HK\$0.5 million, from HK\$4.2 million as at 30 June 2019 to HK\$3.7 million as at 31 December 2019. The loans were provided for operation purpose, and are interest-free, unsecured and repayable on demand.
- (d) Amount due to a related party increased by HK\$0.1 million, from HK\$0.2 million as at 30 June 2019 to HK\$0.4 million as at 31 December 2019, due to expenses incurred in the 6M 2019.

(ii) Contract liabilities

Contract liabilities decreased by HK\$0.7 million, from HK\$0.8 million as at 30 June 2019 to HK\$0.1 million as at 31 December 2019, due to the repayment of such liabilities in the 6M 2019.

(iii) Redeemable convertible bonds

Redeemable convertible bonds as at 30 June 2019 relate to the Convertible Bonds of an aggregate amount of S\$2.26 million (equivalent to HK\$13.2 million) entered into by the Company with the Subscribers in November 2017, which bears interest rate at 12% per annum at a conversion price of S\$0.002 for each Share, due on 27 November 2019. On 26 November 2019, the Company entered into the Loan Agreements on the settlement of the principal amounts of the Convertible Bonds of HK\$13,220,160 ("**Loans**"). Pursuant to the Loan Agreements, the Loans will be subject to an interest of 15% per annum, and shall be repayable by 27 May 2020. Accordingly, the Loans have been classified under short-term borrowing as at 27 November 2019.

(iv) Borrowings

Please refer to the above section under part (iii) on the Redeemable Convertible Bonds.

(v) Provision for warranty

Provision for warranty remained at HK\$0.8 million as at 31 December 2019 and 30 June 2019.

(vi) Income tax payable

Income tax payable decreased by HK\$3.4 million, from HK\$7.0 million as at 30 June 2019 to HK\$3.6 million as at 31 December 2019, due to payment of tax by GYZD during the 6M 2019.



## **Non-current Liabilities**

Non-current liabilities increased by HK\$5.0 million, from HK\$39.2 million as at 30 June 2019 to HK\$44.2 million as at 31 December 2019. Non-current liabilities comprised (i) trade and other payables; (ii) borrowings; and (iii) loans from a shareholder.

### (i) Trade and other payables

Trade and other payables increased by HK\$4.9 million, from HK\$24.1 million as at 30 June 2019 to HK\$29.0 million as at 31 December 2019, mainly due to the reclassification of liabilities in relation to accruals for operating lease expenses of GYZD's IDC from current liabilities to non-current liabilities. Please refer to the above section on "trade and other payables" under current liabilities for further information.

### (ii) Borrowings

Borrowings decreased by HK\$0.1 million, from HK\$5.1 million as at 30 June 2019 to HK\$5.0 million as at 31 December 2019, due to the depreciation of RMB against HKD, as the outstanding bank loan is denominated in RMB. The borrowing relates to the loan from bank, with an interest rate of 8.28% per annum, and is repayable on or before 26 March 2021. The loan is guaranteed by Shenzhen Zhongdian Lechu Data Technology Co., Limited ("Shenzhen Co").

### (iii) Loans from a shareholder

Loans from a shareholder of the Company increased by HK\$0.2 million, from HK\$9.9 million as at 30 June 2019 to HK\$10.1 million as at 31 December 2019. The loans are interest-bearing at 15% per annum, unsecured, and repayable by 31 March 2021.

## **Working Capital**

The Group reported a positive working capital of HK\$22.7 million and HK\$24.6 million as at 31 December 2019 and 30 June 2019 respectively.

## **(C) CASH FLOWS**

### **(a) 3M 2019**

Net cash used in operating activities for 3M 2019 amounted to HK\$6.1 million. This was mainly due to (i) operating profit before changes in working capital of HK\$5.9 million; and (ii) decrease in amount due from contract customer of HK\$12.3 million; partially offset by (iii) increase in trade and other receivables of HK\$22.2 million; (iv) decrease in trade and other payables of HK\$1.8 million, (v) income tax paid of HK\$0.2 million; and (vi) interest paid of HK\$0.1 million.

Net cash generated from investing activities of HK\$6.3 million in 3M 2019, relates to the repayment received from advances to CSMCG vendors.

Net cash generated from financing activities of HK\$1.7 million in 3M 2019 mainly relates to loan from a director of a subsidiary of HK\$1.9 million, partially offset by a repayment of advance from a director of the Company of HK\$0.2 million.

As a whole, the Group generated cash and cash equivalents of HK\$2.0 million in 3M 2019. The cash and cash equivalents as at 31 December 2019 amounted to HK\$3.1 million.

**(b) 6M 2019**

Net cash generated from operating activities for 6M 2019 amounted to HK\$2.6 million. This was mainly due to (i) operating profit before changes in working capital of HK\$7.2 million; (ii) increase in trade and other receivables of HK\$5.4 million; (iii) decrease in trade and other payables of HK\$4.9 million; (iv) income tax paid of HK\$0.2 million; and (v) interest paid of HK\$0.2 million; partially offset by (vi) contract assets from customer of HK\$6.1 million.

Net cash generated from investing activities of HK\$1.8 million in 6M 2019, relates to the repayment received from advances to CSMCG vendors of HK\$11.5 million, partially offset by additions to property, plant and equipment of HK\$9.7 million.

Net cash used in financing activities of HK\$1.3 million in 6M 2019 relates to repayment of loan from director of a subsidiary.

As a whole, the Group generated cash and cash equivalents of HK\$3.1 million in 6M 2019.

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

Not applicable.

**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. Currently, GYZD is in the process of expanding its capacity of hosting 1,500 racks in addition to 660 racks originally. Due to the changes in GYZD's end-users requirements, such expansion will be divided into phases, in line with the actual usage.

In the past few months, GYZD successfully acquired a few government-related customers, The Group will continue to focus on acquiring business from the government.

The recent novel coronavirus outbreak in the People's Republic of China ("PRC") has affected the Group's operation but there have been no disruption of services provided to our customers. GYZD's onsite staff (security, building and power management) are working normally, while the software, sales and customer service related staff are working from home until the situation in the PRC improves. With regards to new businesses, a delay in customers' budget approval is expected as most of our customers in the PRC are busy dealing with their business disruption. Notwithstanding the above, the Group does not expect adverse long-term effect in the government and major companies building of their digital infrastructure in the PRC.

The Group continues to focus its efforts on strengthening its IDC business to capture the continuing growth from the IDC market in the PRC. Furthermore, the Group will be looking for other technology related investment opportunities which will enable the Group to maximise its return in the long run.

The Company is exploring various alternatives to 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 (3M 31 December 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 3M 2019 as the Group is loss making in 6M 2019.

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

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

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

We, Chan Andrew Wai Men and Chu Yin Ling, Karen, being directors of the Company do hereby confirm on behalf of the Board of Directors that, to the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial statements for the 3 months and 6 months ended 31 December 2019 to be false or misleading in any material aspect.

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

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

**BY ORDER OF THE BOARD**

**Chan Andrew Wai Men**  
**Chairman and Chief Executive Officer**

**Chu Yin Ling, Karen**  
**Executive Director**

14 February 2020