

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

Unaudited Third Quarter Financial Statements And Dividend Announcement for the Financial Period Ended 31 March 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 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 MARCH 2020						
(Expressed in Hong Kong thousand dollars)						
	Three Months Ended			Nine Months Ended		
	Group	Group		Group	Group	
	31.3.2020	31.3.2019	%	31.3.2020	31.3.2019	%
	(Unaudited)	(Unaudited)	+ / (-)	(Unaudited)	(Unaudited)	+ / (-)
Revenue	6,803	10,779	(37)	29,124	37,989	(23)
Other income	-	-	NM	270	5,806	(95)
Employee benefits expenses	(695)	(2,731)	(75)	(3,837)	(8,282)	(54)
Depreciation of property, plant and equipment	(1,822)	(2,338)	(22)	(5,470)	(6,888)	(21)
Amortisation of intangible assets	(197)	(2,412)	(92)	(3,692)	(7,236)	(49)
Impairment of intangible assets	(85,935)	-	NM	(85,935)	-	NM
Software development expenses	-	-	NM	(1,092)	-	NM
Operating lease (expenses) / income	(1,258)	24	NM	(2,558)	(1,123)	NM
Bandwidth fees	(1,805)	(2,941)	(39)	(5,559)	(11,355)	(51)
Other expenses	(2,420)	(2,273)	6	(8,661)	(8,945)	(3)
Finance costs	(875)	(613)	43	(2,643)	(1,800)	47
Loss before tax	(88,204)	(2,505)	NM	(90,053)	(1,834)	NM
Tax income / (expenses)	101	(412)	NM	(873)	(4,215)	NM
Loss for the financial period	(88,103)	(2,917)	NM	(90,926)	(6,049)	NM
(Loss) / Profit attributable to:						
Equity holders of the Company	(87,829)	(3,974)	NM	(92,904)	(10,473)	NM
Non-controlling interest	(274)	1,057	NM	1,978	4,424	(55)
	(88,103)	(2,917)	NM	(90,926)	(6,049)	NM

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 MARCH 2020							
(Expressed in Hong Kong thousand dollars)							
	Three Months Ended			%	Nine Months Ended		
	31.3.2020	31.3.2019	%		31.3.2020	31.3.2019	%
	(Unaudited)	(Unaudited)	+ / (-)	(Unaudited)	(Unaudited)	+ / (-)	
Loss for the financial period	(88,103)	(2,917)	NM	(90,926)	(6,049)	NM	
Other comprehensive (loss)/ income							
Currency translation difference arising from consolidation	(3,781)	5,452	NM	(7,871)	(2,704)	191	
Total comprehensive (loss)/ gain for the period	(91,884)	2,535	NM	(98,797)	(8,753)	NM	
Total comprehensive (loss)/ gain attributable to							
Equity holders of the Company	(90,242)	(703)	NM	(97,983)	(11,887)	NM	
Non-controlling interest	(1,642)	3,238	NM	(814)	3,134	NM	
Total comprehensive (loss)/ gain for the period	(91,884)	2,535	NM	(98,797)	(8,753)	NM	

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 31 MARCH 2020						
(Expressed in Hong Kong thousand dollars)						
	The Group			The Company		
	As at	As at		As at	As at	
	31.3.2020	30.6.2019		31.3.2020	30.6.2019	
	(Unaudited)	(Audited)		(Unaudited)	(Audited)	
ASSETS						
Non-current assets						
Property, plant and equipment	181,982	184,138		-	-	
Intangible assets	49,928	139,555		-	-	
Investment in subsidiaries	-	-		60,166	60,166	
Amount due from subsidiaries (non-trade)	-	-		109,082	104,507	
	231,910	323,693		169,248	164,673	
Current assets						
Trade and other receivables	54,064	59,625		192	11,604	
Contract assets	33,484	36,241		-	-	
Cash and bank balances	213	572		-	-	
	87,761	96,438		192	11,604	
TOTAL ASSETS	319,671	420,131		169,440	176,277	
LIABILITIES						
Current liabilities						
Trade and other payables	46,953	49,984		20,598	10,638	
Contract liabilities	158	755		-	-	
Redeemable convertible bonds	-	13,220		-	13,220	
Borrowings	4,902	-		-	-	
Loans from shareholders	13,166	-		-	-	
Provision for warranty	805	838		-	-	
Income tax payable	3,486	7,045		-	-	
	69,470	71,842		20,598	23,858	
Non-current liabilities						
Trade and other payables	29,724	24,109		-	-	
Borrowings	-	5,106		-	-	
Deferred tax liabilities	74	74		-	-	
Loans from a shareholder	10,067	9,867		-	-	
	39,865	39,156		-	-	
TOTAL LIABILITIES	109,335	110,998		20,598	23,858	
NET ASSETS	210,336	309,133		148,842	152,419	
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	(5,420)	(341)		-	-	
Statutory reserve	6,454	6,454		-	-	
Revaluation reserve	98	98		-	-	
Other reserve	15,120	15,120		-	-	
Accumulated losses	(382,113)	(289,210)		(354,928)	(351,351)	
	137,909	235,891		148,842	152,419	
Non-controlling interest	72,427	73,242		-	-	
TOTAL EQUITY	210,336	309,133		148,842	152,419	

(b)(ii) Aggregate amount of group's borrowings and debt securities (to be updated)

Amount repayable in one year or less, or on demand

	As at 31.3.2020 In HK\$'000		As at 30.6.2019 In HK\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount due to a director of the Company	-	4,098	-	4,209
Amount due to related parties	-	421	-	245
Redeemable convertible bonds	-	-	-	13,220
Loans from shareholders of the Company	-	13,166	-	-
Bank borrowings	-	4,902	-	-

Amount repayable after one year

	As at 31.3.2020 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
Bank borrowings	-	-	-	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

SINOCLOUD GROUP LIMITED				
CONSOLIDATED STATEMENT OF CASH FLOWS				
FOR THE PERIOD ENDED 31 MARCH 2020				
(Expressed in Hong Kong thousand dollars)				
	Three Months Ended		Nine Months Ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
Cash flow from operating activities				
Loss before tax	(88,204)	(2,505)	(90,053)	(1,834)
<i>Adjustments:</i>				
Depreciation of property, plant and equipment	1,822	2,338	5,470	6,888
Amortisation of intangible assets	197	2,412	3,692	7,236
Impairment of intangible assets	85,935	-	85,935	(314)
Interest expense	875	613	2,643	1,800
Operating profit before working capital changes	625	2,858	7,687	13,776
Trade and other receivables	(1,532)	(2,364)	(5,925)	17,413
Trade and other payables	512	20	(5,423)	(24,571)
Contract assets / amount due from contract work	(3,388)	-	2,757	-
Cash (used in) / generated from operations	(3,783)	514	(904)	6,618
Income tax paid	-	-	(229)	(3,803)
Interest paid	-	(105)	(212)	(348)
Net cash (used in) / generated from operating activities	(3,783)	409	(1,345)	2,467
Cash flow from investing activities				
Repayment received from advances and earnest deposits to vendors of CSMCG	-	-	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)
Net cash generated from investing activities	-	-	1,824	40,724
Cash flow from financing activities				
Advance from director of the Company	390	280	595	1,980
Proceeds of loan from a shareholder of the Company	-	400	-	400
Proceeds / (repayment) of loan from director of a subsidiary	490	(203)	(809)	(5,129)
Repayment of short term borrowing from bank	-	(585)	-	(585)
Repayment of loan borrowing from a financial institution	-	-	-	(39,880)
Net cash generated from / (used in) financing activities	880	(108)	(214)	(43,214)
Net (decrease) / increase in cash and cash equivalents	(2,903)	301	265	(23)
Cash and cash equivalents at beginning of the financial period	3,082	389	572	1,439
Effect of exchange rate changes in cash and cash equivalents	34	(522)	(624)	(1,248)
Cash and cash equivalents at end of the financial period	213	168	213	168

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										
										Non-	
	Share	Share	Contributed	Translation	Statutory	Revaluation	Other	Accum.	Controlling	Total	
	Capital	Premium	Surplus	Reserve	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	HK\$'000
Balance as at 1 July 2019	14,311	473,003	16,456	(341)	6,454	98	15,120	(289,210)	73,242	309,133	
(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)	
Balance as at 30 September 2019	14,311	473,003	16,456	(4,518)	6,454	98	15,120	(293,642)	71,332	298,614	
Loss for the period from 1.10.2019 to 31.12.2019	-	-	-	-	-	-	-	(642)	1,879	1,237	
Other comprehensive gain, net of tax	-	-	-	1,511	-	-	-	-	858	2,369	
Total comprehensive loss	-	-	-	1,511	-	-	-	(642)	2,737	3,606	
Balance as at 31 December 2019	14,311	473,003	16,456	(3,007)	6,454	98	15,120	(294,284)	74,069	302,220	
Loss for the period from 1.1.2020 to 31.3.2020	-	-	-	-	-	-	-	(87,829)	(274)	(88,103)	
Other comprehensive loss, net of tax	-	-	-	(2,413)	-	-	-	-	(1,368)	(3,781)	
Total comprehensive loss	-	-	-	(2,413)	-	-	-	(87,829)	(1,642)	(91,884)	
Balance as at 31 March 2020	14,311	473,003	16,456	(5,420)	6,454	98	15,120	(382,113)	72,427	210,336	

<i>Group</i>	Attributable to equity holders of the Company									
										Non-
	Share	Share	Contributed	Translation	Statutory	Revaluation	Other	Accum.	Controlling	Total
	Capital	Premium	Surplus	Reserve	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
Balance as at 31 July 2018	14,311	473,003	16,456	2,620	5,863	98	15,120	(256,333)	81,247	352,385
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)
Balance as at 30 September 2018	14,311	473,003	16,456	(1,950)	5,863	98	15,120	(261,182)	78,722	340,441
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
Balance as at 31 December 2018	14,311	473,003	16,456	(2,065)	5,863	98	15,120	(262,832)	81,143	341,097
Loss for the period from 1.1.2019 to 31.3.2019	-	-	-	-	-	-	-	(2,974)	1,057	(1,917)
Other comprehensive loss, net of tax	-	-	-	3,271	-	-	-	-	2,181	5,452
Total comprehensive loss	-	-	-	3,271	-	-	-	(2,974)	3,238	3,535
Balance as at 31 March 2019	14,311	473,003	16,456	1,206	5,863	98	15,120	(265,806)	84,381	344,632

<i>Company</i>	Attributable to equity holders of the Company				
	Share capital	Share premium	Contributed surplus	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 July 2019	14,311	473,003	16,456	(351,351)	152,419
Loss for the period from 1.7.2019 to 30.9.2019	-	-	-	(1,609)	(1,609)
Balance as at 30 September 2019	14,311	473,003	16,456	(352,960)	150,810
Loss for the period from 1.10.2019 to 31.12.2019	-	-	-	(1,418)	(1,418)
Total comprehensive loss	-	-	-	(1,418)	(1,418)
Balance as at 31 December 2019	14,311	473,003	16,456	(354,378)	149,392
Loss for the period from 1.1.2020 to 31.3.2020	-	-	-	(550)	(550)
Other comprehensive loss, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	-	(550)	(550)
Balance as at 31 March 2020	14,311	473,003	16,456	(354,928)	148,842
<i>Company</i>	Attributable to equity holders of the Company				
	Share capital	Share premium	Contributed surplus	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 July 2018	14,311	473,003	16,456	(392,405)	111,365
Loss for the period from 1.7.2018 to 30.9.2018	-	-	-	(2,584)	(2,584)
Balance as at 30 September 2018	14,311	473,003	16,456	(394,989)	108,781
Loss for the period from 1.10.2018 to 31.12.2018	-	-	-	(1,951)	(1,951)
Total comprehensive loss	-	-	-	(1,951)	(1,951)
Balance as at 31 December 2018	14,311	473,003	16,456	(396,940)	106,830
Loss for the period from 1.1.2019 to 31.3.2019	-	-	-	(2,032)	(2,032)
Other comprehensive loss, net of tax	-	-	-	-	-
Total comprehensive loss	-	-	-	(2,032)	(2,032)
Balance as at 31 March 2019	14,311	473,003	16,456	(398,972)	104,798

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. 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.

	Issued and fully paid-up ordinary shares	Share capital HK\$'000
Balance as at 31 March 2020 and 31 December 2019	14,310,670,617	14,311

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 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 will be subject to an interest of 15% per annum, and shall be repayable by 27 May 2020 (and for the avoidance of doubt, the Loans do not have conversion features). The Company is in the midst of discussion with the Subscribers to extend the repayment date of the Loans.

The total number of shares that may be issued on conversion of all the outstanding convertibles of the Company as at 31 March 2020 is nil (31 March 2019: 1,128,000,000). As at 31 March 2020 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 March 2020 and 31 March 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 March 2020 was 14,310,670,617 (30 June 2019: 14,310,670,617).

There were no treasury shares as at 31 March 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 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 March 2020, 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

	3 Months Ended 31.3.2020 (Unaudited)	3 Months Ended 31.3.2019 (Unaudited)	9 Months Ended 31.3.2020 (Unaudited)	9 Months Ended 31.3.2019 (Unaudited)
Loss attributable to equity holders of the Company (HK\$'000)	(87,829)	(3,974)	(92,904)	(10,473)
Weighted average number of shares in issue	14,310,670,617	14,310,670,617	14,310,670,617	14,310,670,617
Loss per ordinary share (HK cents)				
- Based on weighted average number of ordinary shares in issue	(0.61)	(0.028)	(0.65)	(0.073)
- On a fully diluted basis (Please see note below)	(0.61)	(0.028)	(0.65)	(0.073)

Note:

The Convertible Bonds which expired on 27 November 2019 has no dilutive effect for the three-month and nine-month financial period ended 31 March 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 31.3.2020 (Unaudited)	As at 30.6.2019 (Audited)
Net asset value of the Company per ordinary share	HK\$0.0104	HK\$0.0106
Net asset value of the Group per ordinary share	HK\$0.0096	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

(A) REVIEW OF FINANCIAL RESULTS

Revenue

Revenue decreased by HK\$4.0 million to HK\$6.8 million in the three months ended 31 March ("3M") 2020, from HK\$10.8 million in the 3M 2019. It decreased by HK\$8.9 million to HK\$29.1 million in the nine months ended 31 March ("9M") 2020, from HK\$38.0 million in the 9M 2019. The decrease in revenue was mainly due to decrease in customer demand and service fee reduction in the 3M and 9M 2020, which was largely due to the lockdown in China caused by the COVID-19 pandemic.

Other income

No other income were reported for both 3M 2020 and 3M 2019. Other income of HK\$0.3 million in the 9M 2020 relates to the interest income from bank, while other income of HK\$5.8 million in the 9M 2019 mainly relates to government subsidy received by Guiyang Zhongdian Gaoxin Digital Technologies Limited ("GYZD"), a subsidiary of the Company.

Operating expenses

Employee benefits expense decreased by HK\$2.0 million to HK\$0.7 million in the 3M 2020, from HK\$2.7 million in the 3M 2019, and decreased by HK\$4.5 million to HK\$3.8 million in the 9M 2020, from HK\$8.3 million in the 9M 2019. The decrease was mainly due to certain cost savings measures undertaken within the Group since 2019.

Depreciation of property, plant and equipment decreased by HK\$0.5 million, from HK\$2.3 million in the 3M 2019 to HK\$1.8 million in the 3M 2020, and decreased by HK\$1.4 million, from HK\$6.9 million in the 9M 2019 to HK\$5.5 million in the 9M 2020. The decrease was mainly a result of the full depreciation of certain equipment during 3M and 9M 2020.

Amortisation of intangible assets decreased by HK\$2.2 million, from HK\$2.4 million in the 3M 2019 to HK\$0.2 million in the 3M 2020, and decreased by HK\$3.5 million, from HK\$7.2 million in the 9M 2019 to HK\$3.7 million in the 9M 2020. The decrease was mainly due to full amortisation of certain intangible assets during 9M 2020. 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.

The Group recorded substantial impairment of intangible assets (relating to the business combination of SC01) ("**Intangible Assets**") of HK\$85.9 million in the 3M 2020 and 9M 2020 (3M 2019 and 9M 2019: Nil). The COVID-19 pandemic created 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 the potential customers are currently uncertain. 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 3M 2020 and onwards. After taking into consideration the aforesaid factors, the management of the Group had reassessed the future cash flow of the Group and is of the view that impairment of Intangible Assets is necessary in the 3M 2020.

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 that cannot be utilised in the near future or cannot generate future economic benefits had been expensed off since the last financial year ended 30 June 2019. Software development expenses written off of HK\$1.1 million in the 9M 2019 relate to additional expenses that GYZD had to incur in the 9M 2019 in respect of the development contract, which was terminated during the financial year ended 30 June 2019. There was no such expense in the 9M 2020.

Operating lease expenses of HK\$1.3 million in the 3M 2020 relate to the IDC of GYZD, while operating lease income of HK\$24 thousand in the 3M 2019 was due to the reversal of the accruals and payables made in prior periods. Operating lease expenses increased by HK\$1.5 million, from HK\$1.1 million in the 9M 2019 to HK\$2.6 million in the 9M 2020, mainly due to the reassessment of operating lease payable.

Bandwidth fees decreased by HK\$1.1 million, from HK\$2.9 million in the 3M 2019 to HK\$1.8 million in the 3M 2020, and decreased by HK\$5.8 million, from HK\$11.4 million in the 9M 2019 to HK\$5.6 million in the 9M 2020. The decrease was mainly due to the discontinued usage of a lower end broadband service in the 9M 2020.

Other expenses, comprising primarily office overhead, legal and professional fees, provision for warranty, and utility service fees, increased slightly by HK\$0.1 million, from HK\$2.3 million in the 3M 2019 to HK\$2.4 million in the 3M 2020, due to an increase in office overhead. Other expenses decreased slightly by HK\$0.2 million, from HK\$8.9 million in the 9M 2019 to HK\$8.7 million in the 9M 2020, mainly due to decrease in office overhead.

Finance costs increased by HK\$0.3 million, from HK\$0.6 million in the 3M 2019 to HK\$0.9 million in the 3M 2020, and increased by HK\$0.8 million from HK\$1.8 million in the 9M 2019 to HK\$2.6 million in the 9M 2020. The increase was mainly due to an increase in borrowings in the 3M 2020 and 9M 2020.

Income tax

Tax income of HK\$0.1 million was recorded in the 3M 2020 mainly due to reversal of over-provision of income tax expense for prior quarters, while income tax expense of HK\$0.4 million in the 3M 2019 was in respect of assessable profit during the period. Income tax expense increased by HK\$0.5 million to HK\$0.9 million in 9M 2020, from HK\$0.4 million in 9M 2019, due to certain non-deductible expenses incurred in 9M 2020.

Net loss after taxation

As a result of the aforesaid, the Group recorded a loss after tax of HK\$88.1 million in the 3M 2020 (3M 2019: loss after tax of HK\$2.9 million), and a loss after tax of HK\$90.9 million in the 9M 2020 (9M 2019 : loss after tax of HK\$2.2 million).

(B) REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets of the Group amounted to HK\$231.9 million and HK\$323.7 million as at 31 March 2020 and 30 June 2019 respectively. 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 decreased by HK\$2.1 million, from HK\$184.1 million as at 30 June 2019 to HK\$182.0 million as at 31 March 2020. The decrease

was mainly due to depreciation charge of HK\$5.5 million, partially offset by translation gain of HK\$3.4 million during 9M 2020.

(ii) Intangible assets

Intangible assets decreased by HK\$89.6 million, from HK\$139.6 million as at 30 June 2019 to HK\$50.0 million as at 31 March 2020, due to amortisation charge and impairment of intangible assets during 9M 2020. The intangible assets relate to customer contract, favourable lease and goodwill, arising from the Company's acquisition of SC01 since October 2015.

Current Assets

Current assets decreased by HK\$8.6 million, from HK\$96.4 million as at 30 June 2019 to HK\$87.8 million as at 31 March 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\$5.5 million, from HK\$59.6 million as at 30 June 2019 to HK\$54.1 million as at 31 March 2020.

Trade and other receivables as at 31 March 2020 comprised trade receivables of HK\$31.6 million, and other receivables and prepayment of HK\$22.5 million.

(a) Trade receivables increased by HK\$3.7 million, from HK\$27.9 million as at 30 June 2019 to HK\$31.6 million as at 31 March 2020, mainly attributable to revenue generated by GYZD during 9M 2020.

(b) Other receivables and prepayment increased by HK\$2.2 million, from HK\$20.2 million as at 30 June 2019 to HK\$22.4 million as at 31 March 2020, mainly due to increase in software related development for IDC business.

(c) Loan and deposit from vendors of CSMCG of HK\$11.5 million as at 30 June 2019 was fully repaid as at 31 March 2020.

(ii) Contract assets

Contract assets decreased by HK\$2.7 million, from HK\$36.2 million as at 30 June 2019 to HK\$33.5 million as at 31 March 2020, due to settlement of payment for the services delivered during 9M 2020. 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 decreased by HK\$0.4 million, from HK\$0.6 million as at 30 June 2019 to HK\$0.2 million as at 31 March 2020. Please refer to "Cashflows" for the movement in cash and cash equivalents.

Current Liabilities

Current liabilities decreased by HK\$2.3 million, from HK\$71.8 million as at 30 June 2019 to HK\$69.5 million as at 31 March 2020. Current liabilities comprised (i) trade and other payables; (ii) contract liabilities; (iii) redeemable convertible bonds; (iv) bank borrowing; (v) loan from shareholders; (vi) provision for warranty; and (vii) income tax payable.

(i) Trade and other payables

Trade and other payables decreased by HK\$3.0 million, from HK\$50.0 million as at 30 June 2019 to HK\$47.0 million as at 31 March 2020. Trade and other payables as at 31 March 2020 comprised (a) trade payables of HK\$8.4 million; (b) accruals and other payables of HK\$34.1 million; (c) amount due to directors of HK\$4.1 million; and (d) amount due to a related party of HK\$0.4 million.

- (a) Trade payables to subcontractors decreased by HK\$4.6 million, from HK\$13.0 million as at 30 June 2019 to HK\$8.4 million as at 31 March 2020, 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 rent payment.

- (b) Accruals and other payables increased by HK\$5.8 million, from HK\$28.3 million as at 30 June 2019 to HK\$34.1 million as at 31 March 2020, primarily due to expenses related to IDC operation incurred in the 9M 2020.
- (c) Amount due to directors of the Company decreased by HK\$0.1 million, from HK\$4.2 million as at 30 June 2019 to HK\$4.1 million as at 31 March 2020. 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\$0.2 million, from HK\$0.2 million as at 30 June 2019 to HK\$0.4 million as at 31 March 2020, due to expenses incurred in the 9M 2020.

(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 31 March 2020, due to the repayment of such liabilities in the 9M 2020.

(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 amounts due pursuant to 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. The Company is in the midst of discussion with the Subscribers to extend the repayment date of the Loans.

(iv) Bank borrowings

Bank borrowings of HK\$4.9 million as at 31 March 2020 (30 June 2019: Nil) relates to 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 is guaranteed by Shenzhen Zhongdian Lechu Data Technology Co., Limited ("**Shenzhen Co**").

(v) Loan from shareholders

Loan from shareholders of HK\$13.2 million as at 31 March 2020 (30 June 2019: Nil) relates to the Loans (details of which are set out under part (iii) above on the Redeemable Convertible Bonds).

(vi) Provision for warranty

Provision for warranty remained at HK\$0.8 million as at 31 March 2020 and 30 June 2019.

(vii) Income tax payable

Income tax payable decreased by HK\$3.5 million, from HK\$7.0 million as at 30 June 2019 to HK\$3.5 million as at 31 March 2020, due to payment of tax by GYZD during the 9M 2020.

Non-current Liabilities

Non-current liabilities increased by HK\$0.7 million, from HK\$39.2 million as at 30 June 2019 to HK\$39.9 million as at 31 March 2020. Non-current liabilities comprised mainly (i) trade and other payables; (ii) bank borrowings; and (iii) loans from a shareholder.

(i) Trade and other payables

Trade and other payables increased by HK\$5.6 million, from HK\$24.1 million as at 30 June 2019 to HK\$29.7 million as at 31 March 2020, 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) Bank borrowings

Bank borrowings relates to the loan from bank amounting to HK\$5.1 million as at 30 June 2019 (nil as at 31 March 2020), which has been reclassified to current liabilities as at 31 March 2020. Please refer to the above section on "borrowings" under current liabilities for further information.

(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 March 2020. 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\$18.3 million and HK\$24.6 million as at 31 March 2020 and 30 June 2019 respectively.

(C) CASH FLOWS

(a) 3M 2020

Net cash used in operating activities for 3M 2020 amounted to HK\$3.8 million. This was mainly due to (i) operating profit before changes in working capital of HK\$0.6 million; and (ii) increase in trade and other payables of HK\$0.5 million; partially offset by (iii) increase in amount due from contract customers of HK\$3.4 million, and (iv) increase in trade and other receivables of HK\$1.5 million.

Net cash generated from financing activities of HK\$0.9 million in 3M 2020 mainly relates to advance from a director of the Company of HK\$0.4 million and a short-term interest-free advance from a director of a subsidiary of HK\$0.5 million.

As a whole, the Group used cash and cash equivalents of HK\$2.9 million in 3M 2020. The cash and cash equivalents as at 31 March 2020 amounted to HK\$0.2 million.

(b) 9M 2020

Net cash used in operating activities for 9M 2020 amounted to HK\$1.3 million. This was mainly due to (i) operating profit before changes in working capital of HK\$7.7 million; (ii) increase in trade and other receivables of HK\$5.9 million; (iii) decrease in trade and other payables of HK\$5.4 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\$2.8 million.

Net cash generated from investing activities of HK\$1.8 million in 9M 2020, relates to repayment received from advances to vendors of CSMCG 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\$0.2 million in 9M 2020 relates to advance from director of the Company of HK\$0.6; partially off set by repayment of loan from director of a subsidiary of HK\$0.8 million.

As a whole, the Group generated cash and cash equivalents of HK\$0.3 million in 9M 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 3M and 9M 2020 set out in this announcement are in line with the profit guidance announcement released by the Company on 4 May 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. Currently, 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, such expansion will be divided into phases, in line with the actual usage in place and its commissioning schedule.

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 the Group's potential new orders are being postponed. The schedule of resuming negotiation process and corresponding capacity requirement are currently uncertain. Customer demand as well as service fees have reduced substantially since 3M 2020, although the Group is currently continuously servicing its customers. Having regard to the above, the Group provided for an impairment of intangible assets of HK\$86 million in the 3M 2020.

The Group will continue to focus its efforts on its IDC business development in the PRC, and 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 March 2020: 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 2020 as the Group is loss making in 9M 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.

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 9 months ended 31 March 2020 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

15 May 2020