

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

**INDEPENDENT AUDITOR'S COMMENTS ON FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2020**

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalyst (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the board of directors (the “**Board**”) of SinoCloud Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Crowe Horwath First Trust LLP, had, without qualifying its audit opinion, included in the Independent Auditor’s Report a material uncertainty related to going concern in the audited financial statements of the Group for the financial year ended 30 June 2020 (the “**Audited Financial Statements**”). A copy of the Independent Auditor’s Report and an extract of Notes 2, 13, 15 and 33 to the Audited Financial Statements are attached to this announcement for information.

The Audited Financial Statements have been prepared on a going concern basis. Management’s assessment of the Group’s and the Company’s ability to continue as a going concern includes the following key assumptions:

- (a) the Group’s key operating subsidiary in the People’s Republic of China, Guiyang Zhongdian Gaoxin Digital Technologies Limited (“**Guiyang Tech**”), is able to continue as a going concern, given that management is confident that Guiyang Tech is able to enjoy rent-free period extension from landlord and continuous deferment of payments to its key suppliers, in particular, those providing bandwidth and utilities to the internet data centre (“**IDC**”) business, to extend its credit terms and to defer payments by at least 12 months from the date of financial statements;
- (b) the Group continues to rely on the uninterrupted funding from its related party, controlled by a key management personnel of the Group, to enable the Group to operate as a going concern and to meet its obligations as and when they fall due. The balance owing to this key management personnel and companies controlled by him amounted to HK\$4,333,000 as at 30 June 2020 (2019: HK\$245,000) (Note 13 (iv));
- (c) a shareholder not calling for payment of the aggregate amount of HK\$20,960,000 owing to him or to a company controlled by him prior to the maturity date in November 2021, as disclosed in Note 15 (Loan 2 and Loan 3(i));
- (d) collection from the Group’s trade receivables and contract assets;
- (e) the successful roll-over of the Group’s short-term bank loan of HK\$4,914,000 (Note 15), which is due for repayment on 26 March 2021 and is guaranteed by the related party as disclosed in (b) above; and
- (f) the Group can postpone the development projects including the Phase II development, the construction of a call centre, and certain software development projects, hence postponing the associated capital commitment of HK\$121,770,000, as disclosed in Note 33.

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

Shareholders of the Company (“**Shareholders**”) are advised to read the Audited Financial Statements in the Company’s 2020 annual report, which will be made available to Shareholders in due course.

The Board wishes to advise Shareholders and potential investors to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Chan Andrew Wai Men
Chairman and Chief Executive Officer
30 September 2020

*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 Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist.*

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.



**Crowe Horwath First Trust
LLP**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SINO CLOUD GROUP LIMITED**

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SinoCloud Group Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 13 to 97 which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our auditor's report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which indicates that the Group incurred a net loss of \$191,217,000 during the financial year ended 30 June 2020, and as of that date, the Group and the Company were in net current liabilities of \$31,626,000 and \$21,870,000 respectively. As of 30 June 2020, the Group's cash and bank balances available for use amounted to \$303,000 while its current liabilities amounted to \$52,756,000 including a short-term bank loan of \$4,914,000. The Group is highly dependent on financing from related parties, being companies controlled by a key management personnel of the Group, and from a shareholder of the Company as well as the realisation of cash flows from its trade and other receivables, including contract assets. These factors, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and the Company to continue as a going concern.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).



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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described as below as the key audit matters to be communicated in our report.

Impairment of non-financial assets

*Refer to Note 3 "Critical accounting estimates, assumptions and judgements",
Note 4 "Property, plant and equipment",
Note 5, "Right-of-use asset",
Note 6 "Intangible assets - Goodwill",
Note 7 "Investment in subsidiaries" and
Note 11 "Trade and other receivables - Prepayments"*

Key audit matter

As at 30 June 2020, management carried out an impairment assessment of the non-financial assets of its key operating subsidiary, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech").

The total carrying amount of the Group's non-financial assets, subject to impairment test, was \$338,106,000 comprising of the following as at 30 June 2020:

- Property, plant and equipment of \$181,366,000 (Note 4);
- Right-of-use asset of \$31,961,000 (Note 5);
- Intangible assets - Goodwill of \$124,779,000 (Note 6); and
- Trade and other receivables - Prepayments of \$19,065,000 (Note 11)

In addition, management also performed an impairment assessment for the Company's cost of investment in subsidiaries of \$60,166,000.

How the matter was addressed in the audit

In obtaining sufficient appropriate audit evidence, the following procedures, amongst others, were carried out:

- 1) We assessed the appropriateness of the recoverable amount determined by management and the method used by the management.
- 2) We evaluated the objectivity, competence and capabilities of the independent valuer engaged by management.
- 3) We discussed with management on the business, industry outlook and other external factors, including COVID-19 pandemic, and the implications on the recoverable amount of CGU.
- 4) We challenged the reasonableness of the revenue growth rates and the discount rate used by management in the discounted cash flows of Guiyang Tech, by comparing against the past and recent financial performances, reviewing new and on-going contracts secured with its customers, performing trends analysis, and discussing with management on the Group's utilisation of hosting capacity and future expansion plans.



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

Key Audit Matters (Continued)

Impairment of non-financial assets (Continued)	
Key audit matter	How the matter was addressed in the audit
<p>The Group engaged an independent valuer to assess the recoverable amount of the single cash-generating-unit ("CGU"), the "internet data centre services" segment in the PRC, based on fair value less costs to sell. As a result of the impairment assessment, the Group and the Company recognised an impairment loss of \$124,779,000 (full impairment of goodwill) and \$3,370,000 (impairment loss on the cost of investment in subsidiaries) respectively for the financial year ended 30 June 2020.</p> <p>The impairment assessment involved significant management's judgment and estimation uncertainty that has been heightened by the COVID-19 pandemic. Accordingly, we determine that this is a key audit matter.</p>	<p>5) We performed sensitivity analysis and stress-test to assess the impact on the recoverable amount of the CGU resulting from reasonably possible changes to the revenue growth rates and discount rate.</p> <p>6) We further assessed the adequacy of the relevant disclosures in Note 6 and Note 7 to the consolidated financial statements.</p> <p>We found management's impairment assessment to be acceptable and the relevant disclosures to be appropriate.</p>



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

Key Audit Matters (Continued)

Expected credit losses on receivables and contract assets

*Refer to Note 3 "Critical accounting estimates, assumptions and judgements",
Note 10 "Amount due from subsidiaries (non-trade)",
Note 11 "Trade and other receivables",
Note 25(b) "Contract balances" and
Note 35(iii) "Financial Risk Management Objectives and Policies"*

Key audit matter

The Group's gross trade receivables and contract assets as of 30 June 2020 are \$22,860,000 and \$35,639,000 respectively, representing 74% of the Group's current assets before allowance for expected credit losses ("ECL") as at 30 June 2020.

In addition, approximately 67% of trade receivables and contract assets is due from a single largest customer, contributing 45% of the Group's total revenue during the financial year ended 30 June 2020. The total balance due from this customer amounted to \$39,125,000 as at 30 June 2020.

The Group determines ECL of trade receivables and contract assets by:

- a) performing debtor-specific assessment of the ability of the individual debtors to pay based on the age profile of the balances, payment history, status of negotiations with debtors and other external information available to management.
- b) determining the default rates to be applied against the gross carrying amount of each debtor, based on the above assessment, and are adjusted for forward-looking factors specific to the debtors and the economic environment, including the potential impact of the COVID-19 pandemic on the industry.

How the matter was addressed in the audit

We reviewed management's assessment on the impairment of trade receivables and contract assets. Our audit procedures included, amongst others, the following:

- 1) We evaluated the Group's processes and key controls relating to the monitoring of trade receivables and contract assets, including the additional measures arising from the COVID-19 pandemic.
- 2) We requested and obtained confirmations from trade receivables with material balances.
- 3) We reviewed the aging profile of the trade receivables to identify collection risks, and checked for evidence of receipts, subsequent to year-end for certain customers, including the existence of repayment plans, if any.



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

Key Audit Matters (Continued)

Expected credit losses on receivables and contract assets (Continued)	
Key audit matter	How the matter was addressed in the audit
<p>c) reviewing the impact of the COVID-19 pandemic on its debtors and the industry and determining if additional ECL is required to be applied to the default rate.</p> <p>As at 30 June 2020, the Group's aggregate impairment loss for trade receivables and contract assets amounted to \$57,965,000 which is mainly recognised in profit or loss during the year as disclosed in Note 35(iii).</p> <p>In addition, the Company has significant non-trade balances due from its subsidiaries of \$215,988,000. As disclosed in Note 1, the financial position of the Company's key operating subsidiary, Guiyang Tech, has significantly deteriorated. As at 30 June 2020, Guiyang Tech is in a net current liability position of \$43,306,000, and has significant difficulties to make repayments, including amounts due from intermediate holding companies of Guiyang Tech.</p> <p>As at reporting date and based on management's future forecasts in the short to medium term, the subsidiaries do not have, and are not expected to generate, sufficient accessible highly liquid assets and net cash inflows for repayment. Accordingly, the amounts due from subsidiaries are assessed to be credit-impaired and, correspondingly, additional ECL impairment of \$109,082,000 was recognised in the Company's profit or loss during the year. As at 30 June 2020, the amounts due from subsidiaries are fully impaired.</p> <p>This assessment requires management to exercise significant judgement in the process. Accordingly, we determined this as a key audit matter.</p>	<p>4) We evaluated management's determination of the default rates by performing the following:</p> <ul style="list-style-type: none"> • discussing with management on the collection status of trade receivables; • reviewing the debtors' adherence to agreed repayment schedules and correspondences with debtors; • reviewing management's assessment of customer profiles, historical collection trend and credit risks; and • reviewing management's estimates of forward-looking factors such as macroeconomic data and external information including the potential impact of the COVID-19 pandemic. <p>5) We reviewed management's assessment of the financial ability of its subsidiaries to make repayments, including whether there are sufficient accessible highly liquid assets and management's forecast on the ability of its subsidiaries to generate liquid assets.</p> <p>6) We also assessed the adequacy of the Group's disclosures on the amount due from subsidiaries (non-trade), trade receivables and contract assets and the related credit risk in Note 35(iii) to the financial statements, relating to the ECL of amount due from subsidiaries, trade receivables and contract assets.</p> <p>We found management's assessment of the impairment of trade receivables and contract assets to be reasonable and the relevant disclosures to be appropriate.</p>



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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Crowe Horwath First Trust LLP

Public Accountants and
Chartered Accountants
Singapore

29 September 2020

Extracted from Note 2 to the Audited Financial Statements of SinoCloud Group Limited for the financial year ended 30 June 2020

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a net loss of \$191,217,000 (2019: \$30,708,000) for the financial year ended 30 June 2020, and as of that date, the Group and the Company were in net current liabilities of \$31,626,000 and \$21,870,000 respectively. As of 30 June 2020, the Group's cash and bank balances available for use amounted to \$303,000 (2019: \$572,000) while its current liabilities amounted to \$52,756,000 (2019: \$71,842,000) including a short-term bank loan of \$4,914,000.

As disclosed in Note 1, the Group's financial performance and collection from customers had also been adversely impacted by the COVID-19 pandemic. During the year, the Group has made an impairment of goodwill amounting to \$124,779,000 (2019: \$Nil) and allowance for expected credit losses amounting to \$58,158,000 (2019: \$1,660,000) for its trade receivables and contract assets as disclosed in Note 6 and Note 35(iii) respectively.

These facts and circumstances indicate the existence of material uncertainties that may cast significant doubts on the ability of the Group and of the Company to continue as a going concern, notwithstanding the net assets of approximately \$109,515,000 (2019: \$309,133,000) as at 30 June 2020.

The accompanying financial statements have been prepared on a going concern basis. Management's assessment of the Group's and the Company's ability to continue as a going concern includes the following key assumptions:

- (g) The Group's key operating subsidiary in the PRC, Guiyang Zhongdian Gaoxin Digital Technologies Limited ("Guiyang Tech"), is able to continue as a going concern, given that management is confident that Guiyang Tech is able to enjoy rent-free period extension from landlord and continuous deferment of payments to its key suppliers, in particular, those providing bandwidth and utilities to the IDC business, to extend its credit terms and to defer payments by at least 12 months from the date of financial statements;
- (h) The Group continues to rely on the uninterrupted funding from its related party, controlled by a key management personnel of the Group, to enable the Group to operate as a going concern and to meet its obligations as and when they fall due. The balance owing to this key management personnel and companies controlled by him amounted to \$4,333,000 as at 30 June 2020 (2019: \$245,000) (Note 13 (iv));
- (i) A shareholder not calling for payment of the aggregate amount of \$20,960,000 owing to him or to a company controlled by him prior to the maturity date in November 2021, as disclosed in Note 15 (Loan 2 and Loan 3(i));
- (j) Collection from the Group's trade receivables and contract assets;
- (k) The successful roll-over of the Group's short-term bank loan of \$4,914,000 (Note 15), which is due for repayment on 26 March 2021 and is guaranteed by the related party as disclosed in (b) above; and
- (l) The Group can postpone the development projects including the Phase II development, the construction of a call centre, and certain software development projects, hence postponing the associated capital commitment of \$121,770,000, as disclosed in Note 33.

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

Extracted from Note 13 to the Audited Financial Statements of SinoCloud Group Limited for the financial year ended 30 June 2020

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Trade payables ⁽ⁱ⁾	7,628	17,232	-	-
Other payables ⁽ⁱⁱ⁾	13,184	18,097	1,940	5,001
Accruals	9,794	10,201	883	969
Amount due to directors (non-trade) ⁽ⁱⁱⁱ⁾	1,156	4,209	-	-
Amount due to related parties (non-trade) ^(iv)	4,333	245	-	-
Amount due to a subsidiary	-	-	16,045	4,668
	<u>36,095</u>	<u>49,984</u>	<u>18,868</u>	<u>10,638</u>
Non-current				
Trade payables ⁽ⁱ⁾	-	24,109	-	-
Amount due to a director (non-trade) ^(v)	2,405	-	-	-
	<u>2,405</u>	<u>24,109</u>	<u>-</u>	<u>-</u>
	<u>38,500</u>	<u>74,093</u>	<u>18,868</u>	<u>10,638</u>

⁽ⁱ⁾ As at 30 June 2019, included in current trade payables is an amount relating to the current portion of operating lease payables of \$4,186,000, representing the maximum estimated contractual operating lease liabilities within 12 months after the reporting date, assuming rent-free period ends on 30 June 2020. The remaining operating lease payables as at 30 June 2019 amounting to \$24,109,000 are classified as non-current trade payables. Upon initial adoption of IFRS 16 on 1 July 2019, the combined balance of operating lease payables amounting to \$28,295,000 has been reclassified to lease liabilities.

⁽ⁱⁱ⁾ Other payables consist of construction costs for the IDC in PRC amounting to approximately \$1,431,000 (2019: \$6,559,000), interest payable of \$2,127,000 (2019: \$3,683,000), and salary payable to employees of \$235,000 (2019: \$371,000).

⁽ⁱⁱⁱ⁾ Amount due to directors (non-trade) pertains to remuneration due to directors / former directors of the Company. These non-trade balances are interest-free, unsecured and repayable on demand. As disclosed in Note 37, the Company has repaid \$75,000 in August 2020.

^(iv) Amount due to related parties (non-trade) pertains to balances due to a key management personnel of the Group and companies controlled by this key management personnel. These balances are interest-free, unsecured and repayable on demand.

^(v) Amount due to a director of the Company (non-trade) is interest-free, unsecured and repayable after 30 June 2021. As disclosed in Note 37, the Group has fully repaid this balance in August 2020.

13. TRADE AND OTHER PAYABLES (Continued)

Reconciliation of liabilities arising from financing activities

	As at 1 July 2019 \$'000	Financing cash flows \$'000	Non-cash changes	As at 30 June 2020 \$'000
			Others *	
2020				
Amount due to directors (non-trade)				
- current	4,209	(253)	(2,800)	1,156
- non-current	-	625	1,780	2,405
Amount due to related parties				
- current	245	3,068	1,020	4,333
	<u>4,454</u>	<u>3,440</u>	<u>-</u>	<u>7,894</u>
	As at 1 April 2018 \$'000	Financing cash flows \$'000	Non-cash changes	As at 30 June 2019 \$'000
			Foreign exchange movement \$'000	
2019				
Amount due to directors (non-trade)				
- current	6,085	(1,847)	(29)	4,209
Amount due to related parties				
- current	7,426	(7,181)	-	245
	<u>13,511</u>	<u>(9,028)</u>	<u>(29)</u>	<u>4,454</u>

* This relates to the reclassification of current portion of liabilities amounting to \$1,780,000 due to the extension of the repayment date as disclosed in (v). An amount of \$1,020,000 was reclassified as amount due to related parties as result of the resignation of a director during the year.

Extracted from Note 15 to the Audited Financial Statements of SinoCloud Group Limited for the financial year ended 30 June 2020

15. BORROWINGS

	Interest rate	Due within 1 year \$'000	Due after 1 year but less than 5 years \$'000	Total \$'000
Group				
<u>2020</u>				
Loan 1 (Unsecured) – Fixed rate	8.28%	4,914	-	4,914
Loan 2 (Unsecured) – Fixed rate	15.00%	-	10,887	10,887
Loan 3(i) (Unsecured) – Fixed	15.00%	-	10,073	10,073
Loan 3(ii) (Unsecured) – Fixed	12.00%	3,094	-	3,094
		8,008	20,960	28,968
<u>2019 (Reclassified) (Note 38)</u>				
Loan 1 (Unsecured) – Fixed rate	8.28%	-	5,106	5,106
Loan 2 (Unsecured) – Fixed rate	15.00%	-	9,867	9,867
Redeemable convertible bond	12.00%	13,220	-	13,220
		13,220	14,973	28,193
Company				
<u>2020</u>				
Loan 3 (Unsecured) – Fixed rate	12.00%	3,094	-	3,094
<u>2019</u>				
Redeemable convertible bond	12.00%	13,220	-	13,220

Loan 1

This loan is obtained by a subsidiary, Guiyang Tech, from a PRC bank to finance its working capital, and is guaranteed by a related party, which provides continuous financial support to the Group and is controlled by a key management personnel of the Group. The Group is in the process of negotiations with the bank to roll over this loan before the repayment date of 26 March 2021.

15. BORROWINGS (Continued)

Loan 2

The loan is due to a company controlled by a substantial shareholder of the Company (“Shareholder A”). The loan is unsecured and repayable on 30 November 2021 (2019: repayable from March to June 2021). As disclosed in Note 37, the Group has repaid \$7,420,000 in August 2020.

Loan 3 and Redeemable convertible bonds

a) Redeemable convertible bonds

In November 2017, the Company issued redeemable convertible bonds (the “Bonds”) at 12% interest per annum, denominated in Singapore dollar, at S\$2,256,000 (“Nominal Value”) to 2 individuals. In accordance with the terms of the agreement, the redemption price of the Bonds is agreed, using a fixed exchange rate between Hong Kong dollar and Singapore dollar. Consequently, the Nominal Value and redemption price are both agreed at \$13,200,000 at inception. Interests shall be repayable quarterly or on a deferred due date up to maturity date. The Bonds are due for repayment two years from the issue date at their Nominal Value, together with interests, or conversion into shares of the Company at the holders’ option at any time within the period commencing seven months from the issue date until the maturity date at agreed conversion rate of S\$0.002 per ordinary share. The Company has the right, at any time within the period commencing thirteen months from issue date until the maturity date, 26 November 2019, to redeem all of the Bonds then outstanding at 100% of their Nominal Value, together with interests accumulated to date (“Redemption Right”).

The fair value of the liability component is determined using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is immaterial as the 12% interest rate approximates market interest rate at date of inception. Management carried out an independent valuation of the redemption feature and concluded that the Redemption Right is not significant at inception and at 30 June 2019.

Upon maturity date of the Bonds, on 26 November 2019, the Company and the 2 individuals mutually agreed to restructure the Bonds into HKD denominated loans (Loan 3(i) and Loan 3(ii)) with zero transaction costs.

b) Loan 3

Loan 3(i) and 3(ii) are entered with the holders of the Bonds (the “Bond Holders”), of which Loan 3(i) is due to Shareholder A and Loan 3(ii) is due to another shareholder (“Shareholder B”). Both loans are unsecured, not convertible and repayable on 27 May 2020.

In March 2020, Shareholder A, the Company and a subsidiary, SinoCloud Group (HK) Limited (“SGHK”), have entered into a tripartite agreement to assign Loan 3(i) from the Company to SGHK and extended the repayment date to 30 November 2021 while other terms and conditions remain unchanged. Management has assessed and concluded that the effect of discounting is not material.

Loan 3(ii) was due on 27 May 2020 but the balance was fully repaid and settled in August 2020 without any penalty. Upon repayment in August 2020, Shareholder B has also granted the Company with a waiver of outstanding interests of the Bonds and Loan 3(ii) amounting to \$245,000 and \$277,000 respectively.

15. BORROWINGS (Continued)

Reconciliation of liabilities arising from financing activities

	As at 1 July 2019 \$'000	Financing cash flows \$'000	Non-cash changes			As at 30 June 2020 \$'000
			Foreign exchange movement \$'000	Reclassification from convertible bond to loan \$'000	Others *	
2020						
Redeemable convertible bonds						
- current	13,220	-	-	(13,220)	-	-
Loans						
- current	-	-	-	3,094	4,914	8,008
- non-current	14,973	966	(191)	10,126	(4,914)	20,960
	28,193	966	(191)	-	-	28,968
	As at 1 April 2018 \$'000	Financing cash flows \$'000	Non-cash changes		As at 30 June 2019 \$'000	
			Foreign exchange movement \$'000	Others *		
2019 (Reclassified)						
Redeemable convertible bonds						
- current	-	-	-	13,220	13,220	
- non-current	13,220	-	-	(13,220)	-	
Loans						
- current	51,967	(46,868)	(3,099)	(2,000)	-	
- non-current	4,074	9,216	(317)	2,000	14,973	
	69,261	(37,652)	(3,416)	-	28,193	

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

Extracted from Note 33 to the Audited Financial Statements of SinoCloud Group Limited for the financial year ended 30 June 2020

33. COMMITMENTS

(i) Future capital expenditure

Capital expenditures contracted for at the reporting date but not recognised in the financial statements, are as follows:

	Group	
	2020	2019
	\$'000	\$'000
In respect of property, plant and equipment		
- less than one year	-	7,748
- later than one year but not later than two years	121,770	134,184
	121,770	141,932

(ii) Other contractual commitments

As lessee

As at 30 June 2020, the Group is committed to the following lease payments not included in lease liabilities:

	Group
	2020
	\$'000
Short term leases	160

As lessor

The Group leases out servers under non-cancellable operating leases. The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables or contract assets are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Future minimum lease receivables		
- Not later than 1 year	24	330

(ii) Non-cancellable operating lease commitments as at 30 June 2019 (IAS 17)

As lessee

The Group has various operating lease agreements for certain buildings and offices. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group
	2019
	\$'000
Future minimum lease payments:	
- Less than one year	5,915
- Later than one year and not later than five years	28,104
- Later than five years	49,620
	83,639