IntelliCentrics

IntelliCentrics Global Holdings Ltd.
中智全球控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6819

INTERIM REPORT 2020

CONTENTS

Corporate Information

DIRECTORS

Executive Directors:

Mr. Lin Tzung-Liang *(Chairman)*
Mr. Michael James Sheehan *(Chief Executive Officer)*

Non-executive Directors:

Mr. Lin Kuo-Chang
Mr. Leo Hermacinski

Independent Non-executive Directors:

Mr. Hsieh Yu Tien
Ms. Huang Yi-Fen
Mr. Wong Man Chung Francis

AUDIT COMMITTEE

Mr. Wong Man Chung Francis *(Chairman)*
Ms. Huang Yi-Fen
Mr. Leo Hermacinski

REMUNERATION COMMITTEE

Mr. Hsieh Yu Tien *(Chairman)*
Mr. Lin Kuo-Chang
Mr. Wong Man Chung Francis

NOMINATION COMMITTEE

Mr. Lin Tzung-Liang *(Chairman)*
Mr. Hsieh Yu Tien
Ms. Huang Yi-Fen

ADMINISTRATION COMMITTEES

RSA Scheme for Non-Connected Persons

Mr. Michael James Sheehan
Mr. Wong Man Chung Francis

RSA Scheme for Core Connected Persons

Mr. Lin Tzung-Liang
Mr. Hsieh Yu Tien

AUTHORISED REPRESENTATIVES

Mr. Michael James Sheehan
Mr. Hung Kuo Yuan

JOINT COMPANY SECRETARIES

Mr. Hung Kuo Yuan
Ms. Leung Shui Bing

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Times Square
1 Matheson Street, Causeway Bay
Hong Kong

GLOBAL HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE U.S.

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United States of America

REGISTERED OFFICE

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P.O. Box 712
Grand Cayman KY1-9006
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Gold-In (Cayman) Co., Ltd.
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North Sound Rd.
George Town
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Cayman Islands

COMPLIANCE ADVISER

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HONG KONG SHARE REGISTRAR

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Hong Kong

AUDITOR

KPMG, LLP
Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance
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United States of America

LEGAL ADVISER

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Central, Hong Kong

PRINCIPAL BANKERS

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Shanghai Commercial and Savings
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Zhongshan District
Taipei City 10491
Taiwan R.O.C.

STOCK CODE

6819

COMPANY WEBSITE

www.intellicentrics-global.com

Management Discussion And Analysis

BUSINESS OVERVIEW

During the 6 months ended December 31, 2020, the majority of IntelliCentrics Global Holdings Ltd. (the "Company") and its subsidiaries' (collectively, the "Group") revenue was generated by our annual subscriptions for medical credentialing. BioBytes™, our new telecare solution that connects patient information to a trusted medical provider, is successfully adding new Locations of Care ("LoCs"), doctors, and patients under the contract approved in September 2020 with the city of Langfang, China, through our joint venture, Sciencare. Our business strategy continues to focus on providing extreme value to the LoCs that use our technology.

As of December 31, 2020, we had 10,747 Registered LoCs, which is a 4.3% decrease as compared to June 30, 2020. As of December 31, 2020, we had 114,109 total subscribers supporting the medical industry, a 6.0% decrease compared to June 30, 2020. The decrease was mostly attributable to the COVID-19 pandemic's temporary delay of non-life-threatening patient procedures at LoCs. As LoCs reopen to perform these critical procedures, we believe the associated medical professionals will renew their subscriptions.

During the 6 months ended December 31, 2020, our revenue grew to US$19.0 million compared to US$18.2 million for the 6 months ended December 31, 2019. During the same period, gross profit decreased to US$16.7 million from US$17.1 million, net loss was US$1.4 million compared to net profit of US$2.4 million for the 6 months ended December 31, 2019. The primary driver for the change in gross profit was US$1.3 million in eBadge technology depreciation.

The net loss was mainly attributable to a significant increase in amortisation and depreciation related to significant platform solution development capitalised in the prior fiscal year. Our non-capitalised research and development ("R&D") expenses increased by US$4.6 million to US$7.3 million compared to US$2.8 million for the 6 months ended December 31, 2019, with an increase in platform amortisation expense accounting for US$1.4 million of the variance. Total R&D expenditures, capital and non-capital, for the 6 months ended December 31, 2020, were US$8.1 million, representing an increase of US$2.1 million compared to December 31, 2019. During this period, capitalised and non-capitalised enhancements released to the market are the second generation GO! eBadge technology; Link; an upgraded compliance survey capability in SEC^{3}URE; BioBytes™, and the industry's first COVID-19 credential, along with 57 additional enhancements to the platform. Additionally, general and administrative expenses increased by US$2.3 million for regional leadership, finance, professional services, and depreciation; offset by tax benefits of US$2.1 million.

OUTLOOK

We believe our unique value proposition of connecting the supply and demand sides of care on a single, extensible, trusted, end-to-end technology platform is one of the most efficient cost-effective solutions available in the market today. Our solutions work across virtually all geographical locations and perform as well on premises as they do online. As a result, we expect our growth will come from three key areas which are:

(a) **Expansion into all types of LoCs on the platform including the home healthcare market.** China has shown the fastest adoption of new healthcare technologies and is expected to continue as the world's leader in this regard. IntelliCentrics' joint venture, Sciencare, was awarded a contract by the city of Langfang (population of approximately 4.5 million). Through this contract, Sciencare is currently delivering IntelliCentrics' full end-to-end technology solution. The solution consists of collecting patient's health data remotely, transferring the information to their medical professionals who monitor the information. The system has the added innovation of integrated scheduling by either the patients or doctors. The result is a real-time, one-stop solution for patients, medical providers, and the LoCs for collecting, monitoring, and scheduling.

(b) **Growth of the community and technology of the platform.** We use our attractive, extensible, open technology platform to extend our markets and capabilities through strategic alliances and innovative partnerships. As one of the open solutions that welcome all trusted people, places and devices, our multinational platform provides markets and sales channels to partners. Each time we attract a new alliance and partnership, the value of the platform grows exponentially for everyone in our healthcare community.

(c) **Regional leadership for geographic expansion.** Dedicated commercial leadership in each region we serve creates closer relationships with customers. These close relationships will improve our market sensing capabilities, further enhancing our ability to anticipate new and leading market trends. Moreover, these regional executives will lead the Company's geographic expansion efforts, operating verticals, partnerships, and humanitarian efforts.

IMPACT OF COVID-19

Since the onset of the COVID-19 pandemic, the Group has delivered our service without interruption. However, mainly due to COVID-19 measures, the overall demand for healthcare has declined during the reporting period. This decline is mainly attributable to the COVID-19 pandemic resulting in unprecedented backlog of demand, as disease and chronic health issues remain constant. The main impact on the Group has been a softening of average number of subscribers during the reporting period, as subscribers tend to delay their purchase or renewal of our services until they are able to or have the need to enter the relevant LoCs under COVID-19 measures. As a result, our total number of subscribers has decreased 6% from June 30, 2020 to 114,109 as of December 31, 2020, and we expect this impact will likely continue until most healthcare organisations fully resume their normal operations. On the other hand, the COVID-19 pandemic has resulted in the highest levels of regulatory and policy enforcement across the industry, further supporting the high value the Group provides all stakeholders in a long run.

Assets

Total assets of the Company have increased from US$97.1 million at June 30, 2020 to US$110.4 million at December 31, 2020. We conducted an independent valuation on our promissory note FVOCI debt instruments which concluded with no material change to the value of the asset as of December 31, 2020. During the period, the FVOCI debt instruments, increased in total value by US$0.8 million. As of December 31, 2020, as an essential medical business our current analysis shows that goodwill, technology, and promissory notes have retained their book value.

Liquidity

During the period, our current ratio improved from 1.5 at June 2020 to 2.0 as of December 2020. Our subscribers pay their fees at the beginning of their annual term providing the Company with a cash inflow and therefore there is no credit risk for accounts receivable. The Group has proactively increased its liquidity through the following actions: 1) recapitalising our borrowings from short-term to a US$30.0 million long-term facility with the first payment due in December 2021; 2) renegotiating improved payment terms with key suppliers; 3) full review of expenses and making reductions where possible; 4) 23 furloughs; and 5) net reductions of 28 full-time staff. The agility of the platform business allows additional options for cost reductions if necessary.

As the future of the COVID-19 pandemic, government actions, and financial markets reactions remain unknown, the Group and its Board cannot reliably predict the extent to which the business, its assets, and future liquidity will be impacted. At present, the Group does not see any material change to its operating capabilities, assets, liquidity, or credit.

FINANCIAL REVIEW

Results of Operations

This interim report is reporting results of operations for the 6-month period from July 1, 2020 to December 31, 2020 as compared to the 6-month period from July 1, 2019 to December 31, 2019.

The following table sets forth certain income and expense items from our unaudited condensed consolidated statements of profit or loss and other comprehensive income or loss for the periods indicated:

	6 months ended December 31,	
	2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Revenue	19,031	18,159
Cost of revenue	(2,322)	(1,041)
Gross profit	16,709	17,118
Selling and marketing expenses	(2,556)	(3,023)
General and administrative expenses	(10,048)	(7,716)
R&D expenses	(7,343)	(2,779)
Other losses, net	(108)	(295)
Operating (loss)/profit	(3,346)	3,305
Finance costs	(1,112)	(888)
Finance income	960	1,326
Other non-operating income	39	—
Share of loss of a joint venture, net of tax	—	(85)
(Loss)/profit before income tax	(3,459)	3,658
Income tax (benefit)/expense	(2,066)	1,305
(Loss)/profit for the period	(1,393)	2,353
Non-IFRS Financial Measures		
Adjusted — Earnings before interest, taxes, depreciation, and amortisation	697	4,153

Adjusted — Earnings Before Interest, Taxes, Depreciation, and Amortisation ("EBITDA")

	6 months ended December 31, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)	$ Change US$'000	% Change
(Loss)/profit for the period	**(1,393)**	2,353	(3,746)	(159.2)
Income tax (benefit)/expense	**(2,066)**	1,305	(3,371)	(258.3)
(Loss)/profit before income tax	**(3,459)**	3,658	(7,117)	(194.6)
Interest income, net	**(312)**	(713)	401	(56.2)
(Loss)/earnings before interest and taxes	**(3,771)**	2,945	(6,716)	(228.0)
Depreciation	**1,999**	255	1,744	683.9
Amortisation	**2,044**	678	1,366	201.5
Other non-operating expense	**425**	275	150	54.5
Adjusted EBITDA	**697**	4,153	(3,456)	(83.2)

We use Adjusted EBITDA, which represents net income before (i) income tax expense, and net interest (income)/expense, and (ii) certain non-cash expenses, consisting of depreciation of property and equipment, rent cost relating to certain right-of-use assets, amortisation and impairment of intangible assets and impairment of goodwill, and other non-operating (income)/expense, including share of results of equity (joint venture) investees, which we do not believe are reflective of our core operating performance during the periods presented.

FINANCIAL POSITION

Current Ratio

The current ratio increased to 2.0 as of December 31, 2020, from 1.5 as of June 30, 2020, due to the recapitalisation of our EnTie debt from short-term borrowings to a long-term US$30.0 million borrowing facility with US$1.5 million due in December 2021.

Working Capital

Our working capital increased significantly to US$28.5 million as of December 31, 2020, from US$21.3 million as of June 30, 2020, due to the recapitalisation of our EnTie debt from short-term borrowings to a US$30.0 million long-term borrowing facility with US$1.5 million due in December 2021.

Gearing Ratio

The increase in the gearing ratio (calculated by dividing (i) total debts by (ii) total equity) to 71.2% as of December 31, 2020, from 47.2% as of June 30, 2020, is due to the recapitalisation of our EnTie debt from short-term borrowings to a US$30.0 million long-term borrowing facility with US$1.5 million due in December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

Our Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Group's overall treasury and funding policies focus on managing financial risks, including interest rate and foreign exchange risks; cost efficient funding of the Company and its subsidiaries; and yield enhancement from time-to-time when the Group's cash position allows. The Group has always adhered to prudent financial management principles, including the selection of investment securities according to the Group's treasury investment policy.

Our primary uses of capital are to satisfy our working capital needs and to fund our R&D and market acquisition initiatives. Our working capital is predominantly financed from cash generated from our operating activities, comprised of cash payments received from our annual subscription memberships and add-on services, bank borrowings, and proceeds from issuance of stock. In managing our liquidity, our management monitors and maintains a reasonable level of cash and cash equivalents deemed adequate by our management to finance our operations and to mitigate the impacts of fluctuations in cash flows. The main sources of liquidity are cash and cash equivalents on hand, redeemable promissory notes, and the cash generated from operating activities.

As of December 31, 2020, the cash and cash equivalents, net current assets, and total assets less current liabilities were US$6.2 million (US$7.8 million as of June 30, 2020); US$28.5 million (US$21.3 million as of June 30, 2020); and US$81.7 million (US$50.0 million as of June 30, 2020), respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

We operate mainly in the U.S. with most of the transactions settled in U.S. dollars. Our management considers that our business is not exposed to any significant foreign exchange risk as we have no significant financial assets or liabilities denominated in the currencies other than US$. During the 6 months ended December 31, 2020, the Company did not issue any financial instruments for hedging purposes. As we monitor the growth of the Company in association with the local revenue and expenses, the management will consider hedging significant foreign currency exposure should the need arise.

Cash and cash equivalents, short-term bank deposits, restricted cash, and promissory notes are denominated in the following currencies:

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
US$	**64,224**	62,367
NTD	**363**	21
GBP	**243**	267
CAD	**14**	28
HKD	**9**	1,193
EUR	**8**	4
Total	**64,861**	63,880

INVESTMENT IN PROMISSORY NOTES AND ADVANCES TO ENTITIES

Pursuant to Rule 13.13 of the Listing Rules, a disclosure obligation arises where an advance to an entity exceeds 8% of the total assets of the Group. Pursuant to Rule 13.20 of the Listing Rules, details of the advance as defined under Rule 13.15 of the Listing Rules which remained outstanding as at June 30, 2020 are set out below.

On March 27, 2019, the Group invested in two promissory notes with an aggregate principal amount of US$55.0 million issued by private enterprises, by utilising the gross proceeds raised from the IPO that are not immediately in use for the use of proceeds purposes set forth in the Prospectus. In May 2019, the Group redeemed a portion of these promissory notes at par of US$28.0 million and utilised the proceeds to invest in another two promissory notes issued by private enterprises. As at the relevant time, each purchase of the promissory notes by the Company which constituted an advance to the relevant entity under Rule 13.13 of the Listing Rules exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

As of December 31, 2020, the outstanding balance of the promissory notes invested by the Group in 2019 amounted to US$46.7 million, inclusive of interest receivable of US$3.4 million. This asset comprises 81.8% of total current assets and 42.3% of total assets. Under IFRS, this is considered a significant concentration of the Group's assets.

The US$43.4 million principal value is diversified into four holdings: Keystone Group Ltd with the principal amount of US$10.3 million, Everglory Strategic Investment Limited with the principal amount of US$10.8 million, Durable Energy Limited with the principal amount of US$11.3 million, and Ariana Capital Investments Limited with the principal amount of US$11.0 million. All promissory notes were purchased at par value with interest at a fixed rate of 4.5% per annum. See the announcement of the Company dated May 19, 2020 for further details of the promissory notes.

INDEBTEDNESS

Borrowings

During the reporting period, the Company's subsidiary paid off borrowings of US$25.0 million. During December 2020, new long-term borrowings of US$30 million were negotiated with one of our two lending banks, EnTie Commercial Bank. The interest rate on the borrowings ranged between 2.31%–3.61% and carries a three year term, with the subsidiary's first payment due in December 2021. Additional details of the borrowings are found in the footnotes of the financial statements.

Our borrowing balance as of December 31, 2020, was US$31.5 million with variable interest rates per annum ranged between 2.04%-3.61% (June 30, 2020, was US$21.5 million with variable interest rates per annum ranged between 3.02%-6.84%). As of December 31, 2020, there were no borrowings with fixed interest rates. The borrowings are secured by certain bank deposits and are in US$.

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Borrowings		
— Current	**2,984**	21,500
— Non-current	**28,493**	—
Total	**31,477**	21,500

CONTINGENT LIABILITIES

As of December 31, 2020, the Company had the following contingent liabilities:

In April 2018, a former employee of the Group's subsidiary, IntelliCentrics, Inc., filed a lawsuit in Denton County, Texas, U.S., against IntelliCentrics, Inc. The former employee asserted certain claims: breach of employment agreement and age discrimination. As of the date of this interim report, the lawsuit is ongoing. In review of the status with our external counsel, the Group believes that there will be a positive outcome for the Group and no provision is recorded.

On June 1, 2020, Repifi Vendor Logistics, Inc. filed a patent infringement lawsuit against IntelliCentrics, Inc. and the Company in the Eastern District of Texas. The lawsuit alleges that IntelliCentrics, Inc.'s visitor access and credentialing systems marketed as SEC^{3}URE Go! infringe on U.S. Patent No. 10,304,268. Based on a preliminary review of the patent information and status with our external counsel, the Group does not infringe the patent. The Group believes that there will be a positive outcome for the Group and no provision is recorded.

Except as disclosed above, as of December 31, 2020, the Group did not have other material contingent liabilities.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the 6 months ended December 31, 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Shares as may be purchased by the trustee from time to time pursuant to the Restricted Share Award Scheme, during the 6 months ended December 31, 2020, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the 6 months ended December 31, 2020, there were no significant investments, acquisitions, or disposals.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As of December 31, 2020, there were no future plans for material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

Additional Investment in Sciencare

In January 2021, IntelliCentrics Zengine (Hong Kong) Company Limited, the Group's 67%-owned subsidiary, completed a capital transaction of US$0.4 million that increased its investment in its joint venture, Sciencare, to support the growth of the joint venture operations. The Group retains its 40% ownership in the joint venture entity. Sciencare previously signed an agreement with the city of Langfang and has started implementing the Group's trusted healthcare platform in the region. The Group will retain one of the three director positions on the board of the joint venture.

RSA Grants

On September 30, 2020, the Board approved a share compensation performance bonus for the fiscal year ended June 30, 2020 up to the total amount of US$1.1 million. The Company completed the grants for 1,272,694 shares on January 18, 2021 from the Non-Connected Persons and the Connected Persons RSA Schemes. The grants require an additional service period and will vest at 65% on June 30, 2021 and 35% on October 1, 2021.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim results of the Group for the 6 months ended December 31, 2020. It is the opinion of the Audit Committee that the preparation of such interim results had been prepared in accordance with the applicable accounting principles and standards and adequate disclosures have been made.

Directors' Report

The Directors submit their interim report together with the unaudited financial statements for the 6 months ended December 31, 2020.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

The schedule below sets out, as of December 31, 2020, the status on the allocation and the usage of net proceeds from the Company's Global Offering on March 27, 2019.

Item	Net proceeds from the Global Offering (including proceeds from the exercise of the Over-Allotment Option) (HK$ million)	Utilised between March 27, 2019 to December 31, 2020 (HK$ million)	Unutilised as of December 31, 2020 (HK$ million)	Expected timeline of the intended use of the unutilised proceeds, subject to then management assessment, market conditions, and the business operations and financial needs of the Group
Sales and marketing efforts, primarily for promoting newly launched medical credentialing solution and pipeline solutions	234.60	39.19	195.41	Expected to be fully utilised by the end of 2021
Repaying the principal amount of a bank facility in connection with the reorganisation**	117.70	116.88	0.82	Expected to be fully utilised by the end of 2021
Funding potential acquisitions and developing strategic alliances	5.03	5.03	—	N/A
Working capital and other general corporate purposes	39.62	39.62	—	N/A
Total	**396.95**	**200.72**	**196.23**	

** Loans and expenses are in US$. Conversion to HK$ used the exchange rate of 7.79158.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING IN US$

Item	Net proceeds from the Global Offering (including proceeds from the exercise of the Over-Allotment Option) (US$ million)	Utilised between March 27, 2019 to December 31, 2020 (US$ million)	Unutilised as of December 31, 2020 (US$ million)	Expected timeline of the intended use of the unutilised proceeds, subject to then management assessment, market conditions, and the business operations and financial needs of the Group
Sales and marketing efforts, primarily for promoting newly launched medical credentialing solution and pipeline solutions	30.11	5.03	25.08	Expected to be fully utilised by the end of 2021
Repaying the principal amount of a bank facility in connection with the reorganisation	15.11	15.00	0.11	Expected to be fully utilised by the end of 2021
Funding potential acquisitions and developing strategic alliances	0.65	0.65	—	N/A
Working capital and other general corporate purposes	5.08	5.08	—	N/A
Total	**50.95**	**25.76**	**25.19**	

Conversion from HK$ used the exchange rate of 7.79158.

RESULTS AND DIVIDEND

The results of the Group for the 6 months ended December 31, 2020 are set out in the section headed "Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss" of this interim report. The Board does not recommend the payment of an interim dividend for the 6 months ended December 31, 2020.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2020, the Group had 158 employees (June 30, 2020: 186 employees). Total staff remuneration expenses including Directors' remuneration for the 6 months ended December 31, 2020, equals US$9.1 million (December 31, 2019: US$7.9 million). Remuneration is determined, in accordance with the prevailing industry practice, with reference to performance, skills, qualifications, and experience of the staff members. In addition to salary payments made by the Group, other staff benefits include social insurance and housing provident contributions, performance-based compensation, and discretionary bonus. Employee remuneration is reviewed annually to local market trends. The Group has also adopted the Pre-IPO Share Option Scheme and the Core Connected Persons and Non-Connected Persons RSA Schemes to attract, retain, and incentivise our key employees to accelerate the Company's growth.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. When determining the emolument of a Director, the following considerations is given — experience, duties and responsibilities, time commitment, and the prevailing market conditions.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of December 31, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Interests/short positions in the Shares

Name of Director or Chief Executive	Nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company
Mr. Lin[2]	Interests in a controlled corporation	285,740,326	62.51%
Mr. Sheehan[3]	Beneficiary of a trust	40,000,000	8.75%
	Beneficial owner	5,000,000	1.09 %
Mr. Lin Kuo-Chang	Beneficial owner	680,000	0.15%

Notes:

(1) All interests stated are long positions.

(2) The entire issued share capital of Ocin Corp. is directly held by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 285,740,326 Shares held by Ocin Corp.

(3) Mr. Sheehan Trust is a trust associated with Mr. Sheehan with Mr. Sheehan being a beneficiary and the trustee. Accordingly, Mr. Sheehan is deemed to be interested in the 40,000,000 Shares held by Mr. Sheehan Trust. Mr. Sheehan is also interested in 5,000,000 Pre-IPO Share Options granted to him under the Pre-IPO Share Option Scheme entitling him to receive 5,000,000 Shares subject to vesting.

(b) Interests/short positions in the share capital or debentures of the associated corporations of our Company

Name of Director or Chief Executive	Name of associated corporation of our Company	Capacity/nature of interest	Number of shares(1)	Approximate percentage of interest in corporation
Mr. Lin	Ocin Corp.	Beneficial owner	435,800	100.0%

Note:

(1) All interests stated are long positions.

Save as disclosed above, as of December 31, 2020, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of December 31, 2020, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity and nature of interest	Number of share[1]	Approximate percentage of interest in the Company
Ocin Corp.[2]	Beneficial owner	285,740,326	62.51%
Mr. Sheehan Trust[3]	Beneficial owner	40,000,000	8.75 %

Notes:

(1) All interests stated are long positions.

(2) The entire issued share capital of Ocin Corp. is directly held by Mr. Lin. Accordingly, Mr. Lin is deemed to be interested in the 285,740,326 Shares held by Ocin Corp.

(3) Mr. Sheehan Trust is a trust associated with Mr. Sheehan with Mr. Sheehan being a beneficiary and the trustee. Accordingly, Mr. Sheehan is deemed to be interested in the 40,000,000 Shares held by Mr. Sheehan Trust.

Save as disclosed above, as of December 31, 2020, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme by the Board's resolutions dated August 7, 2018. The purpose of the Pre-IPO Share Option Scheme is to provide certain incentives and to reward the participants for their past contributions to the success of the Group and to maintain or attract business relationships with the grantees whose contributions are, or may be beneficial to the growth of the Company. On February 14, 2019, the Board approved the grant of the Share Options for an aggregate of up to 11,700,000 Shares. On February 18, 2019, Share Options were granted to 46 grantees comprising an aggregate of 11,535,000 Shares.

As of December 31, 2020, the Company had net granted Share Options under the Pre-IPO Share Option Scheme to 31 grantees for an aggregate of 8,507,500 Shares. As of December 31, 2020, 3,027,500 Share Options have lapsed under the Pre-IPO Share Option Scheme due to resignation of staff, 1,701,500 Share Options have been vested, and none of the outstanding Share Options have been exercised or cancelled.

	Outstanding share options (in thousands)	Average exercise price (US$ per share)	Aggregate intrinsic value (US$ in thousands)
Beginning share options authorised at US$0.875	11,700.0	0.875	
Original share options granted on February 18, 2019	11,535.0	0.875	
Lapsed under plan	(3,027.5)	0.875	
Exercised	—		
Expired	—		
Cancelled	—		
Balance as of December 31, 2020	**8,507.5**	**0.875**	**—**
Vested	1,701.5	0.875	—
Exercisable as of December 31, 2020	1,701.5	0.875	—

The total intrinsic value is the difference between the current market value of the stock and the exercise price of the option. As of December 31, 2020, the market value of the stock was below the exercise price.

Details of the interests of the Directors, senior management, other employees, and consultants of the Group in the Share Options are set out below.

Name of grantees	Main position in the Group	Date of grant	Vesting period	Exercise price (US$ per share)	Number of shares to be issued upon full exercise of the share options under the Pre-IPO Share Option Scheme (in thousands)
Director of our Company					
Michael James Sheehan	Executive Director and chief executive officer	February 18, 2019	5 years	0.875	5,000.0
Sub-total:					**5,000.0**
Senior Management of our Company					
David Edward Taylor	Chief innovation officer	February 18, 2019	5 years	0.875	1,300.0
Michael McDonald	Chief operating officer	February 18, 2019	5 years	0.875	500.0
Sub-total:					**1,800.0**
Other Employees in Aggregate		February 18, 2019	5 years	0.875	1,017.5
Consultants of Our Group		February 18, 2019	5 years	0.875	690.0
Total					**8,507.5**

Subject to the Pre-IPO Share Option Scheme, the Share Options shall be vested in five even tranches at 20% on February 1, 2020, February 1, 2021, February 1, 2022, February 1, 2023, and February 1, 2024, respectively.

Tranche	Average exercise price (US$ per share)	Vesting schedule (in thousands)
Financial Year Ended June 2020	0.875	1,701.5
Financial Year Ending June 2021	0.875	1,701.5
Financial Year Ending June 2022	0.875	1,701.5
Financial Year Ending June 2023	0.875	1,701.5
Financial Year Ending June 2024	0.875	1,701.5
Total		**8,507.5**

RSA SCHEMES

The Company adopted the Non-Connected Persons RSA Scheme by the Board's resolutions dated April 26, 2019, and a Core Connected Persons RSA Scheme by Board resolution dated September 30, 2020. The purposes of the RSA Schemes are: (a) to provide selected participants with an opportunity to acquire a propriety interest in the Company; (b) to encourage and retain such individuals to work with the Group; (c) to provide additional incentive for them to achieve performance goals; (d) to attract suitable personnel for further development of the Group; and (e) to motivate the selected participants to maximise the value of the Company for the benefits of both the selected participants and the Company, with a view to achieving objectives of increasing the value of the Company and aligning the interests of the selected participants directly to the Shareholders through ownership of Shares. The duration of both the schemes are 10 years and the RSA Schemes are overseen by the corresponding Administration Committees as determined by the Board. The function of Administration Committees is to approve the grants programs, vesting schedules, Shares purchases, and all other aspects of the RSA Schemes. The RSA Schemes may be used as a supplemental incentive, a performance-based incentive, and time-based awards. Prior to vesting, the Shares are held in the employee share trust, which is managed at Computershare Hong Kong Investor Services Limited according to the rules of the trust. The RSA Schemes do not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

As of December 31, 2020, two employees of the Group have been granted restricted share awards under the Non-Connected Persons RSA Scheme. Additionally, the Board approved on September 30, 2020 an employee performance award in the amount of US$1.1 million for the fiscal year ended June 30, 2020, to be paid in shares. The performance award has a retention service period and vests at 65% on June 30, 2021 and 35% on October 1, 2021. The Company estimated at December 31, 2020 that 1,272,694 shares with a total value of US$1.099 million would be granted. The shares would be granted under the Non-Connected Persons and the Connected Persons RSA Schemes. Additional information on this grant is provided under Subsequent Events.

Non-Connected Persons RSA Scheme

Name of grantees	Main position in the Group	Date of grant	Vesting period	Exercise price	Number of shares to be issued upon full exercise of the share options under the scheme
Senior Management of our Company					
Charles R. Christopherson, Jr.	Chief financial officer	December 9, 2019	4 years	USD0.875	1,000,000
Eric Anderson	Chief commercial officer of North America	May 4, 2020	4 years	HKD6.850	850,000
Total					**1,850,000**

The restricted shares granted to the named individuals set out in the table above are subject to the rules of the Non-Connected Persons RSA Scheme and shall be vested in four even tranches at 25% annually on the respective dates of the grants. As of December 31, 2020, a total of 250,000 Share Options vested and none of the outstanding Share Options have been exercised or cancelled.

As of December 31, 2020, the Connected Persons RSA Scheme had no grantees.

APPENDIX 16 TO THE LISTING RULES

According to paragraph 40 of Appendix 16 to the Listing Rules headed "Disclosure of Financial Information", save as disclosed herein, the Company confirms that the Company's current information in relation to those matters set out in paragraph 32 of Appendix 16 has not been changed significantly from the information disclosed in the Company's Annual Report 2019/20.

By order of the Board
IntelliCentrics Global Holdings Ltd.
LIN Tzung-Liang
Chairman of the Board

Hong Kong, February 26, 2021

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Board has adopted the code provisions of the CG Code set out in Appendix 14 to the Listing Rules. During the 6 months ended December 31, 2020, the Company has complied with the code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the 6 months ended December 31, 2020.

BOARD OF DIRECTORS

The Board of the Company currently comprises seven members as follows:

Executive Directors

Mr. Lin Tzung-Liang *(Chairman)*
Mr. Michael James Sheehan *(Chief Executive Officer)*

Non-executive Directors

Mr. Lin Kuo-Chang
Mr. Leo Hermacinski

Independent Non-executive Directors

Mr. Hsieh Yu Tien
Ms. Huang Yi-Fen
Mr. Wong Man Chung Francis

Chairman and CEO

The role of the Chairman is separate from that of the CEO to ensure a balance of power and authority. The Chairman is responsible for overseeing the functioning of the Board while the CEO is responsible for managing the Group's business. As of December 31, 2020, the Chairman of the Board is Mr. Lin Tzung-Liang, an executive Director, and the CEO of the Company is Mr. Michael James Sheehan, an executive Director.

The Chairman shall ensure that Board meetings are planned and conducted effectively, and all Directors are properly briefed on issues arising at Board meetings. He is also responsible for ensuring that the Directors receive adequate information in a timely manner, which must be accurate, clear, complete, and reliable. The Chairman shall also ensure the Board works effectively and discharges its responsibilities; all key and appropriate issues are discussed by the Board in a timely manner; good corporate governance practices and procedures are established; and appropriate steps are taken to provide effective communication with Shareholders and that views of Shareholders are communicated to the Board as a whole.

Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experiences and qualifications to carry out their duties so as to protect the interests of the Shareholders. Among the three independent non-executive Directors, at least one of them has appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has also received a written annual confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers that all independent non-executive Directors are independent with reference to the guidelines stated in the Listing Rules.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed under a service contract for a term of three years which is terminable by either party by giving three months' written notice to the other party.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation and re-election at AGM at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following AGM after his appointment and they will be subject to re-election at such meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election, and succession planning of Directors.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his or her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing, and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Our Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. At the first occasion, every newly appointed Director receives a formal and comprehensive induction to ensure his/her appropriate understanding of the business and operations of the Company and full awareness of a directors' responsibilities and obligations under the Listing Rules and other relevant statutory requirements.

Directors participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expense.

From January 1, 2020 and up to the December 31, 2020, the Company's attorneys provided periodic training sessions and in-depth learning summaries to the Directors. The sessions conducted by lawyers focused on corporate governance, directors' duties, responsibilities, and obligations under the Listing Rules.

BOARD COMMITTEES

The Board has established five Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, and two RSA Scheme Administration Committees for overseeing the particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.intellicentrics-global.com) and the Stock Exchange's website (www.hkexnews.hk) and are available to the Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors. The list of the chairman and members of each Board committee is set out under "Board of Directors" in this Corporate Governance Report.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Rule C.3 of the CG Code. The Audit Committee consists of three members, namely, Mr. Wong Man Chung Francis (independent non-executive Director), Ms. Huang Yi-Fen (independent non-executive Director), and Mr. Leo Hermacinski (non-executive Director). Mr. Wong Man Chung Francis is a Certified Public Accountant who possesses the appropriate accounting or related financial management expertise, and the chairman of the committee.

The primary duties of the Audit Committee include: (i) to review, supervise, and assist our Board in providing an independent view of our financial reporting processes and the internal control and risk management systems, (ii) to oversee the audit process, review our annual and interim financial statements, provide advice and comments to the Board on matters related to corporate governance; and (iii) to perform other duties and responsibilities as assigned by our Board from time to time.

During the 6 months ended December 31, 2020, the Audit Committee held three meetings. The members of the Audit Committee reviewed and discussed with the external auditors of the Company the unaudited interim results of the Group for the 6 months ended December 31, 2020. They were of the opinion that the preparation of such interim results had been prepared in accordance with the applicable accounting principles and standards and adequate disclosures have been made.

Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee or with the committee chairman for informational or other purposes.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of three members, namely, Mr. Hsieh Yu Tien (independent non-executive Director), Mr. Lin Kuo-Chang (non-executive Director), and Mr. Wong Man Chung Francis (independent non-executive Director). Mr. Hsieh Yu Tien is the chairman of the committee. The primary duties of the Remuneration Committee are to (i) develop and review the policies and the structure of the remuneration for our Directors; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, our Directors; and (iii) evaluate and make recommendations on employee benefit arrangements.

During the 6 months ended December 31, 2020, the Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and other related matters.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with Rule A5 of the CG Code. The Nomination Committee consists of three members, namely Mr. Lin Tzung-Liang (chairman of the Board and executive Director), Mr. Hsieh Yu Tien (independent non-executive Director), and Ms. Huang Yi-Fen (independent non-executive Director), with Mr. Lin Tzung-Liang being the chairman of the committee.

The primary functions of the Nomination Committee are to make recommendations to our Board in relation to the appointment and removal of Directors, and on matters of succession planning. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, technical and professional skills, industry knowledge and reputation, gender, age, ethnicity, nationality, language skills, length of service and time to be devoted as a director, and where possible, maintain balance from such perspectives.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the 6 months ended December 31, 2020, the Nomination Committee held one meeting to consider and make recommendation to the Board the appointment of new Directors, and to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Connected Persons RSA Administration Committee

The Connected Persons RSA Administration Committee is a sub-committee of the Board delegated with the power and authority to administer the Scheme. This Administration Committee consists of two members, namely, Mr. Lin Tzung-Liang (Chairman) and Mr. Hsieh Yu Tien (independent non-executive Director). No meeting was held by this Administration Committee during the 6 months ended December 31, 2020, and up to the date of this report.

Non-Connected Persons RSA Administration Committee

The Non-Connected Persons RSA Administration Committee is a sub-committee of the Board delegated with the power and authority to administer the Scheme. This Administration Committee consists of two members, namely, Mr. Michael James Sheehan (CEO and executive Director) and Mr. Wong Man Chung Francis (independent non-executive Director). No meeting was held by this Administration Committee during the 6 months ended December 31, 2020, and up to the date of this report.

Director Nomination Policy

The Company has adopted a director nomination policy (the "Director Nomination Policy"), pursuant to which the following criteria should be considered when evaluating and selecting any candidate for directorship:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board diversity policy of the Company that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board and/or the Company, as well as the Company's development strategies, future goals, and growth, taking into account the candidate's qualifications, skills, experience, independence, and gender and race diversity of the Board.
- The candidate's role and position as a member of a diverse Board.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of the Directors and succession planning.

As regards selection and appointment of a new Director:

- The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

- If the process yields more than one desirable candidate, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and the reference check of each candidate (where applicable).

- The Nomination Committee should then recommend that the Board appoint the most appropriate candidate for directorship.

- For any person that is nominated by a Shareholder for election as a Director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendations to Shareholders with respect to the proposed election of Directors at a general meeting.

As regards the re-election of a Director at a general meeting:

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each Director and his level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the Director continues to meet the criteria as set out above.

- The Nomination Committee and/or the Board should then make recommendations to the Shareholders in respect of the proposed re-election or replacement of the Directors at a general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at a general meeting, the relevant information of the candidate will be disclosed in the circular to the Shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Board Diversity Policy

The Company believes that board diversity will have a substantial benefit in improving its performance. Therefore, the Company has adopted a board diversity policy to ensure that the diversity of Board members be considered from a number of perspectives. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. A summary of the board diversity policy is set out below:

The Board is of the view that having diversity in the Board will help the Company better understand and meet customer needs and maintain the Company's competitive advantages in the industry.

The Company is committing to achieving diversity and recognises and embraces the benefits of having a diverse Board to bring in innovation, fresh and broad business perspectives and enhance the decision-making process of the Board.

In considering the optimal composition of the Board, the Board shall exercise its discretion to review diversity from a wide array of perspectives, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, technical and professional skills, industry knowledge and reputation, gender, age, ethnicity, nationality, language skills, length of service and time to be devoted as a director, and where possible, maintain balance from such perspectives. Appointments to the Board should be made based on merits and contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ANNUAL GENERAL MEETING

The Group's annual general meeting was held on December 15, 2020. Information and approved resolutions can be found on the Company's website (www.intellicentrics-global.com).

Independent Auditors' Review Report

KPMG

The Board of Directors and Shareholders
IntelliCentrics Global Holdings, Ltd.:

REPORT ON THE FINANCIAL STATEMENTS

We have reviewed the accompanying condensed consolidated statement of financial position of IntelliCentrics Global Holdings, Ltd. and its subsidiaries ("the Company") as of December 31, 2020, the related condensed consolidated statements of profit or loss and other comprehensive income or loss, changes in equity, and cash flows for the six-month period ended December 31, 2020.

The accompanying condensed consolidated statements of profit or loss and other comprehensive income or loss, changes in equity, and cash flows of IntelliCentrics Global Holdings, Ltd. and its subsidiaries for the six-month period ended December 31, 2019 were not reviewed by us, and accordingly, we do not express any form of assurance on them. Further, the statement of changes in equity for the six-month period ended December 31, 2019 which is labelled "restated" and the related note was not reviewed by us.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with IAS 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (IAS 34); this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with IAS 34.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America and International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the interim financial information for it to be in accordance with IAS 34.

REPORT ON CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2020

We have previously audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of profit or loss and other comprehensive income or loss, changes in equity, and cash flows for the eighteen-month period then ended (not presented herein); we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 20, 2020. In our opinion, the condensed consolidated statement of financial position of IntelliCentrics Global Holdings, Ltd. and its subsidiaries as of June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Denver, Colorado
February 26, 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss

	Note	6 months ended December 31, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Revenue	*7*	**19,031**	18,159
Cost of revenue		**(2,322)**	(1,041)
Gross profit		**16,709**	17,118
Selling and marketing expenses		**(2,556)**	(3,023)
General and administrative expenses		**(10,048)**	(7,716)
Research and development expenses		**(7,343)**	(2,779)
Other losses, net		**(108)**	(295)
Operating (loss)/profit		**(3,346)**	3,305
Finance costs	*8*	**(1,112)**	(888)
Finance income	*9*	**960**	1,326
Other non-operating income		**39**	—
Share of loss of a joint venture, net of tax	*16*	**—**	(85)
(Loss)/profit before income tax		**(3,459)**	3,658
Income tax (benefit)/expense	*10*	**(2,066)**	1,305
(Loss)/profit for the period		**(1,393)**	2,353
Other comprehensive loss:			
Item that will not be subsequently reclassified to profit or loss:			
— Equity instruments at FVOCI — net change in fair value		**(1,154)**	19
Items that may be subsequently reclassified to profit or loss:			
— Debt instruments at FVOCI — net change in fair value		**(119)**	—
— Currency translation differences		**719**	(270)
Other comprehensive loss for the period, net of tax		**(554)**	(251)
Total comprehensive (loss)/income for the period		**(1,947)**	2,102

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss (Continued)

	Note	6 months ended December 31, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
(Loss)/profit for the period			
Attributable to owners of the Company		**(1,395)**	2,381
Attributable to non-controlling interests		**2**	(28)
		(1,393)	2,353
Total comprehensive (loss)/income for the period			
Attributable to owners of the Company		**(1,949)**	2,130
Attributable to non-controlling interests		**2**	(28)
		(1,947)	2,102
(Loss)/earnings per share attributable to owners of the Company for the period (expressed in US$ per share)			
— Basic and diluted	*11*	**(0.003)**	0.005

The accompanying notes are an integral part of these interim financial statements.

Condensed Consolidated Statement of Financial Position

	Note	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
ASSETS			
Non-current assets			
Property, plant, and equipment, net	*13*	**9,157**	4,131
Goodwill and other intangible assets, net	*14*	**24,072**	22,545
Right-of-use assets, net	*15*	**5,602**	1,538
Deposits and prepayments		**172**	348
Restricted cash	*17*	**14,250**	163
		53,253	28,725
Current assets			
Financial assets at fair value through other comprehensive income	*18*	**47,571**	47,925
Deposits, prepayments, and other receivables		**2,379**	2,518
Restricted cash	*17*	**960**	10,185
Cash and cash equivalents		**6,209**	7,795
		57,119	68,423
Total assets		**110,372**	97,148
EQUITY			
Equity attributable to owners of the Company			
Share capital		**46**	46
Share premium		**76,929**	76,929
Other equity		**(11,054)**	(10,891)
Other reserves		**(65,041)**	(65,283)
Retained earnings		**43,290**	44,685
		44,170	45,486
Non-controlling interests		**30**	28
Total equity		**44,200**	45,514

Condensed Consolidated Statement of Financial Position (Continued)

	Note	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
LIABILITIES			
Non-current liabilities			
Borrowings	*21*	**28,493**	—
Other liabilities		**10**	—
Deferred income tax liabilities		**1,874**	3,565
Lease liabilities	*15*	**7,148**	914
		37,525	4,479
Current liabilities			
Borrowings	*21*	**2,984**	21,500
Lease liabilities	*15*	**368**	692
Trade payables	*22*	**3,227**	2,258
Other payables and provisions	*23*	**3,991**	3,389
Amounts due to related parties	*25*	**—**	44
Contract liabilities	*7*	**18,049**	19,259
Current income tax liabilities		**28**	13
		28,647	47,155
Total liabilities		**66,172**	51,634
Total equity and liabilities		**110,372**	97,148

The accompanying notes are an integral part of these interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Note	Share capital US$'000	Share premium US$'000	Other equity US$'000	Capital reserve US$'000	Share option reserve US$'000	Fair value reserve US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
As at June 30, 2020 (Unaudited)		**46**	**76,929**	**(10,891)**	**(61,630)**	**505**	**(2,947)**	**(1,211)**	**44,685**	**45,486**	**28**	**45,514**
Loss for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,395)**	**(1,395)**	**2**	**(1,393)**
Other comprehensive loss												
– Equity instruments at FVOCI												
– net change in fair value	*26*	**–**	**–**	**–**	**–**	**–**	**(1,154)**	**–**	**–**	**(1,154)**	**–**	**(1,154)**
– Debt instruments at FVOCI												
– net change in fair value	*26*	**–**	**–**	**–**	**–**	**–**	**(119)**	**–**	**–**	**(119)**	**–**	**(119)**
– Currency translation differences	*26*	**–**	**–**	**–**	**–**	**–**	**–**	**719**	**–**	**719**	**–**	**719**
Total comprehensive loss for the period		**–**	**–**	**–**	**–**	**–**	**(1,273)**	**719**	**(1,395)**	**(1,949)**	**2**	**(1,947)**
Transactions with owners:												
Acquisition of RSA shares		**–**	**–**	**(163)**	**–**	**–**	**–**	**–**	**–**	**(163)**	**–**	**(163)**
Share-based payment	*19*	**–**	**–**	**–**	**–**	**796**	**–**	**–**	**–**	**796**	**–**	**796**
Total transactions with owners		**–**	**–**	**(163)**	**–**	**796**	**–**	**–**	**–**	**633**	**–**	**633**
As at December 31, 2020 (Unaudited)		**46**	**76,929**	**(11,054)**	**(61,630)**	**1,301**	**(4,220)**	**(492)**	**43,290**	**44,170**	**30**	**44,200**
As at June 30, 2019 (Unaudited)		46	76,929	(3,503)	(61,630)	184	–	(719)	38,576	49,883	111	49,994
Profit for the period		–	–	–	–	–	–	–	2,381	2,381	(28)	2,353
Other comprehensive income												
– Equity instruments at FVOCI												
– net change in fair value		–	–	–	–	–	19	–	–	19	–	19
– Currency translation differences		–	–	–	–	–	–	(270)	–	(270)	–	(270)
Total comprehensive income for the period		–	–	–	–	–	19	(270)	2,381	2,130	(28)	2,102
Transactions with owners:												
Share-based payment	*19*	–	–	–	–	165	–	–	–	165	–	165
Total transactions with owners		–	–	–	–	165	–	–	–	165	–	165
As at December 31, 2019 (Restated)[1]		46	76,929	(3,503)	(61,630)	349	19	(989)	40,957	52,178	83	52,261

Note:

(1) See Note 20.

The accompanying notes are an integral part of these interim financial statements.

Condensed Consolidated Statement of Cash Flows

	Note	6 months ended December 31, 2020 US$'000 (Unaudited)	6 months ended December 31, 2019 US$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	*28*	654	5,565
Interest received	*9*	23	266
Interest paid	*8*	(621)	(662)
Income tax received	*10*	390	—
Income tax paid	*10*	—	(483)
Net cash flows generated from operating activities		446	4,686
Cash flows from investing activities			
Proceeds from release of restricted cash		—	2,500
Payment for restricted cash		(4,862)	—
Purchase of financial assets	*18, 26*	—	(5,000)
Redemption of financial assets	*18, 26*	—	5,558
Purchase of property, plant and equipment	*13*	(3,818)	(1,286)
Payments related to intangible assets	*14*	(2,022)	(4,027)
Net cash flows used in investing activities		(10,702)	(2,255)
Cash flows from financing activities			
Repayments of borrowings	*21*	(21,500)	(5,000)
Proceeds from borrowings	*21*	31,500	—
Payment of borrowing transaction costs		(50)	—
Acquisition of RSA shares		(163)	—
Principal payments on lease liabilities	*15*	(290)	(351)
Net cash flows generated from/(used in) financing activities		9,497	(5,351)
Net decrease in cash and cash equivalents		(759)	(2,920)
Cash and cash equivalents at the beginning of the period		7,795	13,771
Effects on exchange rate changes on cash and cash equivalents		(827)	(538)
Cash and cash equivalents at the end of the period		6,209	10,313

The accompanying notes are an integral part of these interim financial statements.

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

IntelliCentrics Global Holdings Ltd. (the "Company") was established in the Cayman Islands on June 3, 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The registered office is situated at Suite 102, Cannon Place, North Sound Rd., George Town, P.O. Box 712, Grand Cayman, KY1-9006, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of credentialing services in the United States, Canada, and the United Kingdom (the "UK") (collectively, the "Listing Business").

The Group is a minority holder of a joint venture in China that is licensed to use the Company's technology. The joint venture was successfully contracted by the city of Langfang in September 2020.

The ultimate holding company of the Company is Ocin Corp., a company incorporated in the Cayman Islands. Mr. Tzung Liang Lin and his family including his spouse and parents (together as a "Controlling Shareholder") are the ultimate Controlling Shareholder of the Company.

These unaudited condensed consolidated interim financial statements as of and for the 6 months ended December 31, 2020 and December 31, 2019 have been approved and signed by the Board of Directors on February 26, 2021.

2 BASIS OF PREPARATION

These interim financial statements of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The interim financial report of the Group for the 6 months ended December 31, 2020 have been prepared in accordance with the same accounting policies adopted in the annual financial statements as at and for the 18-month period ended June 30, 2020, except for the accounting policy changes that are expected to be reflected in the annual financial statements as at and for the year ending June 30, 2021.

2 BASIS OF PREPARATION (Continued)

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

These interim financial statements should be read in conjunction with the Company's Annual Report 2019/20 issued on October 28, 2020. These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance since the Company's Annual Report 2019/20. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group's auditor, KPMG LLP, performed a review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information and in accordance with International Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. KPMG's independent review report to the Board of Directors is included on pages 31 to 32.

Unless otherwise stated, the condensed consolidated interim financial statements and related footnotes are presented in the United States Dollar ("USD"), which is the functional and presentation currency of the Company.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Company's Annual Report 2019/20.

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted all new standards, amendments, and interpretations in effect for fiscal years beginning on or after January 1, 2020.

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting	Amendment — Revised Conceptual Framework for Financial Reporting	January 1, 2020
IAS 1 and IAS 8	Amendment — definition of material	January 1, 2020
IFRS 3	Amendment — definition of a business	January 1, 2020

The Group assessed the adoption of the new standards, amendments, and interpretations and determined that they did not have a material impact on the Group's financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies are listed in detail in the Company's Annual Report 2019/20.

6 SEGMENT INFORMATION

The chief operating decision-maker considers the Group's operations are operated and managed as a single segment; accordingly, no segment information is presented. This conclusion is based on the following analysis:

- The Group allocates resources and assesses performance of the overall operations of its businesses and not by geographical locations or product lines.
- The Group mainly operates its businesses in the USA and the majority of the revenues are substantially earned from external customers attributed to the USA.
- A substantial majority of the non-current assets excluding restricted cash of the Group are located in the USA.
- No other geographical region is currently deemed to be material to be viewed separately.

7 REVENUE

Substantially all fees are paid by subscribers at the inception of service. The following table sets forth a breakdown of our revenue by solutions and add-on services for the periods indicated:

	6 months ended December 31,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Vendor and Medical Credentialing	**18,661**	17,769
Add-On Services	**370**	390
	19,031	18,159

Disaggregation of Revenue from Contracts with Customers

	6 months ended December 31,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
— Over time	**18,840**	17,986
— At a point in time	**191**	173
	19,031	18,159

The Group's revenues are substantially generated in the USA, with revenues attributed to the USA for the 6 months ended December 31, 2020 totaling US$18.7 million (US$17.8 million for the 6 months ended December 31, 2019).

7 REVENUE (Continued)

Contract Liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Contract liabilities	**18,049**	19,259

Contract liabilities mainly consists of membership fees prepaid by subscribers for which the related services had not been rendered in full as of the end of each financial period. The portion to be recognised over the next 12 months will be classified as current liabilities in the condensed consolidated statement of financial position.

The amount of revenue recognised for the 6 months ended December 31, 2020 that was included in the contract liabilities balance at the beginning of the period was US$14.4 million compared to US$13.4 million for the 6 months ended December 31, 2019. All contract liabilities are amortised within one year.

Trade Accounts Receivable

As of December 31, 2020, and June 30, 2020, the Company did not have any trade accounts receivable.

Seasonality

The Company has no material impact due to seasonality.

8 FINANCE COSTS

	6 months ended December 31,	
	2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Interest expense on bank borrowings	**397**	605
Acquisition and handling charge on investing accounts	**415**	275
Bank charges on bank borrowings	**49**	—
Interest expense on lease liabilities	**251**	8
	1,112	888

9 FINANCE INCOME

	6 months ended December 31,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interest income from promissory notes	**919**	1,037
Interest income from bank deposits	**41**	289
	960	1,326

10 INCOME TAXES

Income tax expense

Income tax expense is recognised at an amount determined by multiplying the profit/(loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate in respect of continuing operations for the 6 months ended December 31, 2020 was 59.7% tax benefit (6 months ended December 31, 2019: 35.7% tax expense). The change in effective income tax rate for the 6 months ended December 31, 2020 was primarily related to the following factors:

- During the first half of fiscal year 2021, an analysis of the US entities activities was prepared and determined that significant federal and state research and development tax credits were available. The total current and deferred income tax benefit recorded based on the research and development analysis was approximately US$1.5 million.

- In December 2020, the US congress passed a law which provides for full deductibility of ordinary and necessary business expenses that were paid with a forgiven or forgivable Paycheck Protection Plan loan. The Company reversed the uncertain tax position liability of approximately US$0.4 million.

11 (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	6 months ended December 31,	
	2020	2019
	(Unaudited)	(Unaudited)
The Group's (loss)/profit attributable to owners of the Company (US$'000)	**(1,395)**	2,381
Weighted average number of shares in issue ('000s)	**457,112**	457,112
Basic (losses)/earnings per share (US$ per share)	**(0.003)**	0.005

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period (excluding the ordinary shares purchased by the Company under the RSA Schemes) to assume conversion of all dilutive potential ordinary shares. The Group has no dilutive potential ordinary shares during the 6 months ended December 31, 2020 or the 6 months ended December 31, 2019, and accordingly the diluted (losses)/earnings per share equals the basic (losses)/earnings per share.

12 DIVIDENDS

No dividends have been paid or declared by the Company for the 6 months ended December 31, 2020, nor for the 6 months ended December 31, 2019.

13 PROPERTY, PLANT, AND EQUIPMENT

The net book value of property, plant and equipment at December 31, 2020 is US$9.2 million compared to US$4.1 million at June 30, 2020.

During the 6 months ended December 31, 2020, the Group acquired property, plant, and equipment with a cost of US$6.4 million, consisting of US$3.4 million in leasehold improvements, US$1.9 million in subscriber equipment, and US$1.1 million in other additions, compared to US$0.6 million in subscriber equipment for the 6 months ended December 31, 2019. There were no material disposals for either reported period.

Depreciation expense of US$1.4 million was charged to the income statement for the 6 months ended December 31, 2020 compared to nil for the 6 months ended December 31, 2019. There were no material currency translation adjustments for either reported period.

Capital commitments

During the 6 months ended December 31, 2020, the Group entered into a contract to buy property, plant and equipment for US$0.2 million (6 months ended December 31, 2019: US$0.9 million). Delivery is expected in May, 2021.

14 GOODWILL AND OTHER INTANGIBLES ASSETS

The net book value of goodwill and other intangible assets at December 31, 2020 is US$24.1 million compared to US$22.5 million at June 30, 2020, an increase of US$1.6 million for the 6 months ended December 31, 2020.

During the 6 months ended December 31, 2020, additions of US$2.2 million were recorded for the development of the Group's technology platform compared to US$3.7 million for the 6 months ended December 31, 2019.

Amortisation expense of US$2.0 million was charged to the income statement for the 6 months ended December 31, 2020 compared to US$0.7 million for the 6 months ended December 31, 2019. Currency translation adjustments increased the net book value of goodwill and other intangible assets by US$1.3 million.

The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. As of December 31, 2020, the Directors consider that there are no impairment indicators against goodwill. Accordingly, no impairment provision is required as of December 31, 2020.

15 RIGHT-OF-USE ASSETS INCLUDING LEASE LIABILITIES

The Group leases various offices, motor vehicles and office equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

During the 6 months ended December 31, 2020, the Group's headquarter lease in Flower Mound, Texas commenced. The Group is required to make fixed monthly payments on this lease, and additional payments for common area maintenance, utilities, insurance and taxes. During the 6 months ended December 31, 2020, the Group recognised US$4.6 million of right-of-use assets compared to US$0.1 million of right of use assets for the 6 months ended December 31, 2019, and US$4.5 million of lease liabilities compared to US$0.1 million of lease liabilities for the 6 months ended December 31, 2019. As of December 31, 2020, there were no new leases that had been executed but not yet commenced, compared to US$7.9 million at December 31, 2019.

For the 6 months ended December 31, 2020, the Group recognised depreciation expense relating to leases of US$0.6 million compared to US$0.3 million for the 6 months ended December 31, 2019, and interest expense relating to leases of US$0.3 million compared to nil for the 6 months ended December 31, 2019.

16 INTERESTS IN A JOINT VENTURE

In February 2019, the Group contributed US$0.3 million to a joint venture of the Group, Sciencare. Sciencare was incorporated in the People's Republic of China ("PRC") with limited liability. Sciencare is a health technology business supporting the development of a healthcare credit system in PRC and is committed to providing patients with genuine and reliable healthcare services. As of December 31, 2020, the joint venture is 60.0% owned by Mr. Li Zheng and 40.0% owned by IntelliCentrics Zengine (Hong Kong) Company Limited, a subsidiary of the Group. See details of the additional capital commitment contracted, but not provided for, below.

As of December 31, 2020, the Company's carrying amount in the joint venture has been reduced to nil as the joint venture exhausted the first investment of funds. As such, the Company deems this interest to be immaterial and has not disclosed the separate financial statements of the joint venture. There are no significant restrictions on the ability of the joint venture to transfer funds to the Group.

No dividends were received from the joint venture during the 6 months ended December 31, 2020.

Contracted but not provided for

On May 16, 2018, the Group contracted to inject an initial capital contribution to a joint-venture, Sciencare in PRC of US$1.0 million with reference to the underlying shareholders agreement. US$0.7 million remained contracted but not provided for as of December 31, 2020.

17 RESTRICTED CASH

As at December 31, 2020 and June 30, 2020, the bank deposits of US$15.2 million and US$10.3 million, respectively, were restricted certificates of deposit held as security for certain banking borrowings of the Group as disclosed in Note 21.

The carrying amounts of restricted cash are denominated in US$.

18 FINANCIAL ASSETS AT FVOCI

The financial assets at FVOCI is comprised of the following:

	Fair value at December 31, 2020 US$'000 (Unaudited)	Fair value at June 30, 2020 US$'000 (Unaudited)
Investment in equity instruments	**871**	2,025
Investment in debt instruments	**46,700**	45,900
Total	**47,571**	47,925

The Group's investment in equity instruments consists of listed equity securities of AerKomm Inc. The Group currently owns 118,000 shares of AerKomm Inc. representing approximately 1.0% of the issued and outstanding shares as of December 31, 2020. The cost of the equity instruments was US$5.0 million. The fair value of the instruments was reduced to US$0.9 million as of December 31, 2020. The investments are designated as equity securities at FVOCI. No dividend was received from this investment. No strategic investments were disposed of during the current reporting period, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

The Group's investment in debt instruments consist of promissory notes with a par value of US$43.4 million as of December 31, 2020. The promissory notes are denominated in US$ and carry an interest rate of 4.5% per annum. The promissory notes have a maturity of three business days upon a redemption notice by the Group. The term of the notes is two years and includes a rollover option. The Group intends to exercise its right to request redemption within the next 6 months and accordingly, classifies the promissory notes as current assets. As of December 31, 2020, these promissory notes were stated at their fair value of US$46.7 million as determined by management.

Please refer to Notes 26 for further information on fair value measurement, significant judgements, risks, and uncertainties.

19 SHARE-BASED PAYMENT

(a) Description of share-based payment arrangements

At December 31, 2020, the Group had the following share-based payment arrangements.

- **Pre-IPO Share Option Scheme**
  On February 18, 2019, the Company executed a share option plan and granted 11,535,000 options to acquire shares of the Company's stock with the exercise price of US$0.875 per share according to the Company's Board of Directors resolution. The share option period was 6 years from the date of grant and the share options lapse at the end of the share option period. 20% of the options vest on the first to fifth anniversary dates of the date of grant each year. Share options vested are exercisable upon the Company's listing on Main Board of the Stock Exchange on 27 March 2019. During the 6 months ended December 31, 2020, no shares options were lapsed. As of December 31, 2020 the share options granted had no intrinsic value as the share price was below the exercise price.

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Director of our Company			
On February 18, 2019	5,000,000	5 years	6 years
Senior Management of our Company			
On February 18, 2019	1,800,000	5 years	6 years
Other Employees in Aggregate and Consultants of Our Group			
On February 18, 2019	1,707,500	5 years	6 years
Total number of instruments	8,507,500		

- **RSA Schemes for Core Connected and Non-Connected Persons**
  The Company adopted the Non-Connected Persons RSA Scheme by the Board's resolutions dated April 26, 2019. As of September 30, 2020, the Board approved the Core Connected Persons RSA Scheme. As of December 31, 2020, no shares had been granted from the Core Connected Persons RSA Scheme. The duration of both schemes is 10 years. The plan may be used for a supplemental incentive, a performance-based incentive, and time-based awards. Prior to vesting, the Shares are held in the employee share trust which is managed at Computershare Hong Kong Investor Services Limited according to the rules of each of the trust.

19 SHARE-BASED PAYMENT (Continued)

(a) Description of share-based payment arrangements (Continued)

- **RSA Schemes for Core Connected and Non-Connected Persons (Continued)**
  The restricted shares granted are subject to the rules of the RSA Schemes and the individual grants. As of December 31, 2020, the following Non-Connected Persons RSA Scheme grants are vested in four even tranches at 25% annually on the dates of the grants.

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Senior Management of our Company			
On December 9, 2019	1,000,000	4 years	10 years
On May 4, 2020	850,000	4 years	10 years
Total number of instruments	1,850,000		

(b) Measurement of fair values

The inputs used in the measurement of the fair values at grant date and measurement date of the Pre-IPO Share Option Scheme and Non-Connected Persons RSA Scheme.

	Pre-IPO Share Option Scheme	Non-Connected Persons RSA Scheme
Model used	Black-Scholes Model	Black-Scholes Model
Weighted average fair values at the grant date (US$)	0.098	0.109
Weighted average share price at grant date (US$)	0.680	0.649
Weighted average exercise price (US$)	0.875	0.879
Expected volatility (%)	30.40%	26.46%
Expected life of share options (years)	4.5	5.86
Expected dividend yield (%)	2.33%	—
Risk–free interest rate (%)	2.53%	1.12%

The volatility is measured by tracing the histories of stock price volatility of comparable companies during comparable period.

19 SHARE-BASED PAYMENT (Continued)

(c) Reconciliation of outstanding share options

The following table shows the number, weighted average exercise prices of, and movements in, share options under the Pre-IPO Share Option Scheme and the Non-Connected Persons RSA Scheme during the 6 months ended December 31, 2020 and December 31, 2019.

	Pre-IPO Share Option Scheme		Non-Connected Persons RSA Scheme	
	Number of share options	Weighted average exercise price (US$ per share)	Number of share options	Weighted average exercise price (US$ per share)
At July 1, 2020	8,507,500	0.875	1,850,000	0.879
Granted during the reporting period	—	—	—	—
Forfeited during the reporting period	—	—	—	—
Share options outstanding at December 31, 2020	**8,507,500**	**0.875**	**1,850,000**	**0.879**
Share options exercisable at December 31, 2020	1,701,500	0.875	250,000	0.879
At July 1, 2019	10,440,000	0.875	—	—
Granted during the reporting period	—	—	1,000,000	0.875
Forfeited during the reporting period	(1,835,000)	0.875	—	—
Share options outstanding at December 31, 2019	**8,605,000**	**0.875**	**1,000,000**	**0.875**
Share options exercisable at December 31, 2019	—	—	—	—

19 SHARE-BASED PAYMENT (Continued)

(c) Reconciliation of outstanding share options (Continued)

The following table shows the weighted average remaining contractual life of the Pre-IPO Share Option Scheme and the Non-Connected Persons RSA Scheme outstanding at December 31, 2020.

Scheme Name	Weighted Average Remaining Contractual Life Outstanding
Pre-IPO Share Option Scheme	4.16 years
Non-Connected Persons RSA Scheme	8.32 years

(d) Bonus conversion to share-based payment

The Board voted to convert the US$1.1 million cash bonus accrual recognised as of June 30, 2020 to a share-based bonus. The shares to be assigned for this share-based bonus will be allocated out of the Core Connected and Non-Connected Persons RSA Schemes. Per the preliminary terms of the share-based bonus, shares are awarded to employees in good standing as of June 30, 2020. As of December 31, 2020, the Company has recognised share-based payment expense of US$0.7 million for services performed by employees who are eligible for the share-based bonus.

(e) Expense recognised in profit or loss

The Group recognised total expenses of US$0.8 million related to equity-settled share-based payment transactions during the 6 months ended December 31, 2020, compared to US$0.2 million during the 6 months ended December 31, 2019.

20 RESTATEMENT

The accompanying condensed consolidated statements of changes in equity for the period ended December 31, 2019 were derived from previously presented financial information and are provided for comparative purposes after corrections. The corrections are primarily related to certain out-of-period adjustments, the cumulative effects of which increased total equity by US$4.1 million.

	As at December 31, 2019 US$'000 (Unaudited)	As at December 31, 2019 US$'000 Restated (Unaudited)
Share option reserve	184	349
Fair value reserve	—	19
Foreign exchange reserve	(1,047)	(989)
Retained earnings	37,095	40,957

21 BORROWINGS

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Non-current bank borrowings	28,493	—
Current bank borrowings	2,984	21,500
Total	31,477	21,500

During the 6 months ended December 31, 2020, the Group recapitalised its existing outstanding debt facility with EnTie Commercial bank from short-term borrowings to a US$30.0 million long-term borrowing facility with US$1.5 million due in December 2021.

The Group's borrowings repayable based on the scheduled repayment dates are as follows:

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Within 1 year	2,984	21,500
After 1 year but within 2 years	7,490	—
After 2 years but within 5 years	21,003	—
Total	31,477	21,500

The effective interest rates per annum of the bank borrowings are ranged as follows:

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Interest rates	2.04%–3.61%	3.02%–6.84%

Bank borrowings are secured by certain bank deposits of the Group as disclosed in restricted cash.

22 TRADE PAYABLES

Aging analysis of the trade payables based on invoice date at the end of each reporting period are as follows:

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Current	**1,716**	2,206
1–30 days	**1,511**	52
Total	**3,227**	2,258

The Group considered that the carrying amounts of trade payables approximated to their respective fair values as of December 31, 2020 and June 30, 2020.

The carrying amounts of trade payables are mainly denominated in US$.

23 OTHER PAYABLES AND PROVISIONS

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Salaries and bonuses payable	**1,496**	1,236
Professional service fee payable	**1,175**	1,064
Other tax payable	**25**	—
Others	**1,295**	1,089
Total	**3,991**	3,389

The Group considered that the carrying amounts of other payables and provisions approximated to their respective fair values as of December 31, 2020 and June 30, 2020.

The carrying amounts of other payables and provisions are mainly denominated in US$.

24 CONTINGENT LIABILITIES

The Company has the following contingent liabilities:

In April 2018, a former employee of the Group's subsidiary, IntelliCentrics, Inc., filed a lawsuit in Denton County, Texas, U.S., against IntelliCentrics, Inc. The former employee asserted certain claims: breach of employment agreement and age discrimination. As of the date of this report, the lawsuit is ongoing. In review of the status with our external counsel, the Group believes that there will be a positive outcome and no provision is recorded.

On June 1, 2020, Repifi Vendor Logistics, Inc. filed a patent infringement lawsuit against IntelliCentrics, Inc. and IntelliCentrics Global Holdings Ltd. in the Eastern District of Texas. The lawsuit alleges that IntelliCentrics' visitor access and credentialing systems marketed as SEC^{3}URE Go! for use on the SEC^{3}URE Ethos technology platform infringe on U.S. Patent No. 10,304,268. Based on a preliminary review of the patent information and status with our external counsel, the Group does not infringe the patent, therefore, no provision is recorded.

As of December 31, 2020, the Group did not have any other material contingent liabilities.

25 RELATED PARTIES TRANSACTIONS

The following individuals and companies are related parties of the Group that had balances and/or transactions with the Group for the 6 months ended December 31, 2020, and 6 months ended December 31, 2019:

Names of the Related Parties	Nature of Relationships
VTC Electronics Corp. ("VTC")	Controlled by the same controlling shareholder
ICTW Corp. ("ICTW")	Controlled by the same controlling shareholder
Security Manufacturing Ltd.	Controlled by the same controlling shareholder
Connell Interiors, LLC	Controlled by a family member of the Chief Operations Officer
Leo Hermancinski (Consulting)	Controlled by a Board Member
Ocin Corp.	Ultimate holding company

Each of the related parties' transactions have been reviewed by operating and financial management. As they are less than 1% of the total spend of the Company, they are considered insignificant transactions.

25 RELATED PARTIES TRANSACTIONS (Continued)

The following transactions were carried out with related parties:

Transactions with key management personnel

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

	Transactions 6 months ended December 31,		Balances	
			As at December 31,	As at June 30,
	2020	2019	2020	2020
	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Office rental expense[1]	150	136	—	44
Consulting services[2]	33	—	—	—
Total	183	136	—	44

Notes:

(1) The Group rents office space in Taiwan from VTC. VTC rents the space from a third party that is not considered a related party. The office space is used by the Chairman and other employees of the Group located in Taiwan. Amounts due under this agreement are non-trade in nature, unsecured, interest free, repayable on demand and denominated in US$.

(2) The Company entered into a contract with Connell Interiors, LLC for interior decorating consulting for our new headquarters facility. Connell Interiors, LLC is owned and operated by a family member of the Chief Operations Officer and defined as a related party. The contract was approved and signed by the Group's Chief Executive Officer.

26 FINANCIAL INSTRUMENTS — FAIR VALUE MEASUREMENT

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards as discussed in Note 3(e) of the Company's Annual Report 2019/20.

(a) Financial instruments by category

The following table shows the carrying amounts of each of the categories of financial instruments as of the end of the reporting period are as follows:

	Note	**As at December 31, 2020 US$'000 (Unaudited)**	As at June 30, 2020 US$'000 (Unaudited)
Financial assets measure at fair value through other comprehensive income			
Investment in equity instruments	*18*	**871**	2,025
Investment in debt instruments	*18*	**46,700**	45,900
Total		**47,571**	47,925
Financial assets at amortised cost			
Deposits, prepayments and other receivables		**2,551**	2,866
Restricted cash		**15,210**	10,348
Cash and cash equivalents		**6,209**	7,795
Total		**23,970**	21,009
Financial liabilities at amortised cost			
Borrowings	*21*	**31,477**	21,500
Trade payables	*22*	**3,227**	2,258
Other payables and provisions	*23*	**3,991**	3,389
Amounts due to related parties	*25*	**—**	44
Total		**38,695**	27,191

26 FINANCIAL INSTRUMENTS — FAIR VALUE MEASUREMENT (Continued)

(b) Fair value and fair value hierarchy of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. If the carrying amount of the financial assets and financial liabilities are a reasonable approximation of fair value, they are not valued at fair value and have thus been excluded from the table below.

As at December 31, 2020

		Carrying amount			Fair value				
	Note	FVOCI — equity instruments US$'000 (Unaudited)	FVOCI — debt instruments US$'000 (Unaudited)	Total US$'000 (Unaudited)	Level 1 US$'000 (Unaudited)	Level 2 US$'000 (Unaudited)	Level 3 US$'000 (Unaudited)	Total US$'000 (Unaudited)	Adjustment recorded in OCI US$'000 (Unaudited)
Financial assets									
Investment in equity instruments	*18*	871	–	871	871	–	–	871	(1,154)
Investment in debt instruments	*18*	–	46,700	46,700	–	–	46,700	46,700	(119)
Total		871	46,700	47,571	871	–	46,700	47,571	(1,273)

As at June 30, 2020

		Carrying amount			Fair value				
	Note	FVOCI — equity instruments US$'000 (Unaudited)	FVOCI — debt instruments US$'000 (Unaudited)	Total US$'000 (Unaudited)	Level 1 US$'000 (Unaudited)	Level 2 US$'000 (Unaudited)	Level 3 US$'000 (Unaudited)	Total US$'000 (Unaudited)	Adjustment recorded in OCI US$'000 (Unaudited)
Financial assets									
Investment in equity instruments	*18*	2,025	–	2,025	2,025	–	–	2,025	(3,015)
Investment in debt instruments	*18*	–	45,900	45,900	–	–	45,900	45,900	68
Total		2,025	45,900	47,925	2,025	–	45,900	47,925	(2,947)

There were no transfers between the different levels during the current reporting period.

The carrying amounts of deposits, prepayments and other receivables, restricted cash, cash and cash equivalents, borrowings, trade payables, other payables, and amounts due to related parties are assumed to approximate their fair values due to their short-term nature.

26 FINANCIAL INSTRUMENTS — FAIR VALUE MEASUREMENT (Continued)

(c) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment in equity instruments *(Note 18)*	Quoted bid prices in an active market.	Not applicable	Not applicable
Investment in debt instruments *(Note 18)*	Discounted cash flow: The discount cash flow model was used to value the liability component of the debt securities. The model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.	— Expected cash flows range from: US$43.44 million — US$45.90 million — Risk-adjusted discount rate: 7.704%	The estimated fair value would increase (decrease) if: — the expected cash flows were higher (lower); or — the risk-adjusted discount rate was lower (higher).

The Group engages external, independent, and professionally qualified valuers to determine the fair value of the Group's investment in debt instruments. The Chief Financial Officer reviews the results of the valuation performed by the external valuers to support the conclusion that these valuations meet the requirements of IFRS.

(d) Reconciliation of Level 3 fair value measurements of financial instruments

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

		Investment in debt instruments	
	Note	**As at December 31, 2020 US$'000 (Unaudited)**	As at December 31, 2019 US$'000 (Unaudited)
Balance at beginning of period		**45,900**	55,570
Purchases		**—**	—
Redemptions		**—**	(5,558)
Finance income realised through redemptions		**—**	(115)
Amount recognised in profit or loss			
— Finance income	*9*	**919**	1,037
Remeasurement recognised in other comprehensive income			
— Net change in fair value (unrealised)	*18*	**(119)**	—
Balance at end of period		**46,700**	50,934

Refer to Note 18 for further details on the investment in debt instruments.

27 FINANCIAL RISK MANAGEMENT

27.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange rates, interest rate risk and other market risks), credit risk and liquidity risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Risk management is carried out by the senior management of the Group in close cooperation with the Board and focuses on actively securing and managing the Group's cash flows. Significant investments must be approved by the Board of Directors.

(a) Market risk

Market risk arises from the Group's use of foreign currency, interest bearing, and tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (foreign exchange risk), interest rates (cash flow and fair value interest rate risk), or other market factors (other price risk such as equity price risk).

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company and subsidiaries operating in the USA is US$ whereas functional currency of the subsidiaries operating in the United Kingdom and Canada are British Pound ("GBP") and Canadian Dollar ("CAD"), respectively.

The Group operates mainly in the USA with most of the transactions settled in US$, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than US$.

The foreign exchange loss for the 6 months ended December 31, 2020 was nil (December 31, 2019: foreign exchange loss of US$0.3 million) and was recognised in Other (losses)/gains, net in the Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss.

27 FINANCIAL RISK MANAGEMENT (Continued)

27.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to interest rates is attributable to the fixed rate promissory notes issued (disclosed in Note 18), as well as through its bank balance and restricted cash.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 21. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

As at December 31, 2020, if the interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax loss/profit would have been approximately US$0.1 million (June 30, 2020: nil higher/lower), mainly attributable to the Group's exposure to interest rates on its variable rate bank balance, restricted cash, short-term bank deposits and bank borrowings.

(iii) Other market factors

The Group's listed equity instruments (disclosed in Note 18) are susceptible to market price risk arising from uncertainties about future values of the investment securities. The effect of a 57% increase at December 31, 2020 (June 30, 2020: 60% increase) in the value of the equity instruments held at the reporting date would, all other variables held constant, have resulted in an increase in the fair value through other comprehensive income reserve and net assets of US$0.5 million (June 30, 2020: US$1.2 million). A 57% decrease in their value would, on the same basis, have decreased the fair value through other comprehensive income reserve and net assets by the same amount.

27 FINANCIAL RISK MANAGEMENT (Continued)

27.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk primarily in relation to the promissory notes, its cash, and deposits (including term deposits) placed with banks and financial institutions, as well as other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

The Group has a significant concentration of assets invested in unquoted non-investment grade promissory notes that are redeemable on request by delivery of a three-day redemption notice by the noteholder to the issuer (disclosed in Note 18). The Group last redeemed funds from each of the promissory notes in the first calendar quarter of 2020. The Group considers this investment to be a performing asset. The Group monitors the investment for credit deterioration, and periodically uses a third-party appraiser. To date, the Group has not reported losses on the investment and recognised no provision for expected credit losses on its debt instruments at FVOCI during the 6 months ended December 31, 2020.

The Group's cash deposits are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these financial institutions.

Other receivables mainly comprise amounts due from related parties, deposits, and other receivables. The Group closely monitors these other receivables to ensure actions are taken to recover these balances in the case of any increase in risk of default. The Group has concluded that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

- Significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

27 FINANCIAL RISK MANAGEMENT (Continued)

27.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Basis for recognition of	Expected Category	Group definition of category credit loss provision
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flow	6 months expected losses; where the expected lifetime of an asset is less than 6 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk presumed if interest and/or principal repayments are more than 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written-off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivable and adjusts for forward looking macroeconomic data. For the investment in promissory notes, deposits and other receivables, the historical loss rate for these receivables are low. Thus, no impairment provision was recognised for these receivables as the expected credit loss was not material during the period.

(c) Liquidity risk

Liquidity of the business is actively monitored in relation to changes in revenue and increasing customer support costs during COVID-19. With continuity of operations plans, we have supported our customers and continued the development of the technology platform. This was achieved by utilising government programs designed for COVID-19 relief and reductions in costs.

Additionally, the Group's management continues to monitor the assets of the Group including the promissory notes investments. As the promissory note investments are located in the Asia market, in the aftermath of the pandemic quarantine, the region is operating, and indications are the assets are performing.

27 FINANCIAL RISK MANAGEMENT (Continued)

27.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The origination of the borrowings for the Group is located in Asia. During the 6-months ended December 31, 2020, the Group successfully renegotiated its US$20.0 million maturing term loans into a revolving line of credit of US$30.0 million which increased the existing liquidity. The Group aims to maintain sufficient cash and cash equivalents to maintain flexibility in the current business environment.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year US$'000	After 1 year but within 2 years US$'000	After 2 years but within 5 years US$'000	After 5 years US$'000	Remaining contractual maturities US$'000
As at December 31, 2020 (Unaudited)					
Trade payables	3,227	—	—	—	3,227
Other payables and provisions	3,991	—	—	—	3,991
Amounts due to related parties	—	—	—	—	—
Lease liability	652	1,141	3,077	6,840	11,710
Borrowings (including accrued interests)	3,688	8,091	21,371	—	33,150
Total	11,558	9,232	24,448	6,840	52,078
As at June 30, 2020 (Unaudited)					
Trade payables	2,258	—	—	—	2,258
Other payables and provisions	3,389	—	—	—	3,389
Amounts due to related parties	44	—	—	—	44
Lease liability	756	318	684	—	1,758
Borrowings (including accrued interests)	21,820	—	—	—	21,820
Total	28,267	318	684	—	29,269

The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

27 FINANCIAL RISK MANAGEMENT (Continued)

27.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated as total borrowings. Total equity is total equity of the Group as shown in the consolidated statement of financial position.

	As at December 31, 2020 US$'000 (Unaudited)	As at June 30, 2020 US$'000 (Unaudited)
Borrowings	**31,477**	21,500
Total debt	**31,477**	21,500
Total equity	**44,200**	45,514
Gearing ratio	**71.2%**	47.2%

Our gearing ratio ((short-term borrowing + long-term borrowings)/equity) increased to 71.2% as of December 31, 2020, from 47.2% as of June 30, 2020. The increase is due to the change in total borrowings. The increase in the total borrowings balance is the results the revolver line of credit negotiated during the 6-month ended December 31, 2020. The details of which are represented in "Borrowings" of this interim report.

28 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

	As at December 31,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit before income tax	**(3,459)**	3,658
Adjustments for:		
Depreciation	**1,999**	255
Amortisation	**1,995**	678
Interest income	**(960)**	(1,326)
Interest expense	**648**	613
Equity-settled share-based payment transactions	**796**	165
Share of loss of a joint venture	**—**	85
Changes in working capital:		
Deposits, prepayments and other receivables	**334**	1,087
Trade payables	**(47)**	1,437
Contract liabilities	**(1,210)**	(384)
Other payables and provisions	**602**	(561)
Amounts due to related parties	**(44)**	(142)
Cash generated from operations	**654**	5,565

29 EVENTS AFTER THE REPORTING PERIOD

Additional Investment in Sciencare

In January 2021, IntelliCentrics Zengine (Hong Kong) Company Limited, the Group's 67%-owned subsidiary, completed a capital transaction of US$0.4 million that increased its investment in its joint venture, Sciencare, to support the growth of the joint venture operations. The Group retains its 40% ownership in the joint venture entity. Sciencare previously signed an agreement with the city of Langfang and has started implementing the Group's trusted healthcare platform in the region. The Group will retain one of the three director positions on the board of the joint venture.

RSA Grants

On September 30, 2020, the Board approved a share compensation performance bonus for the fiscal year ended June 30, 2020 up to the total amount of US$1.1 million. The Company completed the grants for 1,272,694 shares on January 18, 2021 from the Non-Connected Persons and the Connected Persons RSA Schemes. The grants require an additional service period and will vest at 65% on June 30, 2021 and 35% on October 1, 2021.

"AGM"	annual general meeting of the Company;
"Articles of Association"	the Second Amended and Restated Memorandum and Articles of Association of the Company (as amended from time to time), conditionally adopted on March 14, 2019, with effect from the Listing Date;
"Audit Committee"	the audit committee of the Board;
"Board" or "Board of Directors"	the board of Directors of the Company;
"CEO"	the chief executive officer of the Company;
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"Company" or "IntelliCentrics"	IntelliCentrics Global Holdings Ltd. (中智全球控股有限公司), which is an exempted company with limited liability incorporated in the Cayman Islands on June 3, 2016 and the Shares of which are listed on the Main Board of the Stock Exchange on March 27, 2019;
"Controlling Shareholder(s)"	the controlling shareholders (as defined in the Listing Rules) of the Company, namely Mr. Lin and Ocin Corp.;
"Director(s)"	director(s) of the Company;
"EBITDA"	Non-IFRS measure of earnings before interest, taxes, depreciation, and amortisation;
"FVOCI'	fair value through other comprehensive income;
"Global Offering"	the global offering of new Shares of the Company in March 2019;
"Group", "our Group", "we" or "us"	the Company and its subsidiaries at the relevant time and, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be);
"IAS"	International Accounting Standards;
"IASB"	International Accounting Standards Board;
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"LoC(s)"	location(s) of care, including hospitals, physician offices and other types of locations where healthcare services are provided such as imaging centers, and long-term care centers;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"Nomination Committee"	the nomination committee of the Board;

"Ocin Corp"	an exempted company with limited liability incorporated in the Cayman Islands on May 26, 2016 and one of the Controlling Shareholders, and is wholly owned by Mr. Lin;
"PRC"	People's Republic of China;
"Pre-IPO Share Option(s)" or "Share Option(s)"	the option(s) granted by the Company under the Pre-IPO Share Option Scheme;
"Pre-IPO Share Option Scheme"	the share option plan adopted by the Board on August 7, 2018;
"Prospectus"	the prospectus dated March 18, 2019, issued by the Company;
"Registered LoCs"	LoC that has registered on our platform and has not cancelled its registration;
"Remuneration Committee"	the remuneration committee of the Board;
"R&D"	research and development;
"RSA Scheme"	the Restricted Share Award Scheme approved and adopted by the Company on April 26, 2019;
"Sciencare"	Beijing Sciencare Technology Co., Ltd. (北京仁正醫德科技有限公司), a company incorporated in the PRC with limited liability;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.0001 each;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	has the meaning ascribed to it in section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
"UK", "U.K.", or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"USD", "U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States of America;
"U.S.", "USA" or "United States"	the United States of America;
"VTC Electronics"	VTC Electronics Corp. (遠業科技股份有限公司), a joint stock company with limited liability incorporated in Taiwan on August 30, 1995, a company controlled by Mr. Lin;
"%"	Percent.

In this interim report, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.