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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2022

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Sinopharm Tech Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2022 (“**Year 2022**”), together with the comparative audited figures for the preceding financial year (“**Year 2021**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	<i>Notes</i>	Year ended 30-6-2022 HK\$'000	Year ended 30-6-2021 HK\$'000
Revenue	5	40,985	77,813
Cost of sales and services		<u>(35,053)</u>	<u>(56,929)</u>
Gross profit		5,932	20,884
Other income and gains	6	39,350	4,978
Impairment loss on receivables and other assets	7	(58,554)	(52,949)
Loss on dilution of interests in associates		(21,889)	—
Loss on settlement of contingent consideration payable		—	(10,796)
Selling and distribution expenses		(1,003)	(5,208)
Administrative and operating expenses		(41,431)	(57,015)
Finance costs	8	(16,410)	(14,546)
Share of (losses)/profits of associates		<u>(153)</u>	<u>3,588</u>
Loss before tax	9	(94,158)	(111,064)
Income tax credit	10	<u>387</u>	<u>558</u>
Loss for the year		<u>(93,771)</u>	<u>(110,506)</u>
Loss for the year attributable to:			
Equity holders of the Company		(87,998)	(106,340)
Non-controlling interests		<u>(5,773)</u>	<u>(4,166)</u>
		<u>(93,771)</u>	<u>(110,506)</u>

	<i>Notes</i>	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Loss for the year		(93,771)	(110,506)
Other comprehensive income for the year, net of tax <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas operations		<u>296</u>	<u>167</u>
Total comprehensive expenses for the year		<u>(93,475)</u>	<u>(110,339)</u>
Total comprehensive expenses for the year attributable to:			
Equity holders of the Company		(87,710)	(106,566)
Non-controlling interests		<u>(5,765)</u>	<u>(3,773)</u>
		<u>(93,475)</u>	<u>(110,339)</u>
		Year ended 30-6-2022 <i>HK Cents</i>	Year ended 30-6-2021 <i>HK Cents</i>
Loss per share attributable to equity holders of the Company			
Basic	<i>12</i>	<u>(1.96)</u>	<u>(2.47)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,850	17,116
Right-of-use assets		800	9,519
Goodwill	<i>13</i>	—	12,305
Intangible assets		—	27
Interests in joint ventures		—	—
Interests in associates		23,621	45,663
Deposits for acquisition of property, plant and equipment		537	1,630
		28,808	86,260
Current assets			
Inventories		682	4,745
Trade receivables	<i>14</i>	28,419	14,314
Other receivables, deposits and prepayments	<i>15</i>	15,986	23,102
Bank balances and cash		2,991	7,482
		48,078	49,643
Current liabilities			
Trade payables	<i>16</i>	54,589	41,513
Accruals and other payables	<i>17</i>	22,044	59,352
Amounts due to directors		8,490	54,318
Amounts due to related parties		12,144	13,119
Amount due to a shareholder		105,747	—
Lease liabilities		934	4,150
Convertible bonds		44,995	87,041
Unlisted warrants		—	—
Other borrowing		—	13,260
Contingent consideration payable		—	—
Deferred tax liabilities		1,307	—
Income tax payable		33	124
		250,283	272,877
Net current liabilities		(202,205)	(223,234)
Total assets less current liabilities		(173,397)	(136,974)

	<i>Notes</i>	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		—	3,582
		—	3,582
Net liabilities		(173,397)	(140,556)
Capital and reserves			
Share capital		56,721	55,050
Reserves		(223,498)	(193,930)
Capital deficiency attributable to equity holders of the Company		(166,777)	(138,880)
Non-controlling interests		(6,620)	(1,676)
Total capital deficiency		(173,397)	(140,556)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. GENERAL

Sinopharm Tech Holdings Limited (“**the Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s registered office is located at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is located at Units 15–16, 25/F., Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, comprising the Company and its subsidiaries, the directors of the Company have given consideration to the future liquidity of the Group in light of the Group’s net current liabilities and net liabilities of HK\$202,205,000 and HK\$173,397,000 respectively at 30 June 2022. As at 30 June 2022, the Group had convertible bonds payable (with principal amount of HK\$50,000,000 and carrying amount of HK\$44,995,000) and accrued interest amounted to approximately HK\$2,917,000 (included in accruals and other payables) to be matured within one year after that date, amount due to a shareholder amounted to approximately HK\$105,747,000, amounts due to directors amounted to approximately HK\$8,490,000 and amounts due to related parties amounted to approximately HK\$12,144,000, all of which are included in current liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made by the Group, as detailed below:

- (a) At 30 June 2022, the Group owed directors and related parties amounted to HK\$8,490,000 and HK\$12,144,000 respectively as at that date. Subsequent to 30 June 2022, the amounts due by the Group to certain directors and related parties totalled HK\$15,298,533 were assigned to Mr. Chan Ting, a director of the Company resigned on 1 August 2022. In the event that the settlement of the amount due to Mr. Chan Ting by the Group of HK\$15,298,533 is not materialised, Mr. Chan Ting has agreed not to demand for repayment of the all of amounts due to him by the Group until the Group has adequate working capital for repayment.
- (b) On 15 September 2022, the Group obtained a written consent from certain suppliers of the subsidiaries of the Company, under which these suppliers have agreed not to demand settlements on or before 31 December 2023 of the outstanding trade payables amounted to approximately HK\$36,177,000 at 30 June 2022 due by the Group to the suppliers (included in trade payables, Note 16).

- (c) On 15 September 2022, the Group obtained a written consent from a shareholder of the Company, under which the shareholder of the Company has agreed not to request repayment on or before 31 December 2023 of the amount due by the Group to the shareholder amounted to approximately HK\$105,747,000 at 30 June 2022.
- (d) On 26 September 2022, the Group obtained a written consent from the bondholder, under which the bondholder has agreed not to request repayment on or before 20 February 2024 of the convertible bonds with principal amount of HK\$50,000,000 and the accrued interest amounted to approximately HK\$2,917,000 at 30 June 2022.
- (e) The directors will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital requirements and other financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the operations and development of the Group's business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the carrying amounts of the Group's assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

³ Effective for annual period beginning on or after 1 January 2023

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

4. SEGMENT INFORMATION

The factors used to identify the Group's operating segments, including the basis of organization, are mainly based on the services provided by the Group's operating divisions as follows:

- (a) Provision of lottery-related services
- (b) Provision of internet plus services
 - Solution services: Provision of internet related solution services
 - Supply chain services: Provision of supply chain management, data analysis and related services and trading of goods through internet platform
- (c) Manufacturing and distribution of personal protective equipment: Manufacture and sale of personal protective equipment and consumables
- (d) Other services

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments other than the corporate assets and liabilities.

Information regarding the above segments is reported below.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

Year ended 30 June 2022

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Reportable segment revenue	1,841	362	29,670	17,010	48,883
Elimination of inter-segment revenue	—	—	—	(7,898)	(7,898)
Sales to external customers	<u>1,841</u>	<u>362</u>	<u>29,670</u>	<u>9,112</u>	<u>40,985</u>
Segment gross profit	<u>1,314</u>	<u>11</u>	<u>2,269</u>	<u>2,338</u>	<u>5,932</u>
Segment profit/(loss) before impairment of goodwill	987	231	(8,141)	(26,456)	(33,379)
Impairment of goodwill	<u>(12,305)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(12,305)</u>
Segment profit/(loss)	(11,318)	231	(8,141)	(26,456)	(45,684)
Write-off of consideration payable for acquisition of subsidiaries					22,000
Write back of other payables					4,819
Other unallocated income and gains					10,492
Loss on deregistration of subsidiaries					(586)
Loss on dilution of interest in associate					(21,889)
Other unallocated expenses					(47,288)
Share of losses of associates					(153)
Finance costs					<u>(15,869)</u>
Loss before tax					(94,158)
Income tax credit					<u>387</u>
Loss for the year					<u>(93,771)</u>

Year ended 30 June 2021

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Reportable segment revenue	1,936	—	12,445	95,614	109,995
Elimination of inter-segment revenue	—	—	—	(32,182)	(32,182)
	<u>1,936</u>	<u>—</u>	<u>12,445</u>	<u>63,432</u>	<u>77,813</u>
Sales to external customers	<u>1,936</u>	<u>—</u>	<u>12,445</u>	<u>63,432</u>	<u>77,813</u>
Segment gross profit	<u>146</u>	<u>—</u>	<u>1,653</u>	<u>19,085</u>	<u>20,884</u>
Segment (loss)/profit before impairment of goodwill	(5,347)	(1,440)	898	(43,635)	(49,524)
Impairment of goodwill	—	—	(33,834)	—	(33,834)
Segment loss	(5,347)	(1,440)	(32,936)	(43,635)	(83,358)
Write-off of consideration payable for acquisition of subsidiaries					—
Write back of other payables					—
Gain on lapse of unlisted warrants					1,880
Gain on deregistration of subsidiaries					244
Other unallocated income and gains					1,587
Other unallocated expenses					(24,337)
Loss on amendment of terms of convertible bonds					(50)
Share of profits of associates					3,588
Finance costs					(10,618)
Loss before tax					(111,064)
Income tax credit					558
Loss for the year					<u>(110,506)</u>

(b) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by operating segments:

At 30 June 2022

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	1,415	4,668	26,201	9,455	41,739
Unallocated assets					<u>35,147</u>
Total assets					<u><u>76,886</u></u>
Liabilities					
Segment liabilities	5,748	1,902	43,793	24,799	76,242
Unallocated liabilities					<u>174,041</u>
Total liabilities					<u><u>250,283</u></u>

At 30 June 2021

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets					
Segment assets	12,777	2,000	10,646	41,801	67,224
Unallocated assets					<u>68,679</u>
Total assets					<u><u>135,903</u></u>
Liabilities					
Segment liabilities	7,999	22,597	49,969	43,865	124,430
Unallocated liabilities					<u>152,029</u>
Total liabilities					<u><u>276,459</u></u>

(c) Other segment information

In respect of year ended 30 June 2022

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit/loss or segment assets/liabilities						
Additions to property, plant and equipment	—	—	—	121	—	121
Depreciation of property, plant and equipment	—	—	—	792	526	1,318
Depreciation of right-of-use assets	—	—	—	—	1,081	1,081
Gain on disposal of property, plant and equipment	—	—	—	—	9	9
Gain on disposal of subsidiaries	—	—	—	8,680	—	8,680
Impairment loss on receivables and other assets:						
— trade receivables	—	—	10,363	—	—	10,363
— other receivables	664	—	—	6,335	—	6,999
— amounts due from former subsidiaries	—	—	—	16,590	—	16,590
— property, plant and equipment	—	—	—	5,894	—	5,894
— right-of-use assets	—	—	—	2,240	—	2,240
— goodwill	12,305	—	—	—	—	12,305
— inventories	—	—	—	4,163	—	4,163
Amortisation of intangible assets	—	—	—	—	27	27

In respect of year ended 30 June 2021

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit/loss or segment assets/liabilities						
Additions to property, plant and equipment	—	—	—	7,600	2,514	10,114
Depreciation of property, plant and equipment	—	—	—	4,774	537	5,311
Depreciation of right-of-use assets	126	—	—	3,817	1,184	5,127
Loss on disposal of property, plant and equipment	—	—	—	26	—	26
Impairment loss on receivables and other assets:						
— trade receivables	—	584	7,490	—	—	8,074
— other receivables	—	—	—	—	4,782	4,782
— amounts due from former subsidiaries	—	—	—	—	—	—
— property, plant and equipment	283	—	—	4,317	1	4,601
— right-of-use assets	—	—	—	—	—	—
— goodwill	—	—	33,834	—	—	33,834
— inventories	111	—	—	1,547	—	1,658
Amortisation of intangible assets	—	—	—	—	16	16

(d) **Geographical information**

The Group's operations are mainly located in the PRC and Hong Kong. The following table provides an analysis of the Group's revenue by geographical markets:

	Revenue from external customers	
	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
PRC	2,203	1,936
Hong Kong	38,782	75,877
	<u>40,985</u>	<u>77,813</u>

The following is an analysis of non-current assets excluding financial instruments, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Non-current assets		Additions to property, plant and equipment	
	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
PRC	95	20,457	—	249
Hong Kong	28,713	65,803	121	9,865
	<u>28,808</u>	<u>86,260</u>	<u>121</u>	<u>10,114</u>

Revenue from major products and services

The Group's revenue from its products and services is as follows:

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Lottery-related services	1,841	1,936
Internet plus services (solution services)	362	—
Internet plus services (supply chain)	29,670	12,445
Manufacturing and distribution of personal protective equipment	9,112	63,432
	<u>40,985</u>	<u>77,813</u>

(e) **Information about major customers**

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Arising from manufacturing and distribution of personal protective equipment		
Customer A	N/A	43,564
Customer B	12,190	N/A
Customer C	6,400	N/A
Customer D	5,000	N/A
Customer E	5,000	N/A
Customer F	4,776	N/A

Revenue from customer A for the year ended 30 June 2022 did not contribute 10% or more to the Group's revenue for the year. Revenue from customer B, C, D, E and F for the year ended 30 June 2021 did not contribute 10% or more to the Group's revenue for that year.

5. REVENUE

The principal activities of the Group are provision of (i) lottery-related services, (ii) internet plus services (solution and supply chain) and (iii) manufacturing and distribution of personal protective equipment.

Revenue represents income from the following services rendered by the Group, net of returns, discounts allowed or sales taxes:

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Point in time		
Internet plus services (supply chain)		
— Trading of goods	29,670	12,445
Manufacturing and distribution of personal protective equipment	9,112	63,432
	<u>38,782</u>	<u>75,877</u>
Over time		
Lottery-related services	1,841	1,936
Internet plus services (solution services)	362	—
	<u>2,203</u>	<u>1,936</u>
Total	<u>40,985</u>	<u>77,813</u>

Based on the historical pattern, the directors of the Company are of the opinion that the income from lottery-related services, internet plus services (solution services) are derived from services rendered for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

6. OTHER INCOME AND GAINS

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Interest income	3	1
Write-off of consideration payable for acquisition of subsidiaries (Note 17)	22,000	—
Write back of other payables (Note 17)	4,819	—
Gain on lapse of unlisted warrants	—	1,880
Gain on disposal of right-of-use assets	—	129
Gain on disposal of property, plant and equipment	9	—
Gain on disposal of subsidiaries	8,680	—
Gain on deregistration of subsidiaries	—	244
Gain on settlement of amount due to a director	1,108	—
Gain on settlement of amount due to a related party	1,030	—
Government subsidies*	1,587	1,809
Packing income	—	340
Others	114	575
	<u>39,350</u>	<u>4,978</u>

* There were no unfulfilled conditions or contingencies relating to substantial amount of the government subsidies.

7. IMPAIRMENT LOSS ON RECEIVABLES AND OTHER ASSETS

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Impairment loss on:		
— trade receivables (Note 14)	10,363	8,074
— other receivables (Note 15)	6,999	4,782
— amounts due from former subsidiaries	16,590	—
— property, plant and equipment	5,894	4,601
— right-of-use assets	2,240	—
— goodwill (Note 13)	12,305	33,834
— inventories	4,163	1,658
	<u>58,554</u>	<u>52,949</u>

8. FINANCE COSTS

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Interest on:		
— convertible bonds	15,654	10,313
— other borrowings	541	2,791
— lease liabilities	215	1,442
	<u>16,410</u>	<u>14,546</u>

9. LOSS BEFORE TAX

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
— Directors' fees, wages and salaries	22,584	24,982
— Retirement benefits scheme contributions	392	877
— Equity-settled share-based payment	3,150	1,875
	<u>26,126</u>	<u>27,734</u>
Total staff costs		
Cost of services	878	1,790
Cost of inventories sold	34,175	55,139
Auditors' remuneration	850	850
Depreciation of property, plant and equipment (<i>Note</i>)	1,318	5,311
Depreciation of right-of-use assets	1,081	5,127
Amortisation of intangible assets	27	16
Loss on disposal of property, plant and equipment	—	26
Loss on amendment of terms of convertible bonds	—	50
Loss on settlement of contingent consideration payable	—	10,796
Expenses relating to short-term leases	3,259	3,890
Exchange losses, net	10	167
Equity-settled share-based payment not included in staff costs	1,296	2,421

Note: Depreciation of property, plant and equipment approximately HK\$484,000 (30 June 2021: HK\$765,000) and HK\$834,000 (30 June 2021: HK\$4,546,000) has been included in cost of sales and administrative and operating expenses respectively.

10. INCOME TAX CREDIT

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Current year		
— Hong Kong Profits Tax	—	—
Over provision in prior years		
— Hong Kong Profits Tax	—	558
Current tax credit	—	558
Deferred tax credit	387	—
Income tax credit for the year	<u>387</u>	<u>558</u>

Pursuant to the two-tiered Hong Kong profit tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profit of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%.

The Group's PRC subsidiaries are subjected to PRC Enterprise Income Tax at the statutory rate of 25% (Year ended 30 June 2021: 25%).

The income tax credit can be reconciled to the loss before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Loss before tax	<u>(94,158)</u>	<u>(111,064)</u>
Tax at the applicable tax rate	(17,396)	(19,755)
Tax effect of expenses that are not deductible for tax purposes	26,970	19,066
Tax effect of income that is not taxable for tax purposes	(9,566)	(4,128)
Tax effect of tax losses not recognised	171	5,799
Utilisation of tax losses not previously recognised	(295)	(123)
Tax effect of temporary differences not recognised	(271)	(859)
Over provision in previous years	—	(558)
Income tax credit	<u>(387)</u>	<u>(558)</u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2022, nor has any dividend been proposed since the end of the reporting date (Year ended 30 June 2021: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	Year ended 30-6-2022 <i>HK\$'000</i>	Year ended 30-6-2021 <i>HK\$'000</i>
Loss for the year for the purpose of basic loss per share		
Loss for the year attributable to the equity holders of the Company	<u>(87,998)</u>	<u>(106,340)</u>
	Year ended 30-6-2022 <i>'000</i>	Year ended 30-6-2021 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>4,497,028</u>	<u>4,299,491</u>

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both year ended 30 June 2022 and 2021.

13. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 July 2020, 30 June 2021, 1 July 2021 and 30 June 2022	<u>313,289</u>
ACCUMULATED IMPAIRMENT	
At 1 July 2020	267,150
Impairment loss recognised for the year (<i>Note 7</i>)	<u>33,834</u>
At 30 June 2021 and 1 July 2021	300,984
Impairment loss recognised for the year (<i>Note 7</i>)	<u>12,305</u>
At 30 June 2022	<u>313,289</u>
CARRYING AMOUNTS	
At 30 June 2022	<u><u>—</u></u>
At 30 June 2021	<u><u>12,305</u></u>

For the purpose of impairment testing, the carrying amount of the goodwill has been allocated to the following cash-generating units (“CGUs”):

	Goodwill (net of impairment)	
	30-6-2022	30-6-2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lottery-related services	<u>—</u>	<u>12,305</u>

An analysis of the impairment loss recognised on goodwill in profit or loss in respect of the current and prior years is as follows:

	Year ended	Year ended
	30-6-2022	30-6-2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment loss recognised on goodwill allocated to:		
— Lottery-related services	12,305	—
— Internet plus supply chain services	<u>—</u>	<u>33,834</u>
	<u>12,305</u>	<u>33,834</u>

Lottery-related services

During the current year, the Group ceased for the provision of lottery-related services to most of its customers, which resulted in the significant decline in the business operations of this group of CGU. Management is of the view that the recoverable amount of the CGU is minimal and considers it appropriate to recognise additional impairment loss on the goodwill allocated to this group of CGU amounted to HK\$12,305,000 (2021: Nil) in the Group's profit and loss in respect of the current year.

Internet plus supply chain services

Following the significant decline in the business operations of this group of CGU during the prior year ended 30 June 2021 as a result of the suspension of the Management Service Agreement with Sinopharm Traditional Chinese Medicine Co. Ltd, a shareholder of the Company, management was of the view that the recoverable amount of the CGU was minimal and considered it appropriate to recognise the remaining balance of the goodwill allocated to this group of CGU amounted to HK\$33,834,000 in profit or loss of the Group in respect of the prior year ended 30 June 2021.

14. TRADE RECEIVABLES

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Trade receivables	117,907	93,767
Less: Impairment	(89,488)	(79,453)
Trade receivables, net of impairment	<u>28,419</u>	<u>14,314</u>

Payment terms of trade debts are mainly on credit. Invoices are normally payable within 30 to 180 days from invoice date. The following is an aged analysis of trade receivables at the end of the reporting period:

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
0 to 30 days	61	4,468
31 to 60 days	—	822
61 to 180 days	23,641	34
181 to 365 days	6,151	594
Over one year	88,054	87,849
	<u>117,907</u>	<u>93,767</u>

The trade receivables with the carrying amount of HK\$61,000 (30 June 2021: HK\$4,468,000) are neither past due nor impaired at the end of the reporting period.

The Group has policies for allowances of doubtful receivables which are based on the evaluation of collectability and aged analysis of accounts and on the management's judgement including the credit worthiness, collaterals and the past collection history of each customer.

For the year ended 30 June 2022, the Group made an allowance of HK\$10,363,000 (30 June 2021: HK\$8,074,000) in respect of trade receivables, which were past due at the reporting date with long age and slow repayments from the respective customers since the due date.

Movements in the impairment of trade receivables are as follows:

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Balance at the beginning of the year	79,453	70,651
Eliminated on deregistration of subsidiaries	(74)	—
Charge for the year (<i>Note 7</i>)	10,363	8,074
Exchange realignment	(254)	728
	<u>89,488</u>	<u>79,453</u>

In determining the expected credit loss of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted. The trade receivables past due but not provided for were either settled after the end of the reporting period or no historical default of payments by the respective customers.

Included in the Group's trade receivables are receivables with the aggregate carrying amount of HK\$862,000 (30 June 2021: HK\$1,672,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
0 to 30 days	—	850
31 to 60 days	—	822
61 to 180 days	862	—
181 to 365 days	—	—
Over one year	—	—
	<u>862</u>	<u>1,672</u>

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Other receivables	41,467	33,748
Less: Impairment	<u>(27,471)</u>	<u>(21,494)</u>
Other receivables, net of impairment	<u>13,996</u>	<u>12,254</u>
Deposits for purchase of goods for resale	671	5,790
Other deposits paid	12,617	15,295
Less: Impairment	<u>(11,852)</u>	<u>(11,852)</u>
Deposits paid, net of impairment	<u>1,436</u>	<u>9,233</u>
Prepayments	<u>554</u>	<u>1,615</u>
	<u>15,986</u>	<u>23,102</u>

Movements in impairment of other receivables are as follows:

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Balance at the beginning of the year	21,494	16,236
Deregistration of subsidiaries	(817)	—
Charge for the year (<i>Note 7</i>)	6,999	4,782
Exchange realignment	<u>(205)</u>	<u>476</u>
Balance at the end of the year	<u>27,471</u>	<u>21,494</u>

Included in other receivables, less impairment, are the amount due from a related party of HK\$2,998,000 at 30 June 2022 (30 June 2021: HK\$3,078,000) which is unsecured, interest free and repayable on demand.

Movements in impairment of deposits paid are as follows:

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Balance at beginning and end of the year	<u>11,852</u>	<u>11,852</u>

16. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period, based on the date of goods and services received, is as follows:

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
0 to 30 days	91	67
31 to 120 days	2,499	12,601
121 to 180 days	25,447	20,637
181 to 365 days	5,821	481
Over one year	20,731	7,727
	<u>54,589</u>	<u>41,513</u>

17. ACCRUALS AND OTHER PAYABLES

	30-6-2022 <i>HK\$'000</i>	30-6-2021 <i>HK\$'000</i>
Consideration for acquisition of subsidiaries payable (<i>Note a</i>)	—	22,000
Amount due to non-controlling interest (<i>Note b</i>)	1,307	1,307
Amounts due to third parties (<i>Note c</i>)	2,005	1,905
Interest on convertible bonds payable	2,917	11,231
Contract liabilities (<i>Note d</i>)	2,787	7,308
Accrued salaries	4,694	3,920
Other payables and accrued charges (<i>Note e</i>)	8,334	11,681
	<u>22,044</u>	<u>59,352</u>

Notes:

- (a) The consideration for acquisition of subsidiaries payable was unsecured and interest free. On 14 September 2021, the Group obtained a written consent from the previous owner of the subsidiaries, that the due date for settlement of the consideration payable was further extended to 31 December 2022. On 31 May 2022, the previous owner of the subsidiaries has waived settlement of the outstanding consideration, accordingly such payable amounted to HK\$22,000,000 was written off and included in other income and gains in respect of the current year (Note 6).
- (b) The amount due to non-controlling interest is unsecured, interest free and repayable on demand.
- (c) The amounts due to third parties are unsecured, interest free and repayable on demand.

- (d) Contract liabilities represent advance payments received from customers for sale of goods. When the customer initially purchases the goods, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer. The contract liabilities at 30 June 2022 is expected to be recognised as revenue of the Group for the next financial year. The contract liabilities amounted to approximately HK\$5,187,000 at 30 June 2021 was recognised as revenue of the Group for the current year and the contract liabilities amounted to approximately HK\$6,353,000 at 30 June 2020 was recognised as revenue of the Group for the prior year ended 30 June 2021. The expected timing of the revenue recognition of the performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2022 and 30 June 2021 is within one year. As permitted under HKFRS15, the transaction price allocated to those contracts is not disclosed.
- (e) During the year, the Company entered in an agreement with certain sundry creditors for the waive of outstanding balance of other payables due by the Group to them. Gain on write back of other payables due to these sundry creditors amounted to approximately HK\$4,819,000 (30 June 2021: Nil) was recognised in profit and loss of the Group and included in other income and gains (Note 6).

MANAGEMENT DISCUSSIONS AND ANALYSIS

Business Review

During the year under review, the pandemic of Coronavirus Disease 2019 (the “**Pandemic**”) continued to affect the normal operation of the society and daily economic activities, but the Group has concentrated its efforts and strengths on developing pandemic prevention-oriented business according to its own conditions. The “Internet Plus” services and the personal protective equipment manufacturing and distribution business catered to the current demand for epidemic prevention and have become the main source of income of the Group, with the supply chain business segment of the “Internet Plus” service increasing as compared with the same period of last year. A minor portion of revenue was generated from the Lottery-related services, which also reported steady earnings in each of the first three quarters.

“Internet Plus” Business

During the period under review, the “Internet Plus” business has become the main source of revenue to the Group. The continuous recurrence of the Pandemic in Hong Kong resulted in a strong demand for pandemic prevention materials, which contributed revenue to the related supply chain business of the Group. The Company leverages on its own experience and advantages in supply chain business and material procurement to provide customers with prompt supply chain services.

The anti-counterfeiting business of the “Internet Plus” segment also made steady progress. In July 2021, Shenzhen Guoke Anti-counterfeiting Technology Company Limited* (深圳國科防偽科技有限公司) (“**Guoke Anti-counterfeiting**”), a direct wholly-owned subsidiary of the Company, and Shenzhen Ficus Technology Holdings Ltd. (深圳細葉榕科技控股有限公司) (“**Ficus**”), the holder of patented technologies, entered into a licensing and master service agreement in relation to the provision of total solutions by Ficus to Guoke Anti-counterfeiting. The entering into the agreement allows the Group to obtain proper authorization on legally using the anti-counterfeiting total solutions and device to comply with the requirement of necessary approval for conducting the relevant business and gain business support.

Since then, taking into account the newly added provinces during the period under review, the Group has entered into commercial contracts with corporate users in various regions for the provision of Guoke innovative anti-counterfeiting products (Anti-counterfeiting device with lottery of Guoke Anti-counterfeiting, “**ACL**”), covering a number of industries, such as tea leaves and health food products. During the period under review, the Group has completed the delivery of several batches of ACL. In addition to traditional consumer products, ACL can also be applied to digital collectibles and derivatives.

* For identification purpose only

Personal Protective Equipment Business

During the period under review, the revenue from the personal protective equipment business recorded a contraction as compared with the same period of last year, which was attributable to the completion of the Group's participation in the one-year Local Mask Production Subsidy Scheme launched by the Hong Kong Special Administrative Region Government in the last financial year. Meanwhile, there has been a continuous demand for personal protective equipment in the market due to the recurrence of the Pandemic. Depending on the actual situation of the market, the Group will make active deployment on machine capacity, production line and product style and configuration, labor arrangement and other aspects, in order to meet market demand on the premise of maximizing efficiency.

All of the Group's personal protective equipment was supplied to the local market in Hong Kong. The sales channel for institutional customers remained stable, which is believed to generate steady revenue for the Group. The Group will continue to improve the quality and workmanship of its products and expand its sales channels in all aspects to provide safe and reliable products for institutional customers.

Owing to the Pandemic, the increase in transportation costs since September 2021 has led to an increase in the cost of personal protective equipment business, but the cost has returned to a stable trend after April 2022.

Lottery-related Business

The traditional lottery industry in Mainland China (the “**Mainland**”) is subject to uncertainties and the Group's lottery-related business is facing adjustments and challenges. During the period under review, the Group continued to generate income by offering maintenance service for its lottery system to customers in the Mainland. However, the lottery-related maintenance services contract was suspended at the end of the reporting period.

Structure Optimization

During the period under review, the Group adjusted and streamlined its internal structure allocation with a view to optimize the structure of its human resources team and reduce costs according to its business arrangements and conditions. The Group strives to reduce operating costs through flexible adjustments in order to enhance revenue efficiency and achieve sustainable business objectives.

Future Outlook

The year of 2022 remains challenging for the Group, with business progress slowing down as well as business strategies and personnel structure being adjusted as a result of the Pandemic. In light of the continuing global Pandemic, the Group will continue to make efficient use of the business resources of strategic shareholders in the pharmaceutical industry, concentrate human and financial resources on its personal protective equipment business and develop healthcare and other health-related businesses.

In respect of the “Internet Plus” business, the Group will step up its efforts to develop its supply chain business. After the period under review, the Group entered into a service agreement with a platform operator in Mainland China, pursuant to which the affiliated companies of the platform operators, which include “Xiaodian Platform” (小店平台), “Global Shopping Platform” (全球購平台), “Toutiao” (今日頭條), “TikTok” (抖音) and “Xigua” (西瓜視頻), will procure the product supply chain services provided by the Company. The Group also entered into procurement agreements with internationally renowned skin care brands, providing a quality and stable source of supply for its supply chain business. The Group will continue to strengthen its collaboration with various major cosmetics brands and pharmaceutical manufacturers to expand its product portfolio on the platform and provide reliable products and supply chain services for the platform. Moreover, after the period under review, the Group entered into a supply chain service agreement with a retail and gift redemption chain store for one-stop professional photographic equipment and electronic digital products in Macau, pursuant to which the Group will provide supply chain services such as real-time product delivery and procurement. The Group believed that the aforesaid businesses will open up new revenue streams and development opportunities for the Group.

The Group will also continue to explore other development opportunities for the “Internet Plus” business in the future, including negotiations with industry players on “Internet Plus” solutions and in-depth cooperation in fields such as medical and health-related platforms.

The Group appointed a number of senior managers with extensive experience in the supply chain business and e-commerce as the leaders of the business (details are set out in Profiles of Senior Management) after the period under review. The Group believes that it will embrace new development opportunities under the leadership of the new business managers. The new management team will also lead the employees to uphold the Group’s spirit of “striving for growth” and “thriving in challenges” despite adverse market conditions, and continue to create greater value for shareholders.

Extracts from Independent Auditor’s Report

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 30 June 2022.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Interests in associates

As referred to in Note 24 to the consolidated financial statements, the interests in associates at 30 June 2022 and 30 June 2021 represent the Group’s 20% and 40% equity interest in Ever Development Holdings Limited and its subsidiaries (“**Ever Development Group**”) with the carrying amounts of approximately HK\$23,621,000 and HK\$45,663,000 respectively and the results of Ever Development Group are recognised by the Group in its consolidated financial statements under the equity method of accounting based on the financial statements of Ever Development Group for the year ended 30 June 2022. During the course of our audit, management of the Group and Ever Development Group represented that certain inventories of Ever Development Group with the purchase costs of approximately HK\$12,502,000 were substantially deteriorated and impairment on such inventories amounted to HK\$12,502,000 was recognised as expenses in the financial statements of Ever Development Group for the year ended 30 June 2022. In view that we have not observed the physical count of such inventories performed by Ever Development Group, we are unable to obtain sufficient appropriate audit evidence by alternative means to assess the existence and condition of these inventories and to ascertain whether (a) the inventories are properly carried in its financial statements at the lower of cost and net realisable value; (b) the share of losses of the associates and the loss on dilution of interests in associates amounted to HK\$153,000 and HK\$21,889,000 respectively are properly recognised in the Group’s consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2022; and (c) the interest in Ever Development Group with the carrying amount of approximately HK\$23,621,000 are properly recognised in the Group’s consolidated statement of financial position at 30 June 2022.

Any adjustments to the aforementioned share of losses of associates and loss on dilution of interest in associates might have consequential effects on the consolidated financial performance of the Group for the year ended 30 June 2022 and the Group’s consolidated financial position as at 30 June 2022, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group sustained net current liabilities and net liabilities amounted to approximately HK\$202,205,000 and HK\$173,397,000 respectively as at 30 June 2022 and the Group incurred a loss of approximately HK\$93,771,000 for the year then ended. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. Our opinion is not modified in respect of this matter.

Financial Review

During the year ended 30 June 2022, the Group recorded revenue of HK\$41.0 million, representing an decrease of 47% over the revenue of HK\$77.8 million for the same period in 2021, while gross profit for the period of HK\$5.9 million represented an decrease of 71% over gross profit of HK\$20.9 million in the corresponding period in 2021. Decrease in revenue as the result of the effect of the completion of the Group’s participation in the one-year Local Mask Production Subsidy Scheme launched by the Hong Kong Special Administrative Region Government for the procurement of 48 million units of masks at the end of June 2021. Decrease in gross profit was mainly due to the reasons as decrease in revenue which generated from Manufacturing and distribution of personal protective equipment and rising in relevant production costs.

The Group recorded a loss attributable to equity holders of HK\$88.0 million for the year under review, representing an decrease of 17% over the loss attributable to the equity holders for the same period in 2021 (2021: HK\$106.3 million). The major reasons for the decrease of the loss attributable to equity holders mainly due to the effects of i) no loss on settlement of contingent consideration payables with the amount of HK\$10.8 million was recorded during the year ended 30 June 2022; ii) waive of other payable was recorded as other income amounted to HK\$26.8 million; iii) gain on disposal of subsidiaries amounted to HK\$8.7 million was recorded as other income; and iv) the company has strengthened its efforts in cost control and result in less administrative and operating expenses as compared with the same period in 2021.

Segmental Information

Lottery-related services business remains smooth during the reporting period. During the reporting period, the revenue of the Lottery-related services recorded HK\$1.8 million, representing a decrease of 5% over the revenue of HK\$1.9 million for the same period of the last financial year. The gross profit recorded HK\$1.3 million with the margin of 71% for the reporting period comparing with 8% for the same period of the last financial year. Details of further development of lottery-related services business are stated in the “Business Review” of the “Management Discussion and Analysis”.

Internet plus services business recorded an increase in overall revenue as the result of strong demand of the internet plus supply chain services of pandemic prevention materials during the reporting period. In the Internet Plus services business, the revenue of supply chain services recorded HK\$29.7 million, representing an increase of 138% in total revenue over the revenue of HK\$12.4 million for the same period of the last financial year. The gross profit recorded HK\$2.3 million with the margin of 8% for the reporting period comparing with 13% for the same period of the last financial year. In the Internet Plus solution services, it recorded the revenue of HK\$0.4 million for the reporting period as the result of delivering of the anti-counterfeiting devices. Details of the further development of internet plus services business are stated in the “Business Review” of the “Management Discussion and Analysis”.

The Group developed new business segment on the manufacturing and distribution of personal protective equipment in Year 2020. During the reporting period, the revenue of the personal protective equipment recorded HK\$9.1 million, representing a decrease of 86% over the revenue of HK\$63.4 million for the same period of the last financial year, its due to the completion of the Group’s participation in the one-year Local Mask Production Subsidy Scheme launched by the Hong Kong Special Administrative Region Government for the procurement of 48 million units of masks at the end of last financial period. The gross profit recorded HK\$2.3 million with the margin of 26% for the reporting period comparing with 30% for the same period of the last financial year. Details of further development of personal protective equipment business are stated in the “Business Review” of the “Management Discussion and Analysis”.

Goodwill and Intangible Assets

During the reporting period, goodwill amounting to approximately HK\$12.3 million (2021: HK\$33.8 million) were determined to be impaired, in which approximately HK\$12.3 million (2021: HK\$Nil million), HK\$Nil million (2021: HK\$Nil million) and HK\$Nil million (2021: HK\$33.8 million) were attributable to lottery related services cash generating unit (“CGU(s)”), internet plus solution services CGU and internet plus supply chain services CGU respectively. The recoverable amount of the CGUs is determined based on value-in-use calculations (“VIU”). These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and a long-term average growth rate. The recoverable amount of the CGUs was with reference to the calculations performed by an independent appraisal valuer, ROMA Appraisals Limited. Details of the relevant assumptions and impairment assessment on goodwill and intangible assets of the Group are set out in Note 13 to the Consolidated Financial Statements of this announcement.

The Directors considered that the goodwill attributable to the lottery related services CGU was impaired for the year ended 30 June 2022 as the traditional lottery segment believed to reach certain market saturation. Following the significant decline in the business operations of the lottery relation services CGU during the current year as a result of the termination of the Lottery-related maintenance service contract with customers, management is of the view that the recoverable amount of the CGU is minimal and considers it appropriate to recognise the remaining balance of the goodwill allocated to this CGU amounted to HK\$12.3 million in profit or loss of the Group in respect of the current year. There will be business contraction on lottery business and the revenue of lottery related services will decline in the upcoming financial budgets. The Directors considered that the goodwill attributable to the internet plus supply chain services cash generating unit was impaired for the year ended 30 June 2021 as the suspension part of the internet plus supply chain business contract and Management Service Agreement with Sino-TCM.

Value of Inputs, Basis and Key Assumptions for Goodwill Impairment Loss Assessment

Internet plus supply chain services CGU

For the Internet plus supply chain services CGU, as a result of the pandemic of Coronavirus Disease 2019, business development of Sinopharm Traditional Chinese Medicine Co., Ltd (“Sino-TCM”) has been practically suspended and has also caused the provision of Internet plus supply chain services to Sino-TCM being suspended. The Company is of the view that the recoverable amount of the CGU is minimal with HK\$Nil amount on the cash flow projections and considers it appropriate to recognize the remaining balance of the goodwill allocated to this group of CGU amounted to HK\$33.8 million in profit or loss of the Group for the year ended 30 June 2021.

Lottery-related services CGU

For the year ended 30 June 2021, as disclosed in Note 13 of this announcement, the value of inputs, together with the basis and key assumptions for valuation are as follows:

Gross profit margin: 26%
Average growth rate: 5%
Long-term growth rate: 2%
Discount rate: 17.0%

In this relation, the independent appraisal valuer, ROMA Appraisals Limited adopted a normal debt-to-equity ratio from comparable companies for the long-term valuation, and the Directors considered that a prudent gross profit margin and average growth rate should be adopted to reflect the actual market trend. As at 30 June 2021, the Group assessed the recoverable amount of the lottery-related services CGU with reference to the VIU calculation based on cash flow projection of the Group. The calculation uses cash flow projection based on the financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 2% long-term growth rate. Such growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The Directors determined the budgeted gross profit margin and growth rate based on the past performance and the anticipated market development. Whereas the discount rate used is pre-tax and reflects specific risks relating to the lottery-related services CGU. In this relation, the Company adopted the weighted average cost of capital as the discount rate with reference to the yield rate of the 10-year China government bond, the market premium in China stock market and the public financial information of several market comparables engaged in similar business in the PRC.

For the year ended 30 June 2022, due to the suspension of the lottery-related maintenance services contract, the Company is of the view that the recoverable amount of the lottery-related services CGU is minimal with HK\$Nil amount on the cash flow projections and considers it appropriate to recognize the remaining balance of the goodwill allocated to the group of lottery-related services CGU amounted to HK\$12.3 million in profit or loss statement of the Group.

As disclosed in Management Discussion and Analysis on page 27 of this announcement, the underlying reasons for the change in the value of inputs, basis and key assumptions used in the valuation for the impairment loss on lottery-related services CGU for the Relevant Period as compared with that of the year ended 30 June 2021 is the suspension of the lottery-related maintenance services contract. Therefore, the cash flow projection is HK\$Nil for the lottery-related services CGU.

The Company has adopted the VIU method for determining the recoverable amount of the CGUs. The VIU calculation is based on the estimated future cash flows expected to be derived from the asset or CGU discounted to its present value that reflects current market assessments of the time value of money and the risks specific to the asset or CGU taking into consideration of the financial budgets approved by the Directors, which, as the Directors considers, is the most suitable method for the assessment on the recoverable amount of the CGUs. There are no subsequent changes in the valuation method used.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2022, the Group's bank balances and cash amounted to HK\$3.0 million (2021: HK\$7.5 million) which were mainly held in HK\$ and RMB. Current assets amounted to HK\$48.1 million (2021: HK\$49.6 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK\$250.3 million (2021: HK\$272.9 million), mainly comprising of trade payables, accruals and other payables, amounts due to a shareholder and directors and convertible bonds. As at 30 June 2022, the gearing ratio of the Group was 59% on the basis of the Group's total interest-bearing borrowings divided by total assets (2021: 74%).

Commitments

The Group had capital commitments of HK\$Nil million from operations as at 30 June 2022 (30 June 2021: capital commitments of HK\$Nil).

Foreign Exchange Exposure

The Group mainly generates revenue and incurs expenses in Hong Kong dollars, U.S. dollars and Renminbi ("RMB"). The management is aware of the possible exchange rate exposure resulted from the fluctuation of RMB against the Hong Kong dollars and will closely monitor its impact on the performance of the Group to determine if any hedging policy is necessary. With regard to the U.S. dollars, foreign exchange exposure would be minimal so long as the Hong Kong Government's policy to peg the Hong Kong dollars to the U.S. dollars remains in force.

Contingent Liabilities and Pledge Of Assets

The Group had no contingent liabilities as at 30 June 2022 (30 June 2021: Nil). No assets of the Group was pledged as securities to any third parties as at 30 June 2022 (30 June 2021: Nil).

Capital Structure

During the reporting period, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to holders of the Company, comprising issued share capital and reserves. As at 30 June 2022, the total number of issued share capital of the Company was 4,537,688,780 Shares.

On 20 October 2021, the Company allotted and issued a total number of 133,705,046 loan capitalisation shares at the issue price of HK\$0.26 per loan capitalisation share under general mandate granted to the Directors at the annual general meeting of the Company held on 20 November 2020.

Convertible Bonds

Convertible Bonds due on 17 January 2022

On 17 January 2014, the Company issued unlisted convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000 at a rate of 2% per annum (the “CBs”) as general working capital and for repayment of borrowings. A maximum number of 37,500,000 shares would be issued by the Company upon full conversion of the CBs at the conversion price of HK\$2.39 per conversion share into full-paid ordinary shares of the Company. As a result of share subdivision on 17 December 2014, the number of Shares falling to be issued upon full conversion of the CBs was adjusted to 150,000,000 at the conversion price of HK\$0.598 per Share.

On 18 January 2017, the Company entered into the first amendment agreement with the bondholder to amend some principal terms of the CBs, including to extend the maturity date of the CBs for six months from 17 January 2017 to 17 July 2017, and further extend to 17 January 2018 upon a written consent from the bondholder. The conversion price of the CBs shall be amended from HK\$0.598 to HK\$0.359 per conversion share subject to adjustment and the CBs could be converted into the maximum number of 249,651,810 Shares. The interest rates of the CBs shall be increased to 8% per annum and paid semi-annually (the “Amendments”). Save for the Amendments, all other terms and conditions of the CBs shall remain unchanged. The Amendments were approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 29 March 2017. On 18 July 2017, the Company received a written consent from the bondholder, pursuant to which the maturity date of the CBs would be extended for further six months to 17 January 2018.

On 18 January 2018, the Company entered into the second amendment agreement with the bondholder to extend the maturity date of the CBs from 17 January 2018 to 17 July 2018, and further extend to 17 January 2019 upon a written consent from the bondholder (the “Second Amendment”). The Second Amendment was approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 18 April 2018. The Company has received a written consent from the bondholder, pursuant to which the maturity date of the CBs would be extended for the further six months to 17 January 2019.

On 17 January 2019, the Company entered into the third amendment agreement with the bondholder to extend the maturity date of the CBs from 17 January 2019 to 17 July 2019, and further extend to 17 January 2020 upon a written consent from the bondholder (the “**Third Amendment**”). The Third Amendment was approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 19 March 2019. The Company has received a written consent from the bondholder, pursuant to which the maturity date of the CBs would be extended for the further six months to 17 January 2020.

As a result of the adjustments of the CBs on 10 May 2019 upon the allotment and issue of the consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited, a maximum number of 263,602,941 Shares would be allotted and issued to the bondholder upon conversion of the CBs in full. The adjusted conversion price was HK\$0.34 per conversion share subject to further adjustment.

On 7 February 2020, the Company entered into the fourth amendment agreement with the bondholder to extend the maturity date of the CBs from 17 January 2020 to 17 July 2020, and further extend to 17 January 2021 upon a written consent from the bondholder (the “**Fourth Amendment**”). The Fourth Amendment was approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 25 March 2020. The Company has received a written consent from the bondholder, pursuant to which the maturity date of the CBs would be extended for the further six months to 17 January 2021.

On 19 January 2021, the Company entered into the fifth amendment agreement with the bondholder to amend some principal terms of the CBs, including to extend the maturity date of the CBs for one year from 17 January 2021 to 17 January 2022. The conversion price of the CBs shall be amended from HK\$0.34 to HK\$0.221 per conversion share subject to adjustment and the CBs could be converted into the maximum number of 405,542,986 Shares. The interest rate of the CBs shall be increased to 10% per annum and paid annually (the “**Fifth Amendments**”). Save for the Fifth Amendments, all other terms and conditions of the CBs shall remain unchanged. The Fifth Amendments were approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 22 March 2021.

As at 30 June 2022, no CBs was converted into Shares by the bondholder or redeemed by the Company.

The bondholder has no conversion right of the CBs which have been matured since 17 January 2022. Therefore, the CBs have not been convertible since then.

As at the date of this announcement, the Company has not received any notice of event of default from the bondholder demanding immediate repayment. The Company is still in the progress of negotiating with the bondholder for the renewal of or further extension on the CBs and will disclose further developments on the above matters by way of further announcement(s) in a timely manner in accordance with regulatory requirements.

Convertible Bonds due on 20 February 2023

On 30 August 2021, the Company issued unlisted convertible bonds to the bondholder due on 20 February 2023 with a principal amount of HK\$50,000,000 at a rate of 7% per annum with interest payable semi-annually in arrears (the “CBs II”) for the development and promotion of anti-counterfeiting business of the Group; repayment of loans and other payables; and operating cost and general working capital of the Company. A maximum number of 172,413,793 Shares would be issued by the Company upon full conversion of the CBs II at the initial conversion price of HK\$0.29 per conversion share into fully-paid ordinary shares of the Company.

As at 30 June 2022, no CBs II was converted into Shares by the bondholder or redeemed by the Company.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Year 2022, the Group did not make any significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

The Directors currently do not have any future plans for material investments or capital assets. The management will continue to monitor the industry and review its business expansion plans at regular intervals, so as to take necessary measures in the best interests of the Group.

Employees and Remuneration Policies

As at 30 June 2022, the Group had 32 (2021: 73) employees in Hong Kong and the PRC, including the Directors. Total staff cost, excluding the Directors’ remuneration, for the year under review amounted to approximately HK\$19 million (2021: HK\$22 million).

Employees’ remunerations are determined with reference to their performance, qualifications, experience, positions and the current trend. Apart from the basic salary and participation in the mandatory provident fund scheme and staff benefits including medical and training programs, share options may be granted to individual employees based on performance evaluation in order to provide incentives and rewards.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 30 June 2022 (2021: Nil).

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year.

CONNECTED TRANSACTIONS IN RELATION TO LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 8 June 2021 (after trading hours), the Company and each of Mr. CHAN Ting (the “**First Subscriber**”), Madam CHEUNG Kwai Lan (the “**Second Subscriber**”) and Ms. NG Pik Yin (the “**Third Subscriber**”) (the “**Subscriber(s)**”), each a connected person, entered into a loan capitalisation agreement (the three agreements are referred to as the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement, collectively the Loan Capitalisation Agreements) pursuant to which they conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 133,705,046 Shares (the “**Loan Capitalisation Shares**”) (the First Subscriber: 23,076,923 Loan Capitalisation Shares; the Second Subscriber: 89,166,585 Loan Capitalisation Shares; the Third Subscriber: 21,461,538 Loan Capitalisation Shares) at the subscription price of HK\$0.26 each (the “**LC Subscription Price**”) under the general mandate (the “**General Mandate**”) granted to the Directors at the annual general meeting of the Company held on 20 November 2020. The subscription amount payable by the First Subscriber, the Second Subscriber and the Third Subscriber under the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement respectively shall be satisfied by capitalising the outstanding principal amount under the loans owing by the Company to the respective Subscribers (the “**Loan Capitalisation**”).

The Directors considered that the Loan Capitalisation under the Loan Capitalisation Agreements would allow the Company to settle the outstanding sums owing by the Company to the Subscribers without utilising existing financial resources of the Group while reducing the gearing level and hence strengthening the financial position of the Group.

The aggregate nominal value of the 133,705,046 Loan Capitalisation Shares is HK\$1,671,313.08. The net issue price, after deduction of relevant expenses, is estimated to be approximately HK\$0.26 per Loan Capitalisation Share. The closing price per Share as quoted on the Stock Exchange on 8 June 2021, being the date of the Loan Capitalisation Agreements was HK\$0.26.

As the First Subscriber is an executive Director, the chief executive officer of the Company and a director of Best Frontier Investments Limited (a substantial shareholder of the Company); the Second Subscriber is a non-executive Director of the Company and a director and shareholder of Best Frontier Investments Limited; and the Third Subscriber is an associate of a director of the Company's subsidiary, the First Subscriber, the Second Subscriber and the Third Subscriber are connected persons of the Company under The GEM Listing Rules. Therefore, the entering into of the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the subscription contemplated respectively thereunder constituted a connected transaction for the Company and is subject to the reporting, announcement, independent financial advice and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

For each of the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement, the completion is conditional upon fulfillment of the conditions precedent on or before 17 September 2021 (the "**Long Stop Date**") (or such other time and date as the parties shall agree in writing) none of which is waivable. The Long Stop Date was extended to 29 October 2021 by the parties by entering into a supplemental agreement dated 17 September 2021.

The First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the subscription contemplated respectively thereunder were approved by way of ordinary resolutions by the Shareholders at the extraordinary general meeting of the Company held on 11 October 2021. All the conditions precedent for completion of the Loan Capitalisation under the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement respectively have been fully fulfilled.

Details of the above connected transactions were disclosed in the Company's announcements dated 8 June 2021, 24 June 2021 and 17 September 2021, 11 October 2021 and the circular dated 23 September 2021.

On 20 October 2021, the Company allotted and issued a total number of 133,705,046 Loan Capitalisation Shares at the LC Subscription Price of HK\$0.26 per Loan Capitalisation Share to the First Subscriber, the Second Subscriber and the Third Subscriber under the General Mandate pursuant to the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement respectively. The net proceeds of approximately HK\$34.8 million from the allotment and issue of the Loan Capitalisation Shares has been utilized as intended.

ISSUE OF CONVERTIBLE BONDS

On 20 August 2021, the Company and each of the two subscribers, namely Expert Global Enterprises Limited (the “**First Subscriber**”) and Japan Equity Value Investment Fund (the “**Second Subscriber**”) (collectively, the “**Subscribers**”) entered into a subscription agreement (the two agreements were separately referred to as the “**First Subscription Agreement**” and the “**Second Subscription Agreement**” and collectively referred to as the “**Subscription Agreements**”) in relation to the issuance of convertible bonds of an aggregate principal amount of HK\$100,000,000 with a term of 18 months (540 days) (the “**Convertible Bonds**”) from the issue date. The principal amount of the Convertible Bonds to be issued to each of the two Subscribers was HK\$50,000,000. The Convertible Bonds will bear interest at the rate of 7% per annum, interest is payable semi-annually in arrears.

Assuming full conversion of the Convertible Bonds at the initial conversion price of HK\$0.29 per conversion share, the Convertible Bonds will be convertible into 344,827,586 ordinary Shares (the “**Conversion Share(s)**”) with aggregate nominal value of HK\$4,310,344.83. The closing price per Share as quoted on the Stock Exchange on 20 August 2021, being the date of the Subscription Agreements was HK\$0.26. The Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 20 November 2020.

The Directors considered that raising funds by issuing Convertible Bonds provided an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. The Directors considered that the issue of the Convertible Bonds was an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The aggregate gross proceeds from the issue of the Convertible Bonds will be HK\$100 million. The aggregate net proceeds of approximately HK\$100 million from the issue of the Convertible Bonds was intended to be applied as to (i) approximately HK\$35 million for the development and promotion of anti-counterfeiting business of the Group, including but not limited to (a) costs of anti-counterfeiting device; and (b) improving nationwide sales capability and expanding marketing network; (ii) approximately HK\$20 million for the repayment of loans and other payables; and (iii) the remaining of the net proceeds in the approximate amount of HK\$45 million for the operating cost and general working capital of the Company. The net issue price for each Conversion Share is approximately HK\$0.29.

Completion of the First Subscription Agreement and the Second Subscription Agreement may or may not take place on the same date/time and was not inter-conditional with each other.

All the conditions precedent as set out in the First Subscription Agreement have been fulfilled and the completion took place on 30 August 2021. Upon the completion, the convertible bonds in the aggregate principal amount of HK\$50,000,000 (the “**First Convertible Bonds**”) were issued to the First Subscriber (the “**First Subscription**”). The net proceeds from the First Subscription, after deduction of expenses, was approximately HK\$50,000,000 which was fully utilized as to HK\$6.4 million for development of anti-counterfeiting business; HK\$15.0 million for the repayment of debts; and HK\$28.6 million for general working capital of the Company. The change of the use of proceeds was due to the impact of the pandemic of Coronavirus Disease 2019. The development and promotion program of anti-counterfeiting business has been delayed and appropriately HK\$11 million which was intended to be used for development of anti-counterfeiting business was actually utilized for the repayment of debts and general working capital of the Company instead.

Details of the above transactions were disclosed in the announcement of the Company dated 20 August 2021, 23 August 2021 and 30 August 2021.

As the conditions precedent set out in the Second Subscription Agreement have not been fully fulfilled (or as the case may be, waived) on or before the long stop date on 19 October 2021, the subscription contemplated under the Second Subscription Agreement have lapsed, determined and been of no further effect. No party shall be liable to the other save and except antecedent breach committed before the termination of the Second Subscription Agreement.

As at the date of this announcement, no First Convertible Bonds has been converted into the Shares by the First Subscriber or redeemed by the Company.

EVENTS AFTER REPORTING PERIOD

Connected Transaction in Relation to Loan Capitalisation Involving Issue of New Shares Under Specific Mandate

On 27 July 2022 (after trading hours of the Stock Exchange), the Company and Mr. CHAN Ting (the “**Subscriber**”) entered into a loan capitalisation agreement (the “**Loan Capitalisation Agreement II**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 54,637,617 Shares (the “**Loan Capitalisation Share(s) II**”) at the subscription price of HK\$0.28 each (the “**LC Subscription Price II**”), the same of which shall be satisfied by setting off the full amount of HK\$15,298,533 (the “**Loan**”). Upon completion, the Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Loan (the “**Loan Capitalisation II**”).

As at the date of the Loan Capitalisation Agreement II, the Loan was the aggregate of certain loans which were originally advanced by (i) Ms. WOO Theresa (the spouse of the Subscriber) in the principal sum of HK\$3,493,500, (ii) Ms. CHAN Siu Sarah (the sister of the Subscriber) in the principal sum of HK\$1,196,000, (iii) Mr. FUNG King Him Daniel (a director of various subsidiaries of the Company) in the principal sum of HK\$2,961,948, (iv) Mr. CHEUK Ka Chun Kevin (an executive Director) in the principal sum of HK\$2,151,394 and (v) Mr. LIAO Zhe (an executive Director) in the principal sum of HK\$5,495,691 (collectively, the “Assignors”) to the Company as its working capital. Each of the Assignors has executed an assignment of loans in favour of the Subscriber on 26 July 2022, pursuant to which each of the Assignors assigned to the Subscriber the said loans to the Subscriber on dollar-to-dollar basis. The assignment of loans and the Loan Capitalisation Agreement II are not inter-conditional with each other.

The Directors considered that the Loan Capitalisation II under the Loan Capitalisation Agreement II would allow the Company to settle the outstanding sums owing by the Company to the Subscriber without utilising existing financial resources of the Group while reducing the gearing level and hence strengthening the financial position of the Group.

The aggregate nominal value of the 54,637,617 Loan Capitalisation Shares II is HK\$682,970.21. The net issue price, after deduction of relevant expenses, is estimated to be approximately HK\$0.28 per Loan Capitalisation Share II. The closing price per Share as quoted on the Stock Exchange on 27 July 2022, being the date of the Loan Capitalisation Agreement II was HK\$0.064.

Since as at the date of the Loan Capitalisation Agreement II, the Subscriber was the chairperson, an executive Director and the chief executive officer of the Company and was a director of Best Frontier Investments Limited, a former substantial Shareholder, the Subscriber is a connected person of the Company under the GEM Listing Rules. Therefore, the entering into of the Loan Capitalisation Agreement II and the transactions contemplated thereunder constituted a connected transaction for the Company and is subject to the reporting, announcement, independent financial advice and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The completion of the Loan Capitalisation Agreement II is conditional upon fulfillment of the conditions precedent on or before 30 November 2022 (or such other time and date as the parties shall agree in writing) none of which is waivable.

Details of the above connected transaction were disclosed in the Company’s announcement dated 27 July 2022 and the circular, convening an extraordinary general meeting to approve the above connected transaction is expected to be despatched to the Shareholders on or before 31 October 2022. Up to the date of this announcement, the conditions precedent for completion of the Loan Capitalisation II under the Loan Capitalisation Agreement II have not been fully fulfilled. Therefore, the Loan Capitalisation II may or may not proceed.

Save as disclosed above, there has been no important event affecting the Group since the end of the year ended 30 June 2022.

CORPORATE GOVERNANCE

Corporate Governance Practice

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) during the year ended 30 June 2022, except for the following deviations which are summarized below:

Code Provision C.2.1

The chairperson of the Company is responsible for overseeing the functions of the Board and formulating the overall strategies and policies of the Company. The chief executive officer of the Company is responsible for the day-to-day management of the business of the Group, implementing major strategies, making day-to-day decisions and the overall coordination of business operations. During the year ended 30 June 2022, the roles of the chairperson and chief executive officer were not separate and were not exercised by different individuals. The responsibilities of both roles are the same as mentioned above. The Board considers that vesting the roles of chairperson and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive officer when necessary.

The corporate governance practices of the Company will be reviewed and updated from time to time in order to comply with the GEM Listing Rules requirements when the Board considers appropriate.

Directors’ Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding Directors’ securities transaction in respect of the Shares. Having made specific enquiries, the Company has confirmed with all the Directors that they have complied with the required standards as set out in the Code of Conduct throughout the year ended 30 June 2022.

AUDIT COMMITTEE

For the year and up to the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprised three INEDs, namely, Mr. LAU Fai Lawrence, Dr. LIU Ta-pei, Mr. LAM Kit Sun (appointed on 1 August 2022) and Mr. CHAU Wai Wah Fred (ceased to be the Audit Committee member after re-designation to executive Director of the Company on 1 August 2022). Mr. LAU has been appointed as the chairperson of the Audit Committee. The major duties and functions of the Audit Committee are (i) to review the financial information of the Company; (ii) to review the accounting policies, financial position and results, financial reporting system, and risk management and internal control systems of the Group; (iii) to oversee the relationship between the Company and the external auditors and (iv) to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditors as well as their term of appointment. During the year ended 30 June 2022, the Audit Committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to consider the re-appointment of auditors of the Company; and (iii) to review the audited annual results and unaudited quarterly and interim results.

The Group’s audited consolidated results for the year ended 30 June 2022 have been reviewed by the Audit Committee.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2022 as set out in this preliminary announcement have been agreed by the Group’s auditor, CCTH CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on the preliminary announcement.

By order of the Board
Sinopharm Tech Holdings Limited
國藥科技股份有限公司
CHAU Wai Wah Fred
Executive Director

Hong Kong, 30 September 2022

As at the date of this announcement, the Board comprises Mr. CHAU Wai Wah Fred, Mr. HO Kam Kin and Ms. KWOK Shuk Yi as executive Directors, Dr. CHENG Yanjie as non-executive Director and Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. LAM Kit Sun as independent non-executive Directors.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkexnews.hk for a minimum period of 7 days from the date of its publication and on the website of the Company at www.sinopharmtech.com.hk.