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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 2023**

#### **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 2023 (“**Year 2023**”), together with the comparative audited figures for the preceding financial year (“**Year 2022**”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2023*

	<i>Notes</i>	<b>Year ended 30-6-2023 HK\$'000</b>	Year ended 30-6-2022 HK\$'000
Revenue	5	42,839	40,985
Cost of sales and services		<u>(37,369)</u>	<u>(35,053)</u>
Gross profit		5,470	5,932
Other income and gains	6	106,849	39,350
Impairment loss on receivables and other assets, net	7	(74,782)	(58,554)
Loss on dilution of interests in associates		(1,131)	(21,889)
Loss on deemed disposal of associates		(19,217)	—
Fair value change on financial assets at fair value through profit or loss		1,815	—
Selling and distribution expenses		(2,251)	(1,003)
Administrative and operating expenses		(19,775)	(41,431)
Finance costs	8	(8,571)	(16,410)
Share of profits/(losses) of associates		<u>186</u>	<u>(153)</u>
<b>Loss before tax</b>	9	<b>(11,407)</b>	<b>(94,158)</b>
Income tax credit	10	<u>1,307</u>	<u>387</u>
<b>Loss for the year</b>		<b><u>(10,100)</u></b>	<b><u>(93,771)</u></b>
<b>(Loss)/profit for the year attributable to:</b>			
Equity holders of the Company		(10,635)	(87,998)
Non-controlling interests		<u>535</u>	<u>(5,773)</u>
		<b><u>(10,100)</u></b>	<b><u>(93,771)</u></b>

	<i>Notes</i>	<b>Year ended 30-6-2023 HK\$'000</b>	Year ended 30-6-2022 HK\$'000
<b>Loss for the year</b>		<b>(10,100)</b>	(93,771)
<b>Other comprehensive (expense)/income for the year, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas operations		<u>(1,416)</u>	<u>296</u>
<b>Total comprehensive expenses for the year</b>		<b><u>(11,516)</u></b>	<b><u>(93,475)</u></b>
<b>Total comprehensive expenses for the year attributable to:</b>			
Equity holders of the Company		<b>(11,115)</b>	(87,710)
Non-controlling interests		<u>(401)</u>	<u>(5,765)</u>
		<b><u>(11,516)</u></b>	<b><u>(93,475)</u></b>
		<b>Year ended 30-6-2023 HK Cents</b>	Year ended 30-6-2022 HK Cents (restated)
<b>Loss per share attributable to equity holders of the Company</b>	<i>12</i>		
Basic		<b><u>(0.06)</u></b>	<b><u>(0.49)</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,163</b>	3,850
Right-of-use assets		—	800
Interests in associates		—	23,621
Financial assets at FVTPL		<b>5,274</b>	—
Deposits for acquisition of property, plant and equipment		—	537
		<u><b>6,437</b></u>	<u>28,808</u>
<b>Current assets</b>			
Inventories		<b>855</b>	682
Trade receivables	<i>14</i>	<b>8,095</b>	28,419
Other receivables, deposits and prepayments	<i>15</i>	<b>16,319</b>	15,986
Bank balances and cash		<b>1,776</b>	2,991
		<u><b>27,045</b></u>	<u>48,078</u>
<b>Current liabilities</b>			
Trade payables	<i>16</i>	<b>34,932</b>	54,589
Accruals and other payables	<i>17</i>	<b>72,524</b>	22,044
Amounts due to directors		—	8,490
Amounts due to related parties		—	12,144
Amount due to a shareholder		<b>105,747</b>	105,747
Lease liabilities		—	934
Convertible bonds		—	44,995
Deferred tax liabilities		—	1,307
Income tax payable		<b>33</b>	33
		<u><b>213,236</b></u>	<u>250,283</u>
<b>Net current liabilities</b>		<u><b>(186,191)</b></u>	<u>(202,205)</u>
<b>Total assets less current liabilities</b>		<u><b>(179,754)</b></u>	<u>(173,397)</u>
<b>Net liabilities</b>		<u><b>(179,754)</b></u>	<u>(173,397)</u>

	<b>30-6-2023</b>	30-6-2022
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>57,404</b>	56,721
Reserves	<b><u>(230,137)</u></b>	<u>(223,498)</u>
Capital deficiency attributable to equity holders of the Company	<b>(172,733)</b>	(166,777)
Non-controlling interests	<b><u>(7,021)</u></b>	<u>(6,620)</u>
<b>Total capital deficiency</b>	<b><u><u>(179,754)</u></u></b>	<u><u>(173,397)</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2023*

### 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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is located at Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, 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\$186,191,000 and HK\$179,754,000 respectively at 30 June 2023. As at 30 June 2023, the Group had other payables of approximately HK\$51,750,000 which is transferred from convertible bonds upon maturity. Before reclassifying to other payables, convertible bonds payable (with principal amount of HK\$50,000,000) and accrued interest amounted to approximately HK\$1,750,000 (included in accruals and other payables), amount due to a shareholder amounted to approximately HK\$105,747,000, all of which are included in current liabilities. Furthermore, the Company was involved in a litigation case in regarding to the winding-up petition (the “**Petition**”) filed by Creative Big Limited (the “**Petitioner**”) in relation to the demand for the repayment of principal amount and interest accrued of the convertible bonds in aggregate amount of HK\$53,106,849. 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) On 18 September 2023, 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 2024 of the amount due by the Group to the shareholder amounted to approximately HK\$105,747,000 at 30 June 2023.

- (b) The Company will negotiate with the Petitioner for an applicable settlement of the Petition.
- (c) 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 Group has applied 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 Group's annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated 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

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 2023**

	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	—	—	37,077	9,802	46,879
Elimination of inter-segment revenue	—	—	—	(4,040)	(4,040)
Sales to external customers	—	—	37,077	5,762	42,839
Segment gross profit	—	—	4,788	682	5,470
Segment (loss)/profit	(558)	(342)	2,956	(1,379)	677
Other unallocated income and gains					106,849
Loss on dilution of interests in associates					(1,131)
Loss on deemed disposal of associates					(19,217)
Fair value change on financial assets at FVTPL					1,815
Other unallocated expenses					(92,015)
Share of profits of associates					186
Finance costs					(8,571)
Loss before tax					(11,407)
Income tax credit					1,307
Loss for the year					(10,100)

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 (loss)/profit	(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 interests in associates					(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><u>(93,771)</u></u>

(b) **Segment assets and liabilities**

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

**At 30 June 2023**

	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>
<b>Assets</b>					
Segment assets	83	35	9,822	12,689	22,629
Unallocated assets					<u>10,853</u>
Total assets					<u><u>33,482</u></u>
<b>Liabilities</b>					
Segment liabilities	4,682	586	20,828	15,393	41,489
Unallocated liabilities					<u>171,747</u>
Total liabilities					<u><u>213,236</u></u>

**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>
<b>Assets</b>					
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>
<b>Liabilities</b>					
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>

(c) Other segment information

In respect of year ended 30 June 2023

	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						
Depreciation of property, plant and equipment	—	—	—	735	472	1,207
Depreciation of right-of-use assets	—	—	—	—	800	800
Written-off of property, plant and equipment	—	—	—	1,496	—	1,496
Impairment loss (reversed)/recognised on receivables and other assets:						
— trade receivables	—	—	(879)	—	—	(879)
— other receivables	—	31	—	14	75,616	75,661
	<u>—</u>	<u>31</u>	<u>—</u>	<u>14</u>	<u>75,616</u>	<u>75,661</u>

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
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27</u>	<u>27</u>

(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:

	<b>Revenue from external customers</b>	
	<b>Year ended 30-6-2023 <i>HK\$'000</i></b>	<b>Year ended 30-6-2022 <i>HK\$'000</i></b>
PRC	<b>12,135</b>	2,203
Hong Kong	<b>30,704</b>	<b>38,782</b>
	<b>42,839</b>	<b>40,985</b>

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:

	<b>Non-current assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>30-6-2023 <i>HK\$'000</i></b>	<b>30-6-2022 <i>HK\$'000</i></b>	<b>30-6-2023 <i>HK\$'000</i></b>	<b>30-6-2022 <i>HK\$'000</i></b>
PRC	<b>88</b>	95	—	—
Hong Kong	<b>1,075</b>	<b>28,713</b>	—	121
	<b>1,163</b>	<b>28,808</b>	—	<b>121</b>

***Revenue from major products and services***

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

	<b>Year ended 30-6-2023 <i>HK\$'000</i></b>	<b>Year ended 30-6-2022 <i>HK\$'000</i></b>
Lottery-related services	—	1,841
Internet plus services (solution services)	—	362
Internet plus services (supply chain)	<b>37,077</b>	29,670
Manufacturing and distribution of personal protective equipment	<b>5,762</b>	<b>9,112</b>
	<b>42,839</b>	<b>40,985</b>

(e) **Information about major customers**

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

	<b>Year ended 30-6-2023 HK\$'000</b>	Year ended 30-6-2022 HK\$'000
Arising from manufacturing and distribution of personal protective equipment		
Customer A	<b>14,404</b>	N/A*
Customer B	N/A*	12,190
Customer C	N/A*	6,400
Customer D	N/A*	5,000
Customer E	N/A*	5,000
Customer F	N/A*	4,776
Customer G	<b>7,320</b>	N/A*

\* Revenue from customer B, C, D, E and F for the year ended 30 June 2023 did not contribute 10% or more to the Group's revenue for the year. Revenue from customer A and G for the year ended 30 June 2022 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:

	<b>Year ended 30-6-2023 HK\$'000</b>	Year ended 30-6-2022 HK\$'000
<b>Point in time</b>		
Internet plus services (supply chain)		
— Trading of goods	<b>37,077</b>	29,670
Manufacturing and distribution of personal protective equipment	<b>5,762</b>	9,112
	<b>42,839</b>	38,782
<b>Over time</b>		
Lottery-related services	—	1,841
Internet plus services (solution services)	—	362
	—	2,203
Total	<b>42,839</b>	40,985

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 30-6-2023 HK\$'000	Year ended 30-6-2022 HK\$'000
Interest income	2	3
Write-off of consideration payable for acquisition of subsidiaries	—	22,000
Write back of other payables ( <i>Note 17(d)</i> )	—	4,819
Gain on disposal of property, plant and equipment	—	9
Gain on disposal of subsidiaries	—	8,680
Gain on settlement of amount due to a director	12,621	1,108
Gain on settlement of amount due to a related party	—	1,030
Government subsidies*	391	1,587
Compensation income relating to profit guarantee	92,838	—
Others	997	114
	<u>106,849</u>	<u>39,350</u>

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

## 7. IMPAIRMENT LOSS ON RECEIVABLES AND OTHER ASSETS, NET

	Year ended 30-6-2023 HK\$'000	Year ended 30-6-2022 HK\$'000
Impairment loss recognised/(reversed) on:		
— trade receivables ( <i>Note 14</i> )	(879)	10,363
— other receivables ( <i>Note 15</i> )	75,661	6,999
— amounts due from former subsidiaries	—	16,590
— property, plant and equipment	—	5,894
— right-of-use assets	—	2,240
— goodwill ( <i>Note 13</i> )	—	12,305
— inventories	—	4,163
	<u>74,782</u>	<u>58,554</u>

## 8. FINANCE COSTS

	Year ended 30-6-2023 <i>HK\$'000</i>	Year ended 30-6-2022 <i>HK\$'000</i>
Interest on:		
— convertible bonds	7,241	15,654
— other borrowings	—	541
— lease liabilities	83	215
— other payables ( <i>Note 17(d)</i> )	1,247	—
	<u>8,571</u>	<u>16,410</u>

## 9. LOSS BEFORE TAX

	Year ended 30-6-2023 <i>HK\$'000</i>	Year ended 30-6-2022 <i>HK\$'000</i>
Loss before tax has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments):		
— Directors' fees, wages and salaries	7,404	22,584
— Retirement benefits scheme contributions	274	392
— Equity-settled share-based payment	1,875	3,150
	<u>9,553</u>	<u>26,126</u>
Total staff costs		
	<u>9,553</u>	<u>26,126</u>
Cost of services	—	878
Cost of inventories sold	37,369	34,175
Auditors' remuneration	800	850
Gain on disposal of property, plant and equipment	—	(9)
Depreciation of property, plant and equipment ( <i>Note</i> )	1,207	1,318
Depreciation of right-of-use assets	800	1,081
Amortisation of intangible assets	—	27
Written-off of property, plant and equipment	1,496	—
Expenses relating to short-term leases	762	3,259
Exchange losses, net	—	10
Equity-settled share-based payment not included in staff costs	607	1,296
	<u>607</u>	<u>1,296</u>

*Note:* Depreciation of property, plant and equipment approximately HK\$724,000 (30 June 2022: HK\$484,000) and HK\$483,000 (30 June 2022: HK\$834,000) has been included in cost of sales and administrative and operating expenses respectively.

## 10. INCOME TAX CREDIT

	Year ended 30-6-2023 <i>HK\$'000</i>	Year ended 30-6-2022 <i>HK\$'000</i>
Current year		
— Hong Kong Profits Tax	—	—
Current tax credit		
Deferred tax credit	1,307	387
Income tax credit for the year	<u>1,307</u>	<u>387</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 2022: 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 30-6-2023 <i>HK\$'000</i>	Year ended 30-6-2022 <i>HK\$'000</i>
Loss before tax	<u>(11,407)</u>	<u>(94,158)</u>
Tax at the applicable tax rate	(1,959)	(17,396)
Tax effect of expenses that are not deductible for tax purposes	18,454	26,970
Tax effect of income that is not taxable for tax purposes	(18,099)	(9,566)
Tax effect of tax losses not recognised	2,181	171
Utilisation of tax losses not previously recognised	(639)	(295)
Tax effect of temporary differences not recognised	<u>(1,245)</u>	<u>(271)</u>
Income tax credit	<u>(1,307)</u>	<u>(387)</u>

## 11. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2023, nor has any dividend been proposed since the end of the reporting date (Year ended 30 June 2022: 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 30-6-2023 <i>HK\$'000</i>	Year ended 30-6-2022 <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>(10,635)</u>	<u>(87,998)</u>
	Year ended 30-6-2023 <i>'000</i>	Year ended 30-6-2022 <i>'000</i> (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>182,873</u>	<u>179,881</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 for the year ended 30 June 2022.

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 2023 and 2022.

A share consolidated of every twenty five shares into one share of the Company had been completed on 29 August 2023. As a result of the share consolidation, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the year ended 30 June 2022.

### 13. GOODWILL

*HK\$'000*

**COST**

At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023 313,289

**ACCUMULATED IMPAIRMENT**

At 1 July 2021 300,984  
 Impairment loss recognised for the year (*Note 7*) 12,305

At 30 June 2022, 1 July 2022 and 30 June 2023 313,289

**CARRYING AMOUNTS**

At 30 June 2023 —

At 30 June 2022 —

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

	<b>Goodwill (net of impairment)</b>	
	<b>30-6-2023</b>	<b>30-6-2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lottery-related services	<u>—</u>	<u>—</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:

	<b>Year ended</b>	<b>Year ended</b>
	<b>30-6-2023</b>	<b>30-6-2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment loss recognised on goodwill allocated to:		
— Lottery-related services	<u>—</u>	<u>12,305</u>

**Lottery-related services**

During the year ended 30 June 2022, 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 in the Group’s profit and loss for the year ended 30 June 2022.

During the year ended 30 June 2023, no impairment of goodwill has been provided since the amount of goodwill was fully impaired in prior year.

#### 14. TRADE RECEIVABLES

	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
Trade receivables	<b>96,704</b>	117,907
Less: Impairment	<b>(88,609)</b>	(89,488)
	<hr/>	<hr/>
Trade receivables, net of impairment	<b>8,095</b>	28,419
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
0 to 30 days	<b>827</b>	61
31 to 60 days	<b>5,164</b>	—
61 to 180 days	<b>2,232</b>	23,641
181 to 365 days	—	6,151
Over one year	<b>88,481</b>	88,054
	<hr/>	<hr/>
	<b>96,704</b>	117,907
	<hr/> <hr/>	<hr/> <hr/>

The trade receivables with the carrying amount of Nil (30 June 2022: HK\$61,000) 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 2023, the Group made a reversal of impairment allowance of approximately HK\$879,000 in respect of trade receivables, as certain amounts of trade receivables was collected during the year ended 30 June 2023.

For the year ended 30 June 2022, the Group made an allowance of HK\$10,363,000 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:

	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
Balance at the beginning of the year	<b>89,488</b>	79,453
Eliminated on deregistration of subsidiaries	—	(74)
(Reversal)/charge for the year ( <i>Note 7</i> )	<b>(879)</b>	10,363
Exchange realignment	—	(254)
	<hr/>	<hr/>
Balance at the end of the year	<b><u>88,609</u></b>	<b><u>89,488</u></b>

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 nil (30 June 2022: HK\$862,000) 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:

	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
0 to 30 days	—	—
31 to 60 days	—	—
61 to 180 days	—	862
181 to 365 days	—	—
Over one year	—	—
	<hr/>	<hr/>
	<b><u>—</u></b>	<b><u>862</u></b>

## 15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30-6-2023 <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
Other receivables	117,965	41,467
Less: Impairment	<u>(103,132)</u>	<u>(27,471)</u>
Other receivables, net of impairment	<u>14,833</u>	<u>13,996</u>
Deposits for purchase of goods for resale	—	671
Other deposits paid	12,979	12,617
Less: Impairment	<u>(11,852)</u>	<u>(11,852)</u>
Deposits paid, net of impairment	<u>1,127</u>	<u>1,436</u>
Prepayments	<u>359</u>	<u>554</u>
	<u><b>16,319</b></u>	<u><b>15,986</b></u>

Movements in impairment of other receivables are as follows:

	30-6-2023 <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
Balance at the beginning of the year	27,471	21,494
Deregistration of subsidiaries	—	(817)
Charge for the year ( <i>Note 7</i> )	75,661	6,999
Exchange realignment	<u>—</u>	<u>(205)</u>
Balance at the end of the year	<u><b>103,132</b></u>	<u><b>27,471</b></u>

Included in other receivables, less impairment, is the advance to Xueliang Zhang Foundation with the amount of approximately HK\$2,680,000 at 30 June 2023 (30 June 2022: HK\$2,998,000) which is unsecured, interest free and repayable on demand. The Company advanced the fund to the committee for its charity events and was classified as amount due from a related party for the year ended 30 June 2022.

Included in other receivables, approximately HK\$76,498,000 was the compensation receivable related to the profit guarantee and provision of loss allowance of approximately HK\$74,821,000 was recognised during the year ended 30 June 2023.

Movements in impairment of deposits paid are as follows:

	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
Balance at beginning and end of the year	<u><b>11,852</b></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:

	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
0 to 30 days	<b>4,200</b>	91
31 to 120 days	—	2,499
121 to 180 days	<b>1,745</b>	25,447
181 to 365 days	<b>718</b>	5,821
Over one year	<u><b>28,269</b></u>	<u>20,731</u>
	<u><b>34,932</b></u>	<u>54,589</u>

The credit period ranged from 30 days to 60 days.

## 17. ACCRUALS AND OTHER PAYABLES

	<b>30-6-2023</b> <i>HK\$'000</i>	30-6-2022 <i>HK\$'000</i>
Amount due to non-controlling interest ( <i>Note (a)</i> )	<b>1,174</b>	1,307
<i>Amounts due to third parties (Note (b))</i>	—	2,005
Interest on convertible bonds payable	—	2,917
Contract liabilities ( <i>Note (c)</i> )	<b>3,799</b>	2,787
Accrued salaries	<b>4,501</b>	4,694
Other payables and accrued charges ( <i>Note (d)</i> )	<u><b>63,050</b></u>	<u>8,334</u>
	<u><b>72,524</b></u>	<u>22,044</u>

*Notes:*

- (a) The amount due to non-controlling interest is unsecured, interest free and repayable on demand.
- (b) The amounts due to third parties are unsecured, interest free and repayable on demand.

- (c) 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 2023 is expected to be recognised as revenue of the Group for the next financial year. The contract liabilities amounted to approximately HK\$2,787,000 at 30 June 2022 was recognised as revenue of the Group for the current year and the contract liabilities amounted to approximately HK\$5,187,000 at 30 June 2021 was recognised as revenue of the Group for the prior year ended 30 June 2022. The expected timing of the revenue recognition of the performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2023 and 30 June 2022 is within one year. As permitted under HKFRS 15, the transaction price allocated to those contracts is not disclosed.
- (d) During the year ended 30 June 2022, 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 was recognised in profit and loss of the Group and included in other income and gains (Note 6).

Other payables and accrued charges included (i) the principal amount of HK\$50,000,000 was reclassified from convertible bonds upon maturity during the year ended 30 June 2023, with 7% interest bearing and repayable on demand and (ii) the interest on convertible bonds payable of approximately HK\$1,750,000 was reclassified to other payables upon maturity. Subsequent to the reclassification, the accrued interest of approximately HK\$1,247,000 was charged to the aforesaid other payables.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the year under review, the Group continued to develop its epidemic prevention-oriented business and “Internet Plus” services based on its own advantages, providing a good foundation for the Group’s existing businesses. The Group also accelerated its deployment in the industry of healthcare products to provide the Group with new sources of income and new direction for business development. The Group continued to develop its supply chain business under the “Internet Plus” services, and achieved stable development during the year under review. The Group has been discussing co-operation models with operators in various industries to provide value-added services through the Group’s experience in the “Internet Plus” business. This brings new opportunities to the Group in the “Internet Plus” business and also signifies the acceleration of the Group’s application of the “Internet Plus” business in different business models.

### *“Internet Plus” Business*

During the period under review, the “Internet Plus” business provided the major revenue for the Group. The Group has continued to enhance its supply chain services for healthcare and similar products within the scope of the existing supply chain in the “Internet Plus” business. The Company leverages its experience and strengths in supply chain business as well as sourcing to provide timely supply chain services to its customers.

During the period under review, the Group was in full swing with business development by setting up service agreements with platform operators in Mainland China. Through various platforms of the operators, including “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), the Group provided one-stop product supply chain services. A subsidiary of the Group have also successfully entered the “Global Premium Imported Supermarket” on TikTok as a preferred supplier. On the other hand, the Group is entering into co-operation agreements with major healthcare product brands — including healthcare products with Chinese medicine ingredients. By providing brands with comprehensive, convenient and timely supply chain services in the PRC and Hong Kong, the Group will be able to expand the supply and reach of the brands’ products and achieve mutual benefits and win-win results. As the Group focuses on the development of the healthcare industry chain, the cooperation with the product brands will effectively accelerate the development and momentum of related businesses.

### ***Personal Protective Equipment Business***

During the period under review, the personal protective equipment business recorded a decrease in revenue as compared to the same period last year, as the market demand for personal protective equipment decreased due to the receding impact of the pandemic in the first half of 2023 and the good progress in the resumption of social activities. Nevertheless, the Group continued to provide high quality and strong protective equipment products to various customers in the Hong Kong community during the period under review. As the market demand for personal protective equipment is gradually decreasing, the Group will reallocate its resources to exit from the development of the personal protective equipment business and at the same time increase its investment in the supply chain services for the healthcare industry.

### ***Lottery-Related Business***

There are still uncertainties in the traditional lottery industry in Mainland China and the Group's lottery-related business is faced with changes and challenges. The Group will continue to explore the prospects of the lottery-related business and make timely adjustments. During the period under review, the Group did not generate revenue from the provision of lottery system maintenance services.

### ***Optimization of Structure***

During the period under review, the Group carried out internal structural adjustments and streamlining in accordance with business arrangements and its situation, with a view to optimizing the structure of its human resources and cost control as a starting point, thereby establishing a sound foundation for the Group. After the end of the pandemic and the gradual recovery of the socio-economic environment, the Group has made effort to reduce operating costs through flexible adjustments, in order to enhance the efficiency of operating revenue and seize development opportunities, thereby achieving the sustainable development of the Group's business objectives.

### ***Future Outlook***

The year 2023 was a challenging year for the Group. The repeated outbreaks of the pandemic affected and slowed down the Group's business progress in various aspects, resulting in the adjustments of its business strategies and staffing structure, as well as the Group's development strategies. As the global economic recovery continues to accelerate after the pandemic, the Group will continue to make efficient use of the business resources of our strategic shareholders in the "Internet Plus" industry, and focus our human and financial resources on increasing the resources and scope of operations in the healthcare industry chain, in order to develop our business in healthcare and other healthcare related areas.

The Group will continue to focus on the “Internet Plus” business in the future. Leveraging on its years of experience and know-how in “Internet Plus” supply chain services as well as its co-operative relationships with various platform operators, the Group will expand its scope of “Internet Plus” services, including strengthening the depth of co-operation with various platform operators. The Group will also continue to explore other opportunities for the development of its “Internet Plus” business, including joint ventures with various industry players for “Internet Plus” solutions, to jointly develop possibilities for the application of “Internet Plus” technologies in various fields, thereby opening up new development opportunities for the Group.

On the other hand, leveraging on the Group’s years of experience in the personal protective equipment business, the Group is exploring the healthcare industry chain, which includes the entire business process of production, distribution and supply chain of healthcare products, with a view to expanding the Group’s new opportunities in the healthcare industry and bringing in new sources of income to the Group. Subsequent to the period under review, the Group entered into co-operation contracts with healthcare product brands for the provision of supply chain services to relevant products in the PRC and Hong Kong. At the same time, to bring new growth opportunities to the Group, the Group has established joint ventures in the PRC to conduct in-depth exploration on the development of the distribution of Chinese patent medicine and big health product businesses, and such businesses have also been launched and are in full operation.

The Group is stepping up its efforts in exploring the business of the healthcare industry chain and is conducting feasibility studies on the future development of various aspects of the industry chain, which will definitely provide the Group with new opportunities for business development.

### **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 2023.

#### ***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 2023, 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***

### *(i) Compensation income relating to profit guarantee in previous acquisition*

During the year ended 30 June 2023, the Group recorded a compensation income of approximately HK\$92,838,000 in relation to the failure to meet the profit guarantee by the vendor of the acquisition of Hero Global Holdings Limited (“**Hero Global**”).

On 4 January 2019, the Group entered into the sale and purchase agreement (“**Agreement**”) with Sinopharm Traditional Chinese Medicine Overseas Holdings Limited (the “**Vendor**”) to acquire 100% equity interests in Hero Global at the consideration of approximately HK\$139.10 million, by way of allotment and issue of 650,000,000 consideration shares by the Company to the Vendor at the issue price of HK\$0.214 per consideration share (“**Hero Global Acquisition**”).

Pursuant to the Agreement, the Vendor warranted to the Group that (i) the actual net profit after taxation of Hero Global for each of the three years ended 31 December 2019, 2020 and 2021 shall not be less than HK\$23 million, HK\$23 million and HK\$23 million respectively; or (ii) the aggregate net profit for the three years ended 31 December 2019, 2020 and 2021 shall not be less than HK\$69 million in total (“**Profit Guarantee**”). If Hero Global failed to meet the conditions of the Profit Guarantee, the Vendor shall compensate to the Group in accordance with a formula that the compensation is equal to the shortfall multiplied by a compensation factor of 1.7 and is to be settled in cash.

The consideration shares were subjected to the locked-up period for not less than three years and was kept by the Company as custody unless the conditions of Profit Guarantee were being satisfied. If Vendor failed to pay the compensation in cash, purchaser has the right to sell the locked-up shares as the compensation.

However, Hero Global recorded net profit after taxation of approximately HK\$10.5 million and HK\$5.9 million for the two years ended 31 December 2019 and 2020 respectively, and net loss after taxation of approximately HK\$2.0 million for the year ended 31 December 2021, which was less than Profit Guarantee of HK\$65 million and the condition for the Profit Guarantee could not be fulfilled.

On 23 May 2022, the Group and the Vendor signed a confirmation letter and mutually agreed on the amount of the compensation of approximately HK\$92.8 million (“**Compensation**”) and entered into a settlement agreement for the Compensation. Due to the fact that the Vendor still failed to settle the Compensation after entering into the settlement agreement, the Group exercised the right to sell the locked-up consideration shares for the settlement of Compensation. Accordingly, on 23 August 2022, the Group and the Vendor signed a deed of

authorisation pursuant to which the Vendor authorised the right to the Group, to sell 650,000,000 locked-up shares for the settlement of the Compensation to the Group.

During the year ended 30 June 2023, 530,200,000 lock-up shares were sold by the Company and approximately HK\$16,358,000 was received in cash and recognised as compensation income in profit or loss. As at 30 June 2023, the market value for the remaining 119,800,000 lock-up shares was approximately HK\$1,677,000.

We were unable to satisfy ourselves as to whether the recognition of compensation income during the year ended 30 June 2023 was appropriate because the fair value of the Profit Guarantee should be accounted for as contingent consideration at the date of Hero Global Acquisition in accordance with HKFRS 3 “Business Combination” and subsequently measured at fair value at the end of each reporting period (i.e. 30 June 2019, 30 June 2020 and 30 June 2021), with the related change in fair value to be recognised in profit or loss. In addition, we were unable to determine whether the opening balances and corresponding figures are free from material misstatement as the consolidated financial statements for the year ended 30 June 2022 did not take into account the fair value of Profit Guarantee.

*(ii) Opening balance relating to interests in associates*

The consolidated financial statements of the Group for the year ended 30 June 2022 contained a qualified of audit opinion relating to (i) the Group’s interests in associates with carrying value of HK\$23.6 million as at 30 June 2022; (ii) the Group’s shares of loss of associate of approximately HK\$0.2 million; and (iii) loss on dilution of interest in associates of approximately HK\$21.9 million. Detail of which has been set out in the auditor’s report issued by the predecessor auditor dated 30 September 2022.

As the consolidated financial statements for the year ended 30 June 2022 formed the basis for the corresponding figures presented in the current year’s consolidated financial statements, any adjustments found to be necessary in respect of the interests in associates would have an effect on opening balances for the consolidated statement of financial position and corresponding figures in the consolidated statement of profit or loss.

*(iii) Loss on deemed disposal of interests in associates*

During the year ended 30 June 2023, the shareholders of Ever Development Holdings Limited, being the associate company of the Group (“**Ever Development**”) have made capital contribution to Ever Development, resulting the Group’s shareholding in Ever Development were diluted from 20% to 19.05% (“**Deemed Disposal**”) and loss on dilution of interests in associates of approximately HK\$1,131,000 has been recognised in profit or loss. In the opinion of the directors

of the Company, the Group did not have significant influence over Ever Development and its subsidiaries, therefore they ceased to be associate companies of the Group, and the equity interests of 19.05% in Ever Development has been recognised as financial assets as fair value through profit or loss. Accordingly, the share of profit of associates for the period up to the Deemed Disposal of approximately HK\$186,000 and the loss on Deemed Disposal of approximately HK\$19,217,000 have been recognised in profit or loss.

Under the circumstances that the opening balance for interests in associates has been qualified as mentioned above, we were unable to satisfy ourselves as to whether (i) the share of loss of associates; and (ii) the loss on Deemed Disposal recognised in profit or loss are free from material misstatement.

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 qualified 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\$186,191,000 and HK\$179,754,000 respectively as at 30 June 2023 and the Group incurred a loss of approximately HK\$10,100,000 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 2023, the Group recorded revenue of HK\$42.8 million, representing an increase of 4% over the revenue of HK\$41.0 million for the same period in 2022, while gross profit for the period of HK\$5.5 million represented a decrease of 7% over gross profit of HK\$5.9 million in the corresponding period in 2022. Increase in revenue as the result of the effect of the Company entered into the co-operation agreement with the big health products supplier for rendering the supply chain services through the Mainland China and Hong Kong district. 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 costs and lower gross profit margin for providing personal protective equipment during the year.

The Group recorded a loss attributable to equity holders of HK\$10.6 million for the year under review, representing a decrease of 88% over the loss attributable to the equity holders for the same period in 2022 (2022: HK\$88.0 million). The major reasons for the decrease of the loss attributable to equity holders mainly due to the effects of i) less impairment losses on goodwill and other assets were made for the Year 2023 as compared with the Year 2022; ii) compensation income related to profit guarantee of HK\$92.8 million and with the impairment loss on compensation receivables of HK\$74.8 million were made, and iii) the company has strengthened its efforts in cost control and result in less administrative and operating expenses as compared with the same period in 2022.

## Segmental Information

Lottery-related services business has been suspended during the reporting period. No revenue was generated from the Lottery-related services business during the reporting period as compared with the revenue of HK\$1.8 million for the same period of the last financial year. The gross profit record HK\$1.3 million with the margin of 71% for 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 higher demand of the “Internet Plus” supply chain services of big health products during the reporting period. In the “Internet Plus” services business, the revenue of supply chain services recorded HK\$37.1 million, representing an increase of 25% in total revenue over the revenue of HK\$29.7 million for the same period of the last financial year. The gross profit recorded HK\$4.8 million with the margin of 13% for the reporting period comparing with 8% for the same period of the last financial year. In the “Internet Plus” solution services, no revenue was generated for the reporting period as comparing with the revenue of HK\$0.4 million for the last financial year. Details of the further development of “Internet Plus” services business are stated in the “Business Review” of the “Management Discussion and Analysis”.

Manufacturing and distribution of the personal protective equipment recorded an decrease in revenue as the result of less demand on the product after the impact of the epidemic is reduced and society returning to normalcy. During the reporting period, the revenue of the personal protective equipment recorded HK\$5.7 million, representing a decrease of 37% over the revenue of HK\$9.1 million for the same period of the last financial year. The gross profit recorded HK\$0.7 million with the margin of 12% for the reporting period comparing with 26% 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\$Nil million (2022: HK\$12.3 million) was determined to be impaired, in which approximately HK\$Nil million (2022: HK\$12.3 million) was attributable to lottery related services cash generating unit (“CGU(s)”). 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. 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 for the last 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 last year. There will be business contraction on lottery business and the revenue of lottery related services will decline in the upcoming financial budgets.

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

#### ***Lottery-related services CGU***

For the year ended 30 June 2022, due to the suspension of the lottery-related maintenance services contract, the Company was 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 26 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 for the year ended 30 June 2022.

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 2023, the Group's bank balances and cash amounted to HK\$1.8 million (2022: HK\$3.0 million) which were mainly held in HK\$ and RMB. Current assets amounted to HK\$27.0 million (2022: HK\$48.1 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK\$213.2 million (2022: HK\$250.3 million), mainly comprising of trade payables, accruals and other payables and amounts due to a shareholder. As at 30 June 2023, the gearing ratio of the Group was 149% on the basis of the Group's total interest-bearing borrowings divided by total assets (2022: 59%).

### **Commitments**

The Group had capital commitments of HK\$Nil million from operations as at 30 June 2023 (30 June 2022: 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 2023 (30 June 2022: Nil). No assets of the Group was pledged as securities to any third parties as at 30 June 2023 (30 June 2022: 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 2023, the total number of issued share capital of the Company was 4,592,326,397 Shares.

On 15 November 2022, the Company allotted and issued a total number of 54,637,617 loan capitalisation shares at the issue price of HK\$0.28 per loan capitalisation share under specific mandate granted to the Directors at the extraordinary general meeting of the Company held on 7 November 2022.

On 25 August 2023, consolidation of every twenty five (25) issued and unissued ordinary shares with a par value of HK\$0.0125 each in the share capital of the Company into one (1) ordinary share with a par value of HK\$0.3125 (the “**Consolidated Share(s)**”) (the “**Share Consolidation**”) was approved by the Shareholders by way of ordinary resolution at the extraordinary general meeting of the Company. Other conditions for completion of the Share Consolidation have also been fully fulfilled. Upon the Share Consolidation became effective on 29 August 2023, there were 183,693,055 Consolidated Shares in issue which were fully paid or credited as fully paid. The authorised share capital of the Company remained at HK\$200,000,000 but was divided into 640,000,000 Consolidated Shares of par value of HK\$0.3125 each. Subject to and conditional upon the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange was changed from 5,000 original Shares to 10,000 Consolidated Shares on 12 September 2023.

## **Convertible Bonds**

On 17 January 2014, the Company issued unlisted convertible bonds with a principal amount of HK\$89,625,000 (the “**CBs**”). After the fifth amendments of the principal terms of the CBs in 2021, the CBs could be converted into the maximum number of 405,542,986 Shares with the maturity date extended to 17 January 2022, the conversion price amended to HK\$0.221 per conversion share and the interest rate increased to 10% per annum. The bondholder has not exercised any of its conversion right and 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 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.

On 30 August 2021, the Company issued unlisted convertible bonds due on 20 February 2023 with a principal amount of HK\$50,000,000 at an interest rate of 7% per annum (the “CBs II”). 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. The bondholder has not exercised any of its conversion right and has no conversion right of the CBs II which have been matured since 20 February 2023. Therefore, the CBs II have not been convertible since then.

As at the date of this announcement, the progress of the CBs II can be referred to the paragraphs headed “Litigation” in the sections headed “Management Discussion and Analysis” on page 36.

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

During the Year 2023, 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.

### **Employment and Remuneration Policy**

As at 30 June 2023, the Group had 19 (2022: 32) 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\$5 million (2022: HK\$19 million).

The Directors’ and 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.

## **Litigation**

References are made to the announcements of the Company dated 20 August 2021, 23 August 2021 and 30 August 2021 in relation to, amongst other things, the convertible bonds (the “**CBs II**”, same as defined above) issued by the Company.

The Company was informed by a letter dated 12 September 2023 from the Official Receiver’s Office of Hong Kong and came to the attention, amongst others, that, Creative Big Limited (the “**Petitioner**”), to which the CBs II have been transferred from the original bondholder, has on 31 August 2023 filed a winding-up petition (the “**Petition**”) (Companies (Winding-up) Proceedings Number: 391 of 2023) with the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the “**High Court**”) for the winding up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Petition was filed against the Company in relation to demand for the repayment of the principal amount and interest accrued of the CBs II in the aggregate amount of HK\$53,106,849.

The High Court has set the hearing date for the Petition on 15 November 2023. The Petition was filed in the High Court only as an application for the winding up of the Company and as at the date of this announcement, no winding up order has been granted by the High Court to wind up the Company.

### ***Effect of the Petition under Applicable Laws and Regulations***

Pursuant to section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in a winding up by the court, any disposal of property of the company, including things in action, and any transfer of shares, or alteration in the status of the members of the company, made after the commencement of the winding up, shall, unless the court otherwise orders, be void.

The Company reminded its Shareholders and potential investors of the risk that the shares of the Company (the “**Shares**”) may be restricted as the deposits of the Shares into Central Clearing and Settlement System (“**CCASS**”) may be suspended due to the Petition.

### ***Further Action to be Taken by the Company***

In view of the above, the Company will seek legal advice and take all necessary actions to protect its legal rights. Furthermore, the Company will seek legal advice from its legal advisers for the feasibility and necessity of possible application to the High Court for a validation order. Shareholders are reminded that there is no guarantee that the Company would apply for the validation order, or if applied, any validation order would be granted by the High Court. In the event where a validation order is not granted but the winding up order is not dismissed or permanently stayed, all transfers of Shares, made after the commencement of the winding up, shall be void.

As at the date of this announcement, the Company has been in active negotiations with the Petitioner for an amicable settlement of the Petition. The Company is also seeking advices from professional parties and assessing the possible effect the Petition may have on the Group, including but not limited to whether there would be material adverse impact on the Group's business operations, working capital and financial position, and whether it may lead to the Company's other creditors demanding acceleration of repayment. Save as disclosed in this announcement, to the best of the Company's knowledge, information and belief, having made all reasonable enquiry, there is no other outstanding winding up petition filed against the Company as at the date of this announcement.

The Company will keep the Shareholders and potential investors informed of any significant development in respect of the Petition and/or any significant adverse effect on the Group's business and operations arising from the Petition and/or the winding up order, and will make further announcement(s) as and when appropriate. Details of the above litigation were disclosed in the announcement of the Company dated 19 September 2023.

## **DIVIDENDS**

The Board does not recommend the payment of any dividend for the year ended 30 June 2023 (2022: 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 ended 30 June 2023.

## **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**"), 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)**") at the subscription price of HK\$0.28 each (the "**LC Subscription Price**"), 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**").

As at the date of the Loan Capitalisation Agreement, 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 are not inter-conditional with each other.

The Directors considered that the Loan Capitalisation under the Loan Capitalisation Agreement 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 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. The closing price per Share as quoted on the Stock Exchange on 27 July 2022, being the date of the Loan Capitalisation Agreement was HK\$0.064.

Since as at the date of the Loan Capitalisation Agreement, 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 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 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.

The Loan Capitalisation Agreement and the subscription contemplated thereunder were approved by way of ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 7 November 2022. All the conditions precedent for completion of the Loan Capitalisation under the Loan Capitalisation Agreement have been fully fulfilled. Details of the above connected transaction were disclosed in the Company’s announcements dated 27 July 2022 and 7 November 2022 and the circular dated 21 October 2022.

On 15 November 2022, the Company allotted and issued a total number of 54,637,617 Loan Capitalisation Shares at the LC Subscription Price of HK\$0.28 per Loan Capitalisation Share to the Subscriber under the specific mandate pursuant to the Loan Capitalisation Agreement. The net proceeds of approximately HK\$15.3 million from the allotment and issue of the Loan Capitalisation Shares has been utilized as intended.

## **SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

### **Share Consolidation and Change in Board Lot Size**

On 20 July 2023, the Board proposed to implement the Share Consolidation on the basis that every twenty five (25) existing Shares of par value of HK\$0.0125 each in the issued and unissued share capital of the Company will be consolidated into one (1) Consolidated Share of par value of HK\$0.3125 each. The Share Consolidation was conditional upon, among other things, the approval of the Shareholders by way of ordinary resolution at the extraordinary general meeting of the Company. Furthermore, it was proposed that, subject to and conditional upon the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange will be changed from 5,000 existing Shares to 10,000 Consolidated Shares.

On 25 August 2023, the Share Consolidation was approved by the Shareholders by way of ordinary resolution at the extraordinary general meeting of the Company. Other conditions for completion of the Share Consolidation have also been fully fulfilled. Upon the Share Consolidation became effective on 29 August 2023, there were 183,693,055 Consolidated Shares in issue which were fully paid or credited as fully paid. The authorised share capital of the Company remained at HK\$200,000,000 but was divided into 640,000,000 Consolidated Shares of par value of HK\$0.3125 each. Subject to and conditional upon the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange was changed from 5,000 original Shares to 10,000 Consolidated Shares on 12 September 2023. As a result of the Share Consolidation and in accordance with the New Share Option Scheme, the exercise price and the number of Consolidated Shares to be issued upon exercise of the outstanding share options will be adjusted with effect from the effective date of the Share Consolidation (i.e. on Tuesday, 29 August 2023). Details of the Share Consolidation, change in board lot size and adjustments to the outstanding share options were disclosed in the Company's circular dated 10 August 2023 and the announcements dated 18 August 2023 and 25 August 2023.

### **Litigation**

References are made to the announcements of the Company dated 20 August 2021, 23 August 2021 and 30 August 2021 in relation to, amongst other things, the convertible bonds (the "CBs II", same as defined above) issued by the Company.

The Company was informed by a letter dated 12 September 2023 from the Official Receiver's Office of Hong Kong and came to the attention, amongst others, that, Creative Big Limited (the "**Petitioner**"), to which the CBs II have been transferred from the original bondholder, has on 31 August 2023 filed a winding-up petition (the "**Petition**") (Companies (Winding-up) Proceedings Number: 391 of 2023) with the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the "**High Court**") for the winding up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Petition was filed against the Company in relation to demand for the repayment of the principal amount and interest accrued of the CBs II in the aggregate amount of HK\$53,106,849.

The High Court has set the hearing date for the Petition on 15 November 2023. The Petition was filed in the High Court only as an application for the winding up of the Company and as at the date of this announcement, no winding up order has been granted by the High Court to wind up the Company.

### **Effect of the Petition under Applicable Laws and Regulations**

Pursuant to section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in a winding up by the court, any disposal of property of the company, including things in action, and any transfer of shares, or alteration in the status of the members of the company, made after the commencement of the winding up, shall, unless the court otherwise orders, be void.

The Company reminded its Shareholders and potential investors of the risk that the shares of the Company (the "**Shares**") may be restricted as the deposits of the Shares into Central Clearing and Settlement System ("**CCASS**") may be suspended due to the Petition.

### **Further Action to be Taken by the Company**

In view of the above, the Company will seek legal advice and take all necessary actions to protect its legal rights. Furthermore, the Company will seek legal advice from its legal advisers for the feasibility and necessity of possible application to the High Court for a validation order. Shareholders are reminded that there is no guarantee that the Company would apply for the validation order, or if applied, any validation order would be granted by the High Court. In the event where a validation order is not granted but the winding up order is not dismissed or permanently stayed, all transfers of Shares, made after the commencement of the winding up, shall be void.

As at the date of this announcement, the Company has been in active negotiations with the Petitioner for an amicable settlement of the Petition. The Company is also seeking advices from professional parties and assessing the possible effect the Petition may have on the Group, including but not limited to whether there would be material adverse

impact on the Group's business operations, working capital and financial position, and whether it may lead to the Company's other creditors demanding acceleration of repayment. Save as disclosed in this announcement, to the best of the Company's knowledge, information and belief, having made all reasonable enquiry, there is no other outstanding winding up petition filed against the Company as at the date of this announcement.

The Company will keep the Shareholders and potential investors informed of any significant development in respect of the Petition and/or any significant adverse effect on the Group's business and operations arising from the Petition and/or the winding up order, and will make further announcement(s) as and when appropriate. Details of the above litigation were disclosed in the announcement of the Company dated 19 September 2023.

Save as disclosed above, there has been no important event affecting the Group since the end of the year ended 30 June 2023.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Practices**

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 "Corporate Governance Code" of the GEM Listing Rules (the "**CG Code**") during the year ended 30 June 2023, except for the following deviations which are summarized below:

#### ***Code Provision C.2.1***

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. 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 2023, the roles of the chairperson and chief executive officer were exercised by the executive Directors collectively. The responsibilities of both roles were the same as mentioned above. The Board considered that vesting the roles of chairperson and chief executive officer in the executive Directors collectively was beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidates to assume the roles of the chairperson and 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 the 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 2023.

### **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, Mr. HSU Dong An (appointed on 15 August 2023), Mr. HEUNG Pik Lun (appointed on 15 September 2023), Dr. LIU Ta-pei (resigned on 3 August 2023), Mr. LAM Kit Sun (appointed on 1 August 2022 and resigned on 16 May 2023) and Mr. CHAU Wai Wah Fred (re-designated from INED to executive Director on 1 August 2022). Mr. LAU has been appointed as the chairperson of the Audit Committee. Following the resignation of Mr. LAM Kit Sun on 16 May 2023, the Company only had two INEDs so the number of the INEDs fell below the minimum number of three members of the audit committee required under Rule 5.28 of the GEM Listing Rules. After the resignation of Dr. LIU Ta-pei on 3 August 2023, the Company only had one INED so the number of the INEDs also fell below the minimum number of three members of the audit committee required under Rule 5.28 of the GEM Listing Rules. The Company shall appoint appropriate members to the Audit Committee to meet the minimum number required under Rule 5.28 of the GEM Listing Rules within three months after failing to meet the requirement. The Company appointed one INED, Mr. HSU Dong An as a member of the Audit Committee on 15 August 2023. An application has been made by the Company to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 5.28 of the GEM Listing Rules and an extension of time for a period of one month from 15 August 2023 to 15 September 2023 for filling the vacancy. The Company appointed another INED, Mr. HEUNG Pik Lun as a member of the Audit Committee on 15 September 2023 to comply with Rule 5.28 of the GEM Listing Rules.

The major duties and functions of the Audit Committee are to (i) review the financial information of the Company; (ii) review the accounting policies, financial position and results, financial reporting system, risk management and internal control systems and the effectiveness of the internal audit function of the Group; (iii) oversee the relationship between the Company and the external auditors; and (iv) 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 2023, the Audit Committee held five meetings to (i) discuss the financial reporting and the compliance procedures with the external auditors; (ii) consider the re-appointment of auditors of the Company; (iii) review the risk management and internal control systems and the effectiveness of the internal audit function of the Group; (iv) consider the appointment of auditors of the Company; and (v) review the audited annual results and unaudited quarterly and interim results.

The Group's audited consolidated results for the year ended 30 June 2023 have been reviewed by the Audit Committee.

#### **SCOPE OF WORK OF ELITE PARTNERS 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 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners 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 Elite Partners 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, 29 September 2023

*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, Mr. HSU Dong An and Mr. HEUNG Pik Lun as independent non-executive Directors.*

*This announcement will remain on the "Latest Listed Company Information" page of the GEM website at <https://www.hkgem.com> for a minimum period of 7 days from the date of its publication and on the website of the Company at <http://www.sinopharmtech.com.hk>.*