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)

2023
Annual Report

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 annual report, 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 annual report 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 annual report misleading.*

CONTENTS

The English text of this annual report shall prevail over the Chinese text for the purpose of interpretation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHAU Wai Wah Fred
Mr. HO Kam Kin
Ms. KWOK Shuk Yi

Non-executive Director

Dr. CHENG Yanjie

Independent Non-executive Directors

Mr. LAU Fai Lawrence
Mr. HSU Dong An *(appointed on 15 August 2023)*
Mr. HEUNG Pik Lun *(appointed on 15 September 2023)*

AUDIT COMMITTEE

Mr. LAU Fai Lawrence *(Chairperson)*
Mr. HSU Dong An *(appointed on 15 August 2023)*
Mr. HEUNG Pik Lun *(appointed on 15 September 2023)*

REMUNERATION COMMITTEE

Mr. LAU Fai Lawrence *(Chairperson)*
Mr. CHAU Wai Wah Fred
Mr. HSU Dong An *(appointed on 15 August 2023)*

NOMINATION COMMITTEE

Mr. HSU Dong An *(Chairperson)*
(appointed on 15 August 2023)
Mr. CHAU Wai Wah Fred
Mr. HEUNG Pik Lun *(appointed on 15 September 2023)*

AUTHORISED REPRESENTATIVES

Mr. CHAU Wai Wah Fred
Mr. HO Kam Kin

COMPLIANCE OFFICER

Mr. CHAU Wai Wah Fred

COMPANY SECRETARY

Mr. HO Kam Kin

AUDITORS

Elite Partners CPA Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Chong Hing Bank Limited

REGISTERED OFFICE

Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1802, 18/F, Ruttonjee House
Ruttonjee Centre, 11 Duddell Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

STOCK CODE

8156

COMPANY WEBSITE

www.sinopharmtech.com.hk

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.

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 an 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 an 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 21 and Note 22 to the Consolidated Financial Statements of this annual report respectively.

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 3 of the Annual Report, 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 annual report, 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 annual report, the progress of the CBs II can be referred to the paragraphs headed "Litigation" in the sections headed "Management Discussion and Analysis" on page 9 and "Directors' Report" on page 41.

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 annual report, 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 annual report, 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 annual report, 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 annual report.

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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

The profiles of the Directors and senior management as at the date of this annual report are as follows:

DIRECTORS

Executive Directors

Mr. CHAU Wai Wah Fred, aged 61, is an executive director, authorised representative and compliance officer of the Company. He is also a member of the remuneration committee and nomination committee of the Company and was an independent non-executive director and a member of the audit committee of the Company. He is the director of various subsidiaries of the Group. Mr. CHAU joined the Group in November 2019. He was formerly the Head of the Office of Dutiable Commodities Administration of Hong Kong Customs and Excise Department (C&ED) and retired with rank of Senior Superintendent. He has served the C&ED for 34 years with wide range of exposure including intellectual property rights (IPR) protection, anti-smuggling, anti-narcotics, intelligence and liaisons and dutiable commodities administration. Mr. CHAU has served as the Divisional Commander and Group Head of the Intellectual Property Investigation Bureau to combat on organized transnational crimes, in particular in IPR infringement cases with the Mainland and overseas counterparts. Mr. CHAU was awarded the honours of Customs and Excise Medal for Meritorious Service (C.M.S.M.) by the Chief Executive in the 2017 honours presentation ceremony.

Mr. HO Kam Kin, aged 46, is an executive director, the Group chief financial officer, company secretary and authorised representative of the Company. He is also a director of a subsidiary of the Company. Mr. HO joined the Group in September 2016. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He obtained a Bachelor of Arts Degree in Accountancy and Master Degree of Corporate Finance from The Hong Kong Polytechnic University. Mr. HO held senior accounting positions in a number of companies listed on the Stock Exchange and worked in international audit firms for over three years. He has over 21 years of experience in corporate finance, financial reporting and financial management. Prior to joining the Company, he was the financial controller and company secretary of Great China Holdings (Hong Kong) Limited (Stock code: 21.HK), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Ms. KWOK Shuk Yi, aged 47, is an executive director, the director of Group human resources and public relations of the Company. Ms. KWOK joined the Group in July 2008. She holds a bachelor's degree in Human Resources Management from The Royal Melbourne Institute of Technology University in Australia and graduated with distinction. She has over 21 years of experience in human resources management in Hong Kong listed companies, China and overseas investment companies. In the Group, in addition to being responsible for human resources and administration management, she has also expanded the management scope to business-related public relations in recent years. In the future, she will be involved more in management of the Group's business strategies and overall operations.

Non-executive Director

Dr. CHENG Yanjie, aged 59, is a non-executive director of the Company. He joined the Group in July 2019. Being a practicing Chinese medicine practitioner, he holds Bachelor degree of Traditional Chinese Medicine of Changchun University of Chinese Medicine (長春中醫學院中醫系學士學位), Master of Neurology of the Affiliated Hospital of Changchun University of Chinese Medicine (長春中醫學院附屬醫院神經內科碩士學位) and Doctor of Neurology of Beijing University of Chinese Medicine Dongzhimen Hospital (北京中醫藥大學東直門醫院神經內科博士學位). He previously served as Resident Neurologist of the Affiliated Hospital of Changchun University of Chinese Medicine (長春中醫學院附屬醫院神經內科住院醫師), Attending Physician of China Medical Center in Kuwait (科威特國中國醫療中心主治醫師), Neurology attending physician of Beijing University of Chinese Medicine Dongzhimen Hospital (北京中醫藥大學東直門醫院神經內科主治醫師) and worked in the R&D department of China National Pharmaceutical Group Co., Ltd. (中國藥材集團公司). He serves as committee member of China Pharmaceutical Culture Society (中國藥文化協會理事), executive director of Beijing Chaoyang District Chinese Medicine Association (北京市朝陽區中醫協會常務理事) and expert speaker of knowledge base popularization and bilingual health lecture of Beijing Chaoyang District (北京市朝陽區中醫科普及雙語養生講座專家). Dr. CHENG is currently the Chief Physician of Chinese medicine clinic of Beijing Luxiancaotang (北京鹿銜草堂中醫診所主任醫師).

Independent Non-executive Directors

Mr. LAU Fai Lawrence, aged 52, is an independent non-executive director of the Company and a chairperson of the audit committee and remuneration committee of the Company. He joined the Company in January 2020. Mr. LAU is currently a practising certified public accountant in Hong Kong. Mr. LAU graduated from The University of Hong Kong with a bachelor's degree in business administration in 1994 and obtained a master's degree in corporate finance from Hong Kong Polytechnic University in 2007. Mr. LAU is currently the company secretary of BBMG Corporation (stock code: 2009.HK) since August 2008, an independent non-executive director of Artini Holdings Limited (stock code: 789.HK) since April 2008, Renco Holdings Group Limited (stock code: 2323.HK) since March 2016 and China Energine International (Holdings) Limited since March 2020 (stock code: 1185.HK). Mr. LAU was an executive director of Future World Financial Holdings Limited (stock code: 572.HK) between January 2014 and July 2022, a non-executive director of Alltronics Holdings Limited (stock code: 833.HK) between March 2017 and December 2018, an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238.HK) between April 2019 and November 2019, Tenwow International Holdings Limited (stock code: 1219.HK) between November 2018 and November 2020 and Titan Petrochemicals Group Limited (stock code: 1192.HK) between March 2014 and August 2023.

Mr. HSU Dong An, aged 34, is an independent non-executive director of the Company, the chairperson of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company. He joined the Company in August 2023. He has been a director of a subsidiary of a listed Company in Hong Kong since July 2021. He has over 11 years of experience in the field of corporate finance, financial management and audit experience in Hong Kong and the People's Republic of China. From April 2013 to June 2021, he was a vice president of corporate finance of a previously listed Company in Hong Kong. He is a CFA charterholder of the CFA Institute. He graduated from the University of Southern California with a bachelor's degree in Accounting in 2011.

Mr. HEUNG Pik Lun, aged 61, is an independent non-executive director of the Company, a member of the audit committee and nomination committee of the Company. He joined the Company in September 2023. He is a senior executive with extensive experience in administrative management. With over 20 years of business experience in both China and Hong Kong, Mr. HEUNG has a wealth of experience in market development. He has also managed several listed companies in China and Hong Kong, demonstrating a deep understanding and proficient skills in corporate management and capital market. Mr. HEUNG has been appointed as an executive director of Master Glory Group Limited (stock code: 275.HK), the shares of which were listed on the Main Board of the Stock Exchange and delisted on 8 February 2021, from 10 February 2011 to 8 February 2021. He holds a Royal Chartered Surveyor qualification.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining and achieving a high standard of corporate governance with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the Shareholders and enhance the business growth of the Group.

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.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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.

NON-EXECUTIVE DIRECTORS

The non-executive Director has no specific term of appointment but is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association.

BOARD OF DIRECTORS

Board Composition

The composition of the Board during the year and up to the date of this annual report is as follows:

Executive Directors

Mr. CHAU Wai Wah Fred *(re-designated on 1 August 2022)*
Mr. HO Kam Kin *(appointed on 5 September 2022)*
Ms. KWOK Shuk Yi *(appointed on 5 September 2022)*
Mr. LIAO Zhe *(resigned on 5 September 2022)*
Mr. CHEUK Ka Chun Kevin *(resigned on 5 September 2022)*
Mr. CHAN Ting *(resigned on 1 August 2022)*

Non-executive Directors

Dr. CHENG Yanjie
Madam CHEUNG Kwai Lan *(resigned on 1 August 2022)*

Independent Non-executive Directors

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 *(resigned on 16 May 2023)*

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" in this annual report. The relationships (including financial, business, family or other material or relevant relationship(s)), if any, among members of the Board are also disclosed therein.

Responsibilities of the Board and Management

The Board is responsible for the leadership and control of, and promoting the success of the Group. Apart from its statutory and fiduciary responsibilities, the Board is responsible for reviewing the financial performance of the Group and approving and monitoring the Group's strategic plans, major investments, risk managements and internal control policies. The Board is also responsible for monitoring managerial performance and achieving return for the Shareholders.

Further, the Board is responsible for supervising the management of the Group (the "**Management**") and has delegated the responsibility for daily operations and management of the Group's businesses to the Management but material transactions such as acquisitions and disposals of assets of the Group are required to be approved by the Board. The Management, led by the chief executive officer of the Company and comprising a team of senior managers who have extensive experience and expertise in different areas, is responsible for managing the day-to-day operations, implementing the strategies set by the Board, and assisting the Board in formulating and implementing corporate strategies.

Independent Non-executive Directors

From 1 July 2022 to 15 May 2023, the Company had three independent non-executive Directors of the Company (the "**INED(s)**") and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise under Rule 5.05 of the GEM Listing Rules. 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 independent non-executive directors required under Rule 5.05(1) 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 fell below (i) the minimum number of three independent non-executive directors required under Rule 5.05(1) of the GEM Listing Rules and (ii) the minimum number of one-third of the Board required under Rule 5.05A of the GEM Listing Rules. The Company shall appoint a sufficient number of INEDs to meet the minimum number required under Rules 5.05(1) and 5.05A of the GEM Listing Rules within three months after failing to meet the requirements. The Company appointed one INED, Mr. HSU Dong An on 15 August 2023 to comply with Rule 5.05A of the GEM Listing Rules. 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 5.05(1) 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 on 15 September 2023 to comply with Rule 5.05(1) of the GEM Listing Rules.

The Company has received from each INED an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered all of the INEDs to be independent. Each INED is required to inform the Company as soon as practicable if there is any change that may affect his/her independence.

Independent views available to the Board

To ensure independent views and input are available to the Board, the following mechanisms are established and implemented: (i) Each INED must provide an annual confirmation of his independence to the Company to ensure fulfilment of the independence criteria as set out in Rule 5.09 of the GEM Listing Rules; (ii) In appointing INEDs, the Nomination Committee shall assess if the candidate(s) would be independent with reference to the independence criteria as set out in Rule 5.09 of the GEM Listing Rules and also consider other factors, including but not limited to his/her character, integrity, cross-directorships, significant links with other Directors, time commitment, professional qualifications and relevant work experience; (iii) The Board shall ensure that further re-appointment of any long-serving INED is subject to a separate resolution to be approved by the Shareholders at the annual general meetings of the Company; (iv) The Nomination Committee shall review the structure, size and composition of the Board by taking into account of various aspects, including the Company's board diversity policy and measurable objectives to achieve Board diversity, on an annual basis; and (v) The Directors may seek advice from external independent professional advisors at the Company's expense to perform their duties.

Continuous Professional Development

The Company provides the Directors with regular updates on business development of the Group. The Directors are regularly briefed in the latest development on the GEM Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. The Company also recommends them to attend relevant seminars to develop and refresh their knowledge and skills. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code. During the year, all the Directors have participated in appropriate continuous professional development activities either by attending external seminars or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

Board Meetings, Board Committees Meetings and General Meetings

The Company conducts scheduled Board meetings on a quarterly basis to discuss strategies and business issues, including financial performance of the Group. The Board would meet more frequently as and when required. During the year ended 30 June 2023, the Board held nine meetings.

The attendance of individual members of the Board at Board meetings, meetings of the Board committees, annual general meeting and extraordinary general meeting(s) during the year ended 30 June 2023, as well as the number of such meetings held, are set out as follows:

	Meetings Attended/Held					
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Number of Meeting	9	5	3	3	1	1
Executive Directors						
Mr. CHAU Wai Wah Fred *(re-designated on 1 August 2022)*	9/9	N/A	3/3	3/3	1/1	1/1
Mr. HO Kam Kin *(appointed on 5 September 2022)*	6/6	N/A	N/A	N/A	1/1	1/1
Ms. KWOK Shuk Yi *(appointed on 5 September 2022)*	6/6	N/A	N/A	N/A	1/1	1/1
Mr. LIAO Zhe *(resigned on 5 September 2022)*	2/2	N/A	N/A	N/A	N/A	N/A
Mr. CHEUK Ka Chun Kevin *(resigned on 5 September 2022)*	2/2	N/A	N/A	N/A	N/A	N/A
Mr. CHAN Ting *(resigned on 1 August 2022)*	0/1	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Dr. CHENG Yanjie	9/9	N/A	N/A	N/A	1/1	1/1
Madam CHEUNG Kwai Lan *(resigned on 1 August 2022)*	0/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. LAU Fai Lawrence	9/9	5/5	3/3	N/A	1/1	1/1
Mr. HSU Dong An *(appointed on 15 August 2023)*	N/A	N/A	N/A	N/A	N/A	N/A
Mr. HEUNG Pik Lun *(appointed on 15 September 2023)*	N/A	N/A	N/A	N/A	N/A	N/A
Dr. LIU Ta-pei *(resigned on 3 August 2023)*	9/9	5/5	3/3	3/3	1/1	1/1
Mr. LAM Kit Sun *(resigned on 16 May 2023)*	6/6	4/4	2/2	2/2	1/1	1/1

All Directors have access to relevant and timely information at all times as the Management will supply the Board and the Board committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the company secretary of the Company (the "**Company Secretary**"), who is responsible for providing the Directors with Board papers and related materials, and ensuring that all Board procedures and all applicable rules and regulations are followed. If the Directors considered necessary and appropriate, they may upon reasonable request seek independent professional advice at the Company's expense. Except for those circumstances permitted by the Articles of Association and the GEM Listing Rules, when a Director who has a material interest in any transaction, arrangement, contract or any other kind of proposal put forward to the Board for consideration, he or she shall not be counted in the quorum of the Board meeting and shall abstain from voting on the relevant resolution.

BOARD COMMITTEES

The Board has maintained three board committees (the "**Board Committees**"), namely the audit committee, the remuneration committee and the nomination committee, throughout the year to oversee particular aspects of the Group's affairs. Each committee has specific terms of reference clearly defining its powers, duties and responsibilities. The terms of reference of the Board Committees are published on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice under appropriate circumstances, at the Company's expenses. All Board Committees have adopted the applicable practices and procedures used in Board meetings in conducting their respective meetings.

Audit Committee

For the year and up to the date of this annual report, 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. Individual attendance of the Audit Committee members is set out on page 15 of this annual report. The Group's audited consolidated results for the year ended 30 June 2023 have been reviewed by the Audit Committee.

Remuneration Committee

For the year and up to the date of this annual report, the remuneration committee of the Company (the "**Remuneration Committee**") comprised three members, a majority of them being the INEDs, namely Mr. LAU Fai Lawrence, Mr. CHAU Wai Wah Fred (re-designated from INED to executive Director on 1 August 2022), Mr. HSU Dong An (appointed on 15 August 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. CHAN Ting (an executive Director resigned on 1 August 2022). Mr. LAU has been appointed as the chairperson of the Remuneration Committee.

The major duties of the Remuneration Committee include (i) assisting the Board to develop and administer fair and transparent procedures for setting policies on the remuneration of the Directors and senior management of the Company; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company; and (iii) reviewing and/or approving material matters relating to share schemes under Chapter 23 of the GEM Listing Rules. During the year ended 30 June 2023, three meetings were held by the Remuneration Committee. At the meetings, the Remuneration Committee has performed its duties to (i) make recommendations to the Board on the remuneration packages of the Directors; and (ii) review material matter relating to the amendment of the terms of reference of the Remuneration Committee relating to share schemes under Chapter 23 of the GEM Listing Rules. Individual attendance of the Remuneration Committee members is set out on page 15 of this annual report.

Annual Emoluments Payable to Members of the Senior Management by Band

The annual emolument of the members of the senior management by band for the year ended 30 June 2023 is as follows:

Emoluments Band	**No. of Individuals**
HK$5,500,001 — HK$6,000,000	—
HK$3,000,001 — HK$3,500,000	—
HK$1,500,001 — HK$2,000,000	—
HK$1,000,001 — HK$1,500,000	1
HK$500,001 — HK$1,000,000	2
Nil — HK$500,000	2
Total:	5

Nomination Committee

For the year and up to the date of this annual report, the nomination committee of the Company (the "**Nomination Committee**") comprised three members, a majority of them being the INEDs, namely Mr. HSU Dong An (appointed on 15 August 2023), Mr. CHAU Wai Wah Fred (re-designated from INED to executive Director on 1 August 2022), 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. CHAN Ting (an executive Director and chairperson of the Nomination Committee resigned on 1 August 2022). Mr. LAM Kit Sun and Mr. HSU Dong An have been appointed as the chairperson of the Nomination Committee from 1 August 2022 till 15 May 2023 and with effect from 15 August 2023 respectively. The major roles and functions of the Nomination Committee include reviewing the structure, size, composition and diversity of the Board at least once a year; making recommendations to the Board on the appointment and re-appointment of the Directors and succession planning of the Directors; and assessing the independence of the INEDs. During the year ended 30 June 2023, three meetings were held by the Nomination Committee. In the meetings, the Nomination Committee has performed its duties to review the structure, size, composition and diversity of the Board, make recommendations to the Board on the appointment and re-appointment of the Directors and review the independence of the INEDs. Individual attendance of the Nomination Committee members is set out on page 15 of this annual report.

Nomination Policy

The Nomination Committee has adopted the nomination policy. The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from the Board members (if any), for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by the Board members. The Nomination Committee shall make recommendations of the candidates for the Board's consideration and approval. For proposing candidates to stand for re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration.

The factors considered by the Nomination Committee in assessing the suitability of a proposed candidate include (i) reputation for integrity; (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; (iii) willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments; (iv) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service; (v) independence requirements (for nomination of INEDs only) pursuant to Rule 5.09 of the GEM Listing Rules; and (vi) such other perspectives appropriate to the Company's business.

Corporate Governance Function

The Company has not established a corporate governance committee. With the leadership of the executive Directors collectively and assistance from the INEDs, the Board is committed to promoting corporate governance which serves as a vital element of risk management throughout the growth and expansion of the Company. The Company has adopted and complied with the applicable code provisions as set out in the CG Code for the corporate governance during the year ended 30 June 2023. The Board has (i) reviewed the policies and practices on corporate governance and compliance with legal and regulatory requirements and make recommendations to the Board; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the code of conduct applicable to employees and Directors; and (iv) reviewed the Company's compliance with the CG Code and disclosure in the section headed "Corporate Governance Report" in this annual report.

COMPANY SECRETARY

Mr. HO Kam Kin ("**Mr. HO**") was appointed as the Company Secretary with effect from 1 September 2016, and is currently the executive Director, group chief financial officer and authorised representative of the Company. The biographical details of Mr. HO are set out in the section headed "Profiles of Directors and Senior Management" on page 10. During the year ended 30 June 2023, Mr. HO has complied with Rule 5.15 of the GEM Listing Rules for taking no less than 15 hours of relevant professional training.

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Financial Reporting

The Directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group. The Directors also ensure that (i) the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards on a going concern basis and (ii) the publication of the financial statements of the Group is in a timely manner. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the consolidated financial statements. A statement by the external auditors about their reporting responsibility is set out in the section headed "Independent Auditor's Report" in this annual report.

Risk Management and Internal Control

The Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group with the support of the Audit Committee. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Management has established comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding the Company's assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems has been conducted annually. Such review covered the financial, operational and compliance controls of the significant subsidiaries of the Group and included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the environmental, social and governance performance and reporting. The Company has an internal audit function to carry out analysis and independent appraisal of the adequacy and effectiveness of the systems. The systems were considered to be effective and adequate.

The internal audit function also has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Employees of the Group are prohibited from using inside information for their own benefit. The Board also has the responsibility to disseminate to the Shareholders and the public any inside information by way of announcements in accordance with the GEM Listing Rules.

AUDITORS' REMUNERATION AND AUDITOR RELATED MATTERS

The Company reviews the appointment of external auditors on an annual basis, including a review of the audit scope and approval of the audit fee. During the year, the fee paid/payable to the Company's external auditors for audit and non-audit services amounted to HK$800,000 and HK$Nil respectively.

DIVERSITY

The Nomination Committee has adopted the board diversity policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, the Board diversity has been considered from a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company also takes into account these factors based on its own business model and specific needs from time to time and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company has set measurable objectives for implementing the policy, including the Board has at least a Director of a different gender on the Board, at least more than one age group as set out in the section headed "Environmental, Social and Governance Report" on page 48 and at least one of the independent non-executive Directors of the Board must have appropriate professional qualifications or accounting or related financial management expertise. The Company has achieved the above objectives during the year.

The gender diversity of having at least a Director of a different gender on the Board was achieved by appointing one female Director on the Board on 5 September 2022. The Company will look for potential successors of different genders to the Board internally or externally to achieve gender diversity.

The gender ratio of male: female in the workforce, including senior management, was approximately 68%: 32% as at 30 June 2023. The Company has set measurable objective of having at least an employee of a different gender in the workforce for achieving gender diversity and has achieved this objective during the year. The Company did not find any mitigating factors or circumstances which make achieving gender diversity across the workforce, including senior management, more challenging or less relevant.

The implementation of the board diversity policy has been monitored and reviewed on an annual basis during the year. The Company considered the board diversity policy effective as all the measurable objectives for implementing the policy have been achieved during the year.

SHAREHOLDERS' RIGHTS

Right to Convene an Extraordinary General Meeting (the "EGM")

In accordance with Article 72 of the Articles of Association, any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Right to Direct Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by addressing them to the head office and principal place of business of the Company in Hong Kong at Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The Shareholders may also make enquiries with the Board at the general meetings of the Company.

Right to Put Forward Proposals at a General Meeting

The Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group. The Shareholders shall follow Article 72 of the Articles of Association for including a resolution at the EGM. The requirements and procedures are set out in paragraph headed "Right to Convene an Extraordinary General Meeting (the "**EGM**")" above.

INVESTORS RELATIONS

Shareholders' Communication Policy

The Company has established a shareholders' communication policy including a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meetings, other general meetings that may be convened, the annual, interim and quarterly reports, notices, announcements, circulars and media release on the Company's website at www.sinopharmtech.com.hk to provide ready, equal and timely access to balanced and understandable information relating to the financial performance, strategic goals and plans, material developments and corporate governance issues of the Company.

The Board shall maintain an on-going dialogue with the Shareholders and the investment community. The Shareholders are also encouraged to participate in general meetings or to appoint proxies to attend and vote at the general meetings for and on behalf of themselves if they are unable to attend the general meetings. The chairman of the general meetings will allow reasonable time during the general meetings for questions and comments from the Shareholders. Board members, in particular, either the chairman or the chairman of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer the Shareholders' questions.

The implementation of the shareholders' communication policy has been monitored and reviewed on a regular basis during the year. The Company considered the shareholders' communication policy effective as the Board has conducted several on-going dialogues with the Shareholders and the investment community for communication of their views and the Shareholders' views were also collected during the general meetings. Their views were addressed appropriately after the dialogues and the general meetings to ensure that the Shareholders' needs are best served.

Constitutional Documents

There was no change in the constitutional documents during the year.

DIRECTORS' REPORT

The Directors are pleased to present the annual report together with the audited consolidated financial statements for the year ended 30 June 2023.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 46 to the Consolidated Financial Statements.

An analysis of the Group's performance for the year ended 30 June 2023 by segments is set out in Note 9 to the Consolidated Financial Statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the sections headed "Management Discussion and Analysis", "Environmental, Social and Governance Report" and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the GEM Listing Rules and the Securities and Futures Ordinance for the disclosure of information and corporate governance. The Group also complies with the requirements of the Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. The Group also complies with the relevant PRC laws and regulations relating to its business and operations. No important event affecting the Group has occurred since the end of the financial year under review.

Principal Risks and Uncertainties of the Group

During the year under review, the Group was facing the following risks and uncertainties in our business: i) "Internet Plus" services business: the Group has opened up business development on "Internet Plus" in different scopes of products line, including the big health products in order to explore more business opportunities for the Group. The Group observed that it is a growing market and the business is less susceptible to policy and regulatory changes. However, the operating results of that new business have been materially affected by the industry trends and future development. ii) Manufacturing and distribution of personal protective equipment business: During the year under review, the spread of the epidemic in the community has changed, and the relevant community epidemic prevention measures have gradually decreased, which directly affects the demand for the Company's manufacturing and distribution of personal protective equipment business. The market demand for the Company's personal protective equipment will be closely related to the community's epidemic prevention measures and the epidemic situation, also, it is directly linked to the seriousness of that situation. When the community is gradually returning to normal, the development of the Company's related protective equipment business will also slow down at the same time. iii) Cost increase: Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Hong Kong or Mainland China could impact the profit margins of the Group on the "Internet Plus" service business and manufacturing and distribution of its products on personal protective equipment. In addition, the Group may be subject to product liability suits or product recalls, which could harm our personal protective equipment business.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Group's requirements and standards are well communicated to the suppliers before the commencement of a project.

The Group values the views and opinions of all the customers through various means and channels to understand the customer trends and needs. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2023, sales to the five largest customers accounted for approximately 61% of its entire sales and sales to the largest customer accounted for approximately 33%. Purchases from the Group's five largest suppliers accounted for approximately 86% of the total purchases for the year and purchases from the largest supplier accounted for approximately 59%.

None of the Directors, or any of their close associates or any Shareholders, which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital, had any beneficial interest in these major customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2023 are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on pages 62 and 63.

DIVIDENDS

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

DIVIDEND POLICY

The Board has adopted a dividend policy. Any distribution of dividends shall be in accordance with the applicable laws and the relevant provisions of the Articles of Association effective from time to time. The Company may declare and distribute final dividends, interim dividends or special dividends as may be determined by the Board from time to time. Declaration of final dividend is subject to the approval of the Shareholders. The Company may distribute dividends by way of cash or Shares. Profit distribution of the Company shall take into account: (i) the earnings per share of the Company; (ii) the reasonable return in investment of the investors and the Shareholders in order to provide incentive to them to continue to support the Company in its long-term development; (iii) the financial conditions and business plan of the Company; and (iv) the market sentiment and circumstances.

FIVE-YEAR FINANCIAL SUMMARY

A summary of results and of the assets and liabilities of the Group for the past five financial years is set out on page 163 of this annual report.

RESERVES

Details of movements in reserves of the Group during the year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 66.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 19 to the Consolidated Financial Statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$Nil (2022: HK$Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained a sufficient public float as required under the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions which also constituted exempted connected transactions under Chapter 20 of the GEM Listing Rules are set out in Note 45 to the Consolidated Financial Statements of this annual report.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE LICENSING AND MASTER SERVICE AGREEMENT

On 4 July 2021, 深圳國科防偽科技有限公司 (transliterated as Shenzhen Guoke Anti-Counterfeit Technology Company Limited, the "**Licensee**"), a direct wholly-owned subsidiary of the Company, and 深圳細葉榕科技控股有限公司 Shenzhen Ficus Technology Holdings Ltd. (the "**Licensor**") entered into a licensing and master service agreement (the "**CCT Agreement**") in relation to the patents (the "**Patents**") registered and held by the Licensor, being Anti-counterfeit Packaging Device for Products (商品防偽用包裝裝置) (registration numbers: ZL 2019 2 1449828. X in the PRC) and Anti-counterfeit Packaging Device for Adhesive Parts (黏附件及其組件、防偽用包裝裝置) (registration numbers: ZL 2019 2 1579150. 7 in the PRC).

Subject to the terms and conditions of the CCT Agreement, the Licensor agreed to provide the following services (collectively the "**Total Solutions**") to the Licensee from time to time including to: (i) grant the Licensee during the term of the CCT Agreement, an exclusive and royalty-bearing license to the Patents to use, sell, and offer to sell the licensed product that contains the imbedded lottery ticket and that is designed, manufactured, packaged and delivered in accordance with the required specifications from the state-owned enterprise customers for the anti-counterfeit purposes of the state-owned enterprise customer's commercial products (the "**Device(s)**") in the PRC (the "**Licensing Arrangement**"); and (ii) provide services in relation to (a) design, production arrangement, material procurement and quality control, and customisation service of the Devices pursuant to the specification required by the Licensee and with the quality satisfactory to the Licensee at reasonable costs under each individual purchase order, and (b) design, development and customization of the online anti-counterfeiting information verification platform and the relevant services based on the Licensor's legal rights or interests that exist in the Patents (the "**Licensed Patent Rights**") (the "**Total Solution Services**").

The annual caps under the CCT Agreement for each of the three years ending 30 June 2024 respectively are HK$8,300,000, HK$8,800,000 and HK$9,300,000 for the year ended 30 June 2022, for the year ending 30 June 2023 and for the year ending 30 June 2024. The CCT Agreement should commence on the business day immediately following the date of the CCT Agreement and shall, unless terminated in accordance with provisions of clauses of the CCT Agreement, continue in full force and effect until 30 June 2024.

As consideration for the licensing of the Licensed Patent Rights to the Licensee under the Licensing Arrangement and for the provision of Total Solution Services, the Licensee agrees to pay the Licensor a charge of 18% of the net sale price for the provision of the Total Solutions for each Device. It does not include the cost for procurement of the lottery ticket imbedded in the Device, and production cost associated with the production, transportation and delivery of the Devices and the cost associated with online anti-counterfeiting information verification platform for the Devices based on the Licensed Patent Rights.

The patented and innovative Devices for anti-counterfeit use include the unique lottery component with the characteristics of uniqueness and credibility with criminal sanctions for counterfeiting lottery tickets. The Devices are easily recognized by the consumers and welcomed by the brand owners due to the fact that the lottery system established in the PRC can only be operated by the government and therefore are highly creditable. As at 4 July 2021, the Patents have been registered and granted legal protection in three regions and have won awards and recognition from professional judges in international exhibitions. The Group has experience in welfare and sports lottery industries for years. In the past two years, the Group has focused on the opportunities in the growing anti-counterfeiting market. The Group is actively exploring the anti-counterfeiting market and has achieved concrete results. As at 4 July 2021, the Group has contracted with three brand owners in the tea leaves, natural food and cosmetics e-commerce platform industries for the application of the Devices on the brand owners' products and shall be required to deliver the Devices in accordance with the agreements entered into. Therefore, the Group is under actual demand to obtain authorization from the Licensor for the use of the Total Solutions and the Devices to comply with the requirement of necessary approval for conducting the relevant business and support.

The Licensor was currently indirectly owned as to 75% by Ms. Woo, Theresa, the spouse of Mr. Chan Ting, the chairperson, an executive director and chief executive officer of the Company. Accordingly, the Licensor was an associate of the connected person of the Company. As such, the transactions contemplated under the CCT Agreement shall constitute continuing connected transactions of the Company (the "**CCT**") under Chapter 20 of the GEM Listing Rules. Details of the CCT were disclosed in the announcement of the Company dated 5 July 2021.

The Company has received a notice from the Licensor informing the Company to terminate the CCT Agreement with effect from 13 January 2023, pursuant to which the CCT Agreement may be terminated at any time by either party upon three months' prior written notice to the other party. There was no transaction for the year ended 30 June 2022 and up to the termination date on 13 January 2023. Details of the termination of the CCT were disclosed in the announcement of the Company dated 21 October 2022.

For the year ended 30 June 2023, the independent non-executive Directors of the Company have reviewed the CCT and confirmed that the CCT Agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and on terms that are fair and reasonable and in the interests of the Shareholders as a whole. There was no transaction during the year. A letter from the auditors of the Company has been received by the Board confirming that none of the matters mentioned under Rule 20.54 of the GEM Listing Rules arose regarding the CCT for the year ended 30 June 2023.

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

Save as disclosed in this annual report, 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.

UPDATE ON THE GUARANTEED PROFIT REGARDING THE FINANCIAL PERFORMANCE OF THE SUBSIDIARY ACQUIRED

On 4 January 2019, Sinopharm Tech Corporate Management Limited (formerly known as China Vanguard Corporate Management Limited) (the "**Purchaser**"), a wholly-owned subsidiary of the Company, as purchaser and Sinopharm Traditional Chinese Medicine Overseas Holdings Limited as vendor (the "**Vendor**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the sale shares (the "**Sale Shares**") in Hero Global Holdings Limited (the "**Target Company**"), which represents 100% of the equity interest in the Target Company, for a consideration of HK$139.10 million, which will be settled by the allotment and issue of 650,000,000 Shares (the "**Consideration Shares**") by the Company to the Vendor under the specific mandate at the issue price of HK$0.214 per consideration share. The completion of the sale and purchase of the Sale Shares took place on 6 May 2019 and the Target Company became a wholly-owned subsidiary of the Company.

Pursuant to the Sale and Purchase Agreement, the Consideration Shares, upon the allotment and issue, will be subject to lock-up arrangement and held by the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement. The Consideration Shares shall be released from the lock-up arrangement upon satisfaction of the Guaranteed Profit (as defined below) by the Target Company. For the avoidance of doubt, the lock-up period of the Consideration Shares shall not be less than three years since the allotment and issue thereof.

In the event that the aggregate Net Profit (as defined below) does not meet the Guaranteed Profit, the Consideration Shares will be released from the lock-up arrangement only after the cash compensation is made by the Vendor to the Purchaser in accordance with the Sale and Purchase Agreement. In the event that the Vendor fails to compensate the Purchaser in accordance with the Sale and Purchase Agreement, the Purchaser shall have the right to sell the locked-up Consideration Shares in return for such compensation amount in cash. There was no such option to dispose of the Sale Shares to the Vendor in accordance with the Sale and Purchase Agreement.

Pursuant to the Sale and Purchase Agreement, the Vendor guaranteed to the Purchaser that (i) the actual net profit after taxation of the Target Company (the "**Net Profit**") for each of the three years ended 31 December 2019, 2020 and 2021 shall not be less than HK$23,000,000; or (ii) the aggregate Net Profit for the three years ended 31 December 2019, 2020 and 2021 shall not be less than HK$69,000,000 in total (the "**Guaranteed Profit**"). If the aggregate Net Profit for the three years ended 31 December 2019, 2020 and 2021 is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser the shortfall multiplied by a compensation factor of 1.7 in cash. The Vendor shall settle the compensation amount, if any, within 30 business days following the issue of written confirmation in respect of the shortfall by the Purchaser on or before 30 June 2022 with reference to the respective Net Profits for each of the three years as mentioned above.

Based on the unaudited management accounts of the Target Company prepared in accordance with Hong Kong Financial Reporting Standards, the Target Company 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. The aggregate Net Profit for the three years ended 31 December 2019, 2020 and 2021 was approximately HK$14.4 million and hence the Guaranteed Profit could not be fulfilled. Accordingly, the compensation of approximately HK$92.8 million (the "**Compensation**"), being the shortfall of the Guaranteed Profit of approximately HK$54.6 million multiplied by a compensation factor of 1.7, shall be payable by the Vendor within 30 business days following the issue of written confirmation in respect of the shortfall by the Purchaser on 23 May 2022.

The Target Company and its subsidiaries has been engaged in (i) provision of business management and consulting services (with respect to "Internet Plus", blockchain, big data and database management, etc.), overseas sourcing, online trade, technology development for e-commerce platforms (including payment, membership management and precision marketing), technical services; and (ii) provision of "Internet Plus" supply chain services. The revenue of the Target Company has been decreasing during the three years ended 31 December 2021 because certain online platform supply chain business contracts have not been renewed and provision of business management and consulting services to Sino-TCM was suspended due to the outbreak of the COVID-19 pandemic in the PRC, leading to the non-fulfilment of the Guaranteed Profit.

As at 23 May 2022, the Board was of the opinion that the Vendor has not fulfilled its obligations in relation to the Guaranteed Profit of the Sale and Purchase Agreement. On 23 May 2022, the Purchaser and the Vendor signed a confirmation letter and mutually agreed on the amount of the Compensation of approximately HK$92.8 million and entered into a settlement agreement in relation to the settlement arrangement of the Compensation (the "**Settlement Agreement**").

Pursuant to the Settlement Agreement, the Compensation will be settled by 24 instalments, which will be payable on the 15th and the last day of each month commencing on 15 July 2022 and ending on 30 June 2023. The minimum payment amount of each instalment is HK$3,869,028. If the Vendor fails to pay the minimum compensation amount in any one of the instalments, the Purchaser has the right to request settlement of the remaining amount of the Compensation from the Vendor immediately.

The Vendor failed to settle the first installment of the Compensation on 15 July 2022. Even the Purchaser issued the Vendor a written request of settlement on 18 July 2022, the Vendor still failed to do the same on 31 July 2022 which was the scheduled settlement date for the second installment of the Compensation. In accordance with the Sale and Purchase Agreement, the Purchaser shall have the right to sell the locked-up Consideration Shares in return for such Compensation amount in cash. The Purchaser will exercise the right to sell the locked-up Consideration Shares and seek subscriber(s) who is/are third party(ies) independent of and not connected with the Company and any of its connected persons within the meaning of the GEM Listing Rules, to subscribe for the locked-up Consideration Shares. Up to the date of this report, the Company exercised the right and sold 594 million locked-up Consideration Shares in return for the compensation of approximately HK$17 million.

DIRECTORS

The Directors during the year and up to the date of this annual report comprised:

Executive Directors

Mr. CHAU Wai Wah Fred *(re-designated on 1 August 2022)*
Mr. HO Kam Kin *(appointed on 5 September 2022)*
Ms. KWOK Shuk Yi *(appointed on 5 September 2022)*
Mr. LIAO Zhe *(resigned on 5 September 2022)*
Mr. CHEUK Ka Chun Kevin *(resigned on 5 September 2022)*
Mr. CHAN Ting *(resigned on 1 August 2022)*

Non-executive Directors

Dr. CHENG Yanjie
Madam CHEUNG Kwai Lan *(resigned on 1 August 2022)*

Independent Non-executive Directors

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 *(resigned on 16 May 2023)*

In accordance with Article 99 of the Articles of Association, Mr. HSU Dong An and Mr. HEUNG Pik Lun shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) and will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**").

In accordance with Article 116 of the Articles of Association, Mr. CHAU Wai Wah Fred and Mr. LAU Fai Lawrence will retire from office by rotation and, being eligible, offer themselves for re-election at the AGM.

The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the INEDs to be independent.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

In accordance with Rule 17.50A(1) of the GEM Listing Rules, there was no change in information of the Directors required to be disclosed for the year ended 30 June 2023 and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director, auditors or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

DIRECTORS' SERVICE CONTRACTS

All the Directors have not entered into any service contracts with the Company but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraphs headed "Connected Transactions in relation to Loan Capitalisation involving Issue of New Shares under Specific Mandate" on page 26, no contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

None of the Directors, the substantial shareholders or the controlling shareholder of the Company or any of their respective close associates (as defined under the GEM Listing Rules) has any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executive in the ordinary share(s) of HK$0.0125 each of the Company (the "**Share(s)**"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares of the Company or Any of its Associated Corporation

		Number of Shares Held					
Name of Directors	**The Company/Name of Associated Corporation**	**Interest in Controlled Corporation**	**Personal Interest (ordinary shares)**	**Personal Interest (underlying shares)** *(Note)*	**Interest of Spouse**	**Total Interest**	**Approximate Percentage of Shareholding**
Mr. CHAU Wai Wah Fred	The Company	—	3,800,000	40,000,000	—	43,800,000	0.95%
Mr. HO Kam Kin	The Company	—	—	40,000,000	—	40,000,000	0.87%
Ms. KWOK Shuk Yi	The Company	—	—	40,000,000	—	40,000,000	0.87%
Dr. CHENG Yanjie	The Company	—	1,965,000	4,000,000	—	5,965,000	0.13%
Mr. LAU Fai Lawrence	The Company	—	—	4,000,000	—	4,000,000	0.09%
Dr. LIU Ta-pei *(resigned on 3 August 2023)*	The Company	—	—	900,000	—	900,000	0.02%

Note:

These share options were granted by the Company on 28 December 2022 under the share option scheme adopted by the Company on 9 June 2021.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above and "Connected Transactions in relation to Loan Capitalisation involving Issue of New Shares under Specific Mandate" on page 26, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

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

As at 30 June 2023, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as follows:

Long Positions in the Shares

Name of Shareholders	Capacity	Number of issued Shares Held	Approximate Percentage of the Shareholding
Best Frontier Investments Limited ("**Best Frontier**") & its concert parties *(Note 1)*	Beneficial Owner	677,439,364	14.75%
Integrated Asset Management (Asia) Limited ("**Integrated Asset**") & its concert parties *(Note 2)*	Beneficial Owner	542,363,000	11.81%
Mr. Tse Siu Hoi	Beneficial Owner	310,650,000	6.76%

Notes:

1. The 677,439,364 Shares were held by Best Frontier which was wholly owned by Mr. LAM Yui Keung.

2. The 542,363,000 Shares were owned by Integrated Asset which was wholly-owned by Mr. YAM Tak Cheung.

   On 17 January 2014, the Company issued unlisted convertible bonds with a principal amount of HK$89,625,000 (the "**CBs**") to Integrated Asset. 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 annual report, 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.

Save as disclosed above, as at 30 June 2023, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Old Share Option Scheme**") on 31 January 2013 under which the Board may, at its discretion, invite eligible persons to take up share options to subscribe for the Shares. The purpose of the Old Share Option Scheme is to enable the Company to grant share options to selected eligible persons as incentives or rewards for their contribution to the Group. Eligible persons shall include any employee, any Director (including executive, non-executive and independent non-executive Directors) and any consultant of the Company or of any subsidiary of the Company or such other persons who, at the sole determination of the Board, have contributed to the Group at the time when an option is granted to such persons. The Old Share Option Scheme will remain valid for a period of 10 years commencing from the date of its adoption. The share options must be taken up with a remittance in favour of the Company of one Hong Kong Dollar (HK$1.00) within 21 days from the date on which the offer letter is delivered to the grantee for acceptance of the offer. There is neither no requirement for the vesting period of options granted nor for the period within which the option may be exercised by the grantee under the Old Share Option Scheme. The Old Share Option Scheme was terminated on 9 June 2021.

The Company adopted a new share option scheme (the "**New Share Option Scheme**") on 9 June 2021 under which the Board may, at its discretion, invite eligible persons to take up share options to subscribe for the Shares. The purpose of the New Share Option Scheme is to enable the Group to grant the share options to selected eligible persons (the "**Eligible Persons**") as incentives or rewards for their contribution to the Group. The New Share Option Scheme will provide the Eligible Persons with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives: (i) motivate the Eligible Persons (in case of the Eligible Employees, as defined below) to optimise their performance and efficiency for the benefit of the Group; (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Persons (in case of the Eligible Consultants, as defined below) whose contributions are, will be or are expected to be beneficial to the Group; and (iii) align the interests of the Eligible Persons with the Shareholders. Eligible persons shall include any employee and any Director (including executive, non-executive and independent non-executive Directors) (both collectively, the "**Eligible Employee(s)**") and any consultant (both collectively, the "**Eligible Consultant(s)**") of the Company or of any subsidiary of the Company or such other persons who, at the sole determination of the Board, have contributed to the Group at the time when an option is granted to such persons. The New Share Option Scheme will remain valid for a period of 10 years commencing from the date of its adoption. The share options must be taken up with a remittance in favour of the Company of one Hong Kong Dollar (HK$1.00) within 21 days from the date on which the offer letter is delivered to the grantee for acceptance of the offer. There is neither no requirement for the vesting period of options granted nor for the period within which the option may be exercised by the grantee under the New Share Option Scheme. After the Share Consolidation became effective from 29 August 2023, 7,821,507 Consolidated Shares are available for issue under the New Share Option Scheme, representing approximately 4.26% of the issued Consolidated Shares as at the date of this annual report.

Details of the Old Share Option Scheme and the New Share Option Scheme adopted by the Company are set out in Note 40 to the Consolidated Financial Statements.

The number of share options available for grant under the scheme mandate at the beginning and the end of the year ended 30 June 2023 was 357,537,680 and 174,637,680 respectively. The number of Shares that may be issued in respect of the share options granted under all share option schemes of the Company during the year ended 30 June 2023 (assuming to take the average of the opening balance and closing balance) divided by the weighted average number of Shares in issue for the year ended 30 June 2023 was 0.0255.

Old Share Option Scheme

The details of the movements in share options under the Old Share Option Scheme during the year were as follows:

					Number of Share Options					
Name/Category of Participants	**Grant Date**	**Exercise Price per Share (HK$)**	**Vesting Period**	**Exercise Period**	**As at 1 July 2022**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2023**
Directors										
Mr. CHAU Wai Wah Fred	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,080,000	—	—	—	1,080,000	—
	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,080,000	—	—	—	1,080,000	—
	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	1,440,000	—	—	—	1,440,000	—
Mr. HO Kam Kin	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,620,000	—	—	—	1,620,000	—
(appointed on	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,620,000	—	—	—	1,620,000	—
5 September 2022)	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	2,160,000	—	—	—	2,160,000	—
Ms. KWOK Shuk Yi	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,500,000	—	—	—	1,500,000	—
(appointed on	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,500,000	—	—	—	1,500,000	—
5 September 2022)	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	2,000,000	—	—	—	2,000,000	—
Dr. CHENG Yanjie	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,080,000	—	—	—	1,080,000	—
	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,080,000	—	—	—	1,080,000	—
	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	1,440,000	—	—	—	1,440,000	—
Dr. LIU Ta-pei	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,080,000	—	—	—	1,080,000	—
(resigned on	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,080,000	—	—	—	1,080,000	—
3 August 2023)	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	1,440,000	—	—	—	1,440,000	—
Madam CHEUNG Kwai Lan	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,200,000	—	—	—	1,200,000	—
(resigned on	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,200,000	—	—	—	1,200,000	—
1 August 2022)	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	1,600,000	—	—	—	1,600,000	—
Mr. CHAN Ting	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,200,000	—	—	—	1,200,000	—
(resigned on	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,200,000	—	—	—	1,200,000	—
1 August 2022)	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	1,600,000	—	—	—	1,600,000	—
Mr. CHEUK Ka Chun Kevin	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	6,166,500	—	—	—	6,166,500	—
(resigned on	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	6,166,500	—	—	—	6,166,500	—
5 September 2022)	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	8,222,000	—	—	—	8,222,000	—
Mr. LIAO Zhe	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	690,000	—	—	—	690,000	—
(resigned on	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	690,000	—	—	—	690,000	—
5 September 2022)	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	920,000	—	—	—	920,000	—
Directors' Associates										
Ms. CHAN Siu Sarah	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,080,000	—	—	—	1,080,000	—
	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,080,000	—	—	—	1,080,000	—
	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	1,440,000	—	—	—	1,440,000	—
				Sub-total	55,655,000	—	—	—	55,655,000	—
Employees	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	9,718,500	—	—	—	9,718,500	—
	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	9,718,500	—	—	—	9,718,500	—
	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	12,958,000	—	—	—	12,958,000	—
				Sub-total	32,395,000	—	—	—	32,395,000	—
Consultants *(Note)*	14/08/2019	0.33	14/08/2019–31/12/2019	01/01/2020–31/12/2022	11,600,000	—	—	—	11,600,000	—
	14/08/2019	0.33	14/08/2019–31/05/2020	01/06/2020–31/12/2022	18,540,000	—	—	—	18,540,000	—
	14/08/2019	0.33	14/08/2019–31/08/2020	01/09/2020–31/12/2022	8,700,000	—	—	—	8,700,000	—
	14/08/2019	0.33	14/08/2019–28/02/2021	01/03/2021–31/12/2022	18,540,000	—	—	—	18,540,000	—
	14/08/2019	0.33	14/08/2019–30/04/2021	01/05/2021–31/12/2022	8,700,000	—	—	—	8,700,000	—
	14/08/2019	0.33	14/08/2019–30/11/2021	01/12/2021–31/12/2022	24,720,000	—	—	—	24,720,000	—
				Sub-total	90,800,000	—	—	—	90,800,000	—
				Total	178,850,000	—	—	—	178,850,000	—

Note:

The 90,800,000 outstanding share options were granted on 14 August 2019 and accepted by 13 eligible consultants. To the best of the Directors' knowledge, information and belief, the details of these 13 eligible consultants, namely from Consultant A to Consultant M, all of whose relationships with the Company are recurring during their option period, are as follows:

Consultant A was an ex-government official from Ministry of Civil Affairs and has extensive connections and resources with state-owned enterprises (the "**SOE**") and government. The Company considered that Consultant A will be responsible for lining up the cooperation with Zhong Wei Hua Xin Fund Management Co., Ltd and China Tobacco in non-tobacco business and the business related advisory. 8,000,000 share options were granted to Consultant A.

Consultant B is veteran in China sport lottery and China sport industries and has extensive connections and resources in sport industry and experience in sport lottery. The Company considered that Consultant B will be responsible for lining up the cooperation with Beijing Sport University and cooperation with Sport Lottery Centres. 8,000,000 share options were granted to Consultant B.

Consultant C is the head of village in northern part of Hong Kong and business advisor for one of the largest chain operation pharmaceutical companies in Hong Kong. The Company considered that Consultant C will be responsible for the planning, basic infrastructure installation and procuring sales channel for traditional Chinese medicine for the traditional Chinese medicine plantation base in southern part of China. 13,000,000 share options were granted to Consultant C.

E-commerce business — JD.com

Consultant D has extensive connections and relationship with JD.com. Based on the contribution in the business with JD.com and maintaining the relationship with JD.com, the Company considered that Consultant D will provide the advice to the business and all necessary assistance in relation to the contract. 4,900,000 share options were granted to Consultant D.

Acquisition for Sinopharm Health Cross Border E-Commerce Company Limited and comprehensive healthcare platform

Consultant E is veteran in SOE, has been holding senior position in SOE for over 20 years, and is experienced in merger and acquisition, strategic planning and coordination, business development and SOE operation and approval process. Based on the contribution in successful coordination and preparation to assist in going through all the necessary approval process with China National Pharmaceutical Group to get their approval on the acquisition transaction of Sinopharm Health Cross Border E-Commerce Company Limited, the Company considered that Consultant E will provide the advice to the business and all necessary assistance in relation to the contract. 4,000,000 share options were granted to Consultant E.

Consultant F has extensive connection and experience in handling acquisition related issue. Based on the contribution in coordinating, providing assistance and preparation work for the board of directors of Sinopharm Traditional Chinese Medicine Co., Ltd. to approve the transaction for the acquisition of Sinopharm Health Cross Border E-Commerce Company Limited, the Company considered that Consultant F will provide the advice to the business and all necessary assistance in relation to the contract. 4,900,000 share options were granted to Consultant F.

Consultant G has held senior position in SOE over 20 years, is well connected and experienced in cooperation with SOE. Based on the contribution in coordinating the cooperation with Sinopharm Traditional Chinese Medicine Co., Ltd., China Tobacco and Zhong Wei Hua Xin Fund Management Co., Ltd, the Company considered that Consultant G will provide the advice to the business and all necessary assistance in relation to the contract. 4,900,000 share options were granted to Consultant G.

Consultant H is well connected with the suppliers in various types of products during his past working experience. Based on the contribution in sourcing the supplier for the cross border e-commerce business and maintaining the relationship, the Company considered that Consultant H will provide the advice to the business and all necessary assistance in relation to the contract. 4,900,000 share options were granted to Consultant H.

Consultant I is experienced in PRC health system and information technology solution for healthcare for over 20 years. Based on the contribution in provision of the planning and overall requirement of the comprehensive health platform for Sinopharm Traditional Chinese Medicine Co., Ltd., the Company considered that Consultant I will provide the advice to the business and all necessary assistance in relation to the contract. 4,900,000 share options were granted to Consultant I.

Consultant J is experienced in marketing and operation for health related business. Based on the contribution in coordinating the cooperation with Sinopharm Traditional Chinese Medicine Co., Ltd, Zhong Wei Hua Xin Fund Management Co., Ltd and the Company on smart convenience store project and health related cooperation, the Company considered that Consultant J will provide the advice to the business and all necessary assistance in relation to the contract. 2,500,000 share options were granted to Consultant J.

Consultant K is experienced in track and trace solution for medicine. Based on the contribution in provision of the planning and guidance for the track and trace function of the comprehensive health platform for Sinopharm Traditional Chinese Medicine Co., Ltd., the Company considered that Consultant K will provide the advice to the business and all necessary assistance in relation to the contract. 2,500,000 share options were granted to Consultant K.

Consultant L, a founder and owner of an information technology solution company for "Internet Plus" government affairs, which served over hundreds of government clients, and with extensive connections and resources in business and government sector in PRC, he is well connected with Sinopharm Traditional Chinese Medicine Co., Ltd. Based on the contribution in successfully introducing and endeavoring Sinopharm Health Cross Border E-Commerce Company Limited to contract with Sinopharm Traditional Chinese Medicine Co., Ltd. for the construction of comprehensive healthcare platform, the Company considered that Consultant L will provide the advice to the business and all necessary assistance in relation to the contract. 25,800,000 share options were granted to Consultant L.

Consultant M is the General Manager for an investment group in China which targeted to invest in various industries from finance, utilities, information technology to property industries. Consultant M was a former senior consultant for a European investment bank and experienced in project acquisition and operation worldwide. Based on the contribution to assist Sinopharm Traditional Chinese Medicine Co., Limited for the transaction structure and preparation work from Sinopharm Traditional Chinese Medicine Co., Limited in regards to the acquisition transaction of Sinopharm Health Cross Border E-Commerce Company Limited, the Company considered that Consultant M will provide the advice to the business and all necessary assistance in relation to the contract. 2,500,000 share options were granted to Consultant M.

Five Highest Paid Individuals in Aggregate under the Old Share Option Scheme

The details of the movements in share options of the five highest paid individuals in aggregate and other grantees (except Directors) in aggregate under the Old Share Option Scheme during the year were as follows:

					Number of Share Options					
Name/Category of Participants	**Grant Date**	**Exercise Price per Share (HK$)**	**Vesting Period**	**Exercise Period**	**As at 1 July 2022**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2023**
Five highest paid individuals	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	18,030,000	—	—	—	18,030,000	—
	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	18,030,000	—	—	—	18,030,000	—
	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	24,040,000	—	—	—	24,040,000	—
				Sub-total	60,100,000	—	—	—	60,100,000	—
Other grantees (except Directors)	07/01/2020	0.33	07/01/2020–31/05/2020	01/06/2020–31/12/2022	1,755,000	—	—	—	1.755,000	—
	07/01/2020	0.33	07/01/2020–28/02/2021	01/03/2021–31/12/2022	1,755,000	—	—	—	1,755,000	—
	07/01/2020	0.33	07/01/2020–30/11/2021	01/12/2021–31/12/2022	2,340,000	—	—	—	2,340,000	—
	14/08/2019	0.33	14/08/2019–31/12/2019	01/01/2020–31/12/2022	11,600,000	—	—	—	11,600,000	—
	14/08/2019	0.33	14/08/2019–31/05/2020	01/06/2020–31/12/2022	18,540,000	—	—	—	18,540,000	—
	14/08/2019	0.33	14/08/2019–31/08/2020	01/09/2020–31/12/2022	8,700,000	—	—	—	8,700,000	—
	14/08/2019	0.33	14/08/2019–28/02/2021	01/03/2021–31/12/2022	18,540,000	—	—	—	18,540,000	—
	14/08/2019	0.33	14/08/2019–30/04/2021	01/05/2021–31/12/2022	8,700,000	—	—	—	8,700,000	—
	14/08/2019	0.33	14/08/2019–30/11/2021	01/12/2021–31/12/2022	24,720,000	—	—	—	24,720,000	—
				Sub-total	96,650,000	—	—	—	96,650,000	—

New Share Option Scheme

The details of the movements in share options under the New Share Option Scheme during the year were as follows:

					Number of Share Options					
Name/Category of Participants	**Grant Date**	**Exercise Price per Share (HK$)**	**Vesting Period**	**Exercise Period**	**As at 1 July 2022**	**Granted** *(Note 1)*	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2023**
Directors										
Mr. CHAU Wai Wah Fred	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	16,000,000	—	—	—	16,000,000
	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	12,000,000	—	—	—	12,000,000
	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	12,000,000	—	—	—	12,000,000
Mr. HO Kam Kin	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	16,000,000	—	—	—	16,000,000
(appointed on 5	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	12,000,000	—	—	—	12,000,000
September 2022)	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	12,000,000	—	—	—	12,000,000
Ms. KWOK Shuk Yi	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	16,000,000	—	—	—	16,000,000
(appointed on 5	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	12,000,000	—	—	—	12,000,000
September 2022)	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	12,000,000	—	—	—	12,000,000
Dr. CHENG Yanjie	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	1,600,000	—	—	—	1,600,000
	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	1,200,000	—	—	—	1,200,000
	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	1,200,000	—	—	—	1,200,000
Mr. LAU Fai Lawrence	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	1,600,000	—	—	—	1,600,000
	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	1,200,000	—	—	—	1,200,000
	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	1,200,000	—	—	—	1,200,000
Dr. LIU Ta-pei	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	360,000	—	—	—	360,000
(resigned on 3 August	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	270,000	—	—	—	270,000
2023)	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	270,000	—	—	—	270,000
Mr. LAM Kit Sun	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	1,600,000	—	—	1,600,000	—
(resigned on 16 May	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	1,200,000	—	—	1,200,000	—
2023)	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	1,200,000	—	—	1,200,000	—
				Sub-total	—	132,900,000	—	—	4,000,000	128,900,000
Employees	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	42,400,000	—	—	—	42,400,000
	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	31,800,000	—	—	—	31,800,000
	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	31,800,000	—	—	—	31,800,000
	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	12,500,000	—	—	—	12,500,000
	28/12/2022	0.04	28/12/2022–31/12/2023	01/01/2024–30/06/2028	—	12,500,000	—	—	—	12,500,000
				Sub-total	—	131,000,000	—	—	—	131,000,000
Employees	27/08/2021	0.25	27/08/2021–30/09/2021	01/10/2021–30/09/2024	25,200,000	—	—	—	25,200,000	—
	27/08/2021	0.25	27/08/2021–31/12/2021	01/01/2022–30/09/2024	18,900,000	—	—	—	18,900,000	—
	27/08/2021	0.25	27/08/2021–31/12/2022	01/01/2023–30/09/2024	18,900,000	—	—	—	18,900,000	—
				Sub-total	63,000,000	—	—	—	63,000,000	—
Consultants *(Note 2)*	27/08/2021	0.25	27/08/2021–30/09/2021	01/10/2021–30/09/2024	5,600,000	—	—	—	5,600,000	—
	27/08/2021	0.25	27/08/2021–31/12/2021	01/01/2022–30/09/2024	4,200,000	—	—	—	4,200,000	—
	27/08/2021	0.25	27/08/2021–31/12/2022	01/01/2023–30/09/2024	4,200,000	—	—	—	4,200,000	—
				Sub-total	14,000,000	—	—	—	14,000,000	—
				Total	77,000,000	263,900,000	—	—	81,000,000	259,900,000

Notes:

1. The closing price of the Shares on the trading day immediately before 28 December 2022 on which the share options were granted, was HK$0.039 per Share.

2. The 14,000,000 outstanding share options were granted on 27 August 2021 and accepted by 2 eligible consultants. To the best of the Directors' knowledge, information and belief, the details of these 2 eligible consultants, all of whose relationships with the Company are recurring during their option period, are as follows:

   Lyu Dong (the "**Consultant 1**") is an experienced participant in the Chinese sports lottery industry, the core element of the product in the "anti-counterfeiting device + lottery" business and the main person in charge of the relevant authorized business cooperation suppliers in different provinces across the country, providing continuous and stable supply and customized arrangements for the production of anti-counterfeiting devices to meet the actual business needs. The Company considered that The Consultant 1 will provide assistance and support to the Group in relation to the above-mentioned related businesses, and provide opinions on the relevant businesses of the Group. The Consultant 1 was granted with 10,000,000 share options.

   Dong Guowei (the "**Consultant 2**") is an experienced industry participant in the research and development and cooperation of Internet financial products. He has provided opinions and support for business implementation in the development of related functions in the "Anti-counterfeiting device + lottery" product. The Company considered that the Consultant 2 will provide assistance and support to the Group in relation to the above-mentioned related businesses, and provide opinions on the relevant businesses of the Group. At the same time, the Consultant 2 will provide continuous development support and guidance for the relevant functions of the "Anti-counterfeiting device + lottery" product, and also assist the Company in expanding its business model and revenue model in related businesses, and tries its best to establish cooperation with potential partners in the market. The Consultant 2 was granted with 4,000,000 share options.

Five Highest Paid Individuals in Aggregate under the New Share Option Scheme

The details of the movements in share options of the five highest paid individuals in aggregate and other grantees (except Directors) in aggregate under the New Share Option Scheme during the year were as follows:

					Number of Share Options					
Name/Category of Participants	**Grant Date**	**Exercise Price per Share (HK$)**	**Vesting Period**	**Exercise Period**	**As at 1 July 2022**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2023**
Five highest paid individuals	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	33,200,000	—	—	—	33,200,000
	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	24,900,000	—	—	—	24,900,000
	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	24,900,000	—	—	—	24,900,000
				Sub-total	—	83,000,000	—	—	—	83,000,000
Other grantees (except Directors)	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	41,200,000	—	—	—	41,200,000
	28/12/2022	0.04	28/12/2022–30/06/2024	01/07/2024–30/06/2028	—	30,900,000	—	—	—	30,900,000
	28/12/2022	0.04	28/12/2022–30/06/2025	01/07/2025–30/06/2028	—	30,900,000	—	—	—	30,900,000
	28/12/2022	0.04	28/12/2022–30/06/2023	01/07/2023–30/06/2028	—	12,500,000	—	—	—	12,500,000
	28/12/2022	0.04	28/12/2022–31/12/2023	01/01/2024–30/06/2028	—	12,500,000	—	—	—	12,500,000
	27/08/2021	0.25	27/08/2021–30/09/2021	01/10/2021–30/09/2024	30,800,000	—	—	—	30,800,000	—
	27/08/2021	0.25	27/08/2021–31/12/2021	01/01/2022–30/09/2024	23,100,000	—	—	—	23,100,000	—
	27/08/2021	0.25	27/08/2021–31/12/2022	01/01/2023–30/09/2024	23,100,000	—	—	—	23,100,000	—
				Sub-total	77,000,000	128,000,000	—	—	77,000,000	128,000,000

VALUATION OF SHARE OPTIONS AT THE DATE OF GRANT

During the year ended 30 June 2023, the share options were granted by the Company to subscribe for 263,900,000 new Shares (2022: 77,000,000 new Shares), details of which are as follows:

Date of grant	**Number of shares under options granted**	**Exercise price per share** HK$	**Exercisable period**
28 December 2022	263,900,000	0.04	1 July 2023 to 30 June 2028

The fair value of the share options at 28 December 2022 was estimated to be HK$3.3 million. The fair value of the share options granted was calculated using the Binomial Model. The inputs into the model were as follows:

	Share options granted on 28 December 2022
Exercise price	HK$0.04
Expected volatility	49.16%
Expected life	5.5 years
Risk-free rate	3.995%
Expected dividend yield	0%
Exercise multiple – Directors	2.8 times
– Employees	2.2 times

Expected volatility was determined by reference to the historical volatility of the Company's share prices over 5.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

AUDITORS

The consolidated financial statements for the year ended 30 June 2023 have been audited by Elite Partners CPA Limited ("**Elite Partners**"). The consolidated financial statements for the year ended 30 June 2021 and 2022 have been audited by CCTH CPA Limited ("**CCTH**"). On 28 June 2023, CCTH resigned as auditors of the Company and Elite Partners has been appointed as the auditors of the Company to fill the casual vacancy created by the resignation of CCTH with effect from 28 June 2023 until the conclusion of the next annual general meeting of the Company. Elite Partners will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Elite Partners as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance which is set out in the section headed "Corporate Governance Report" on pages 12 to 21.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules. For the year and up to the date of this annual report, 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. Details of the role and work performed by the Audit Committee for the year ended 30 June 2023 are set out in the section headed "Corporate Governance Report" in this annual report.

The audited consolidated results of the Group for the year ended 30 June 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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 annual report, 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 annual report, 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 annual report, 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 annual report.

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.

On behalf of the Board

CHAU Wai Wah Fred
Executive Director

Hong Kong, 29 September 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Boundary

This Environmental, Social and Governance (the "**ESG**") Report (the "**ESG Report**") issued by the Company covers the policies, compliance issues and key performance indicators relating to the environmental and social aspects of the head office and mask factories in Hong Kong and other business operations in the PRC during the year ended 30 June 2023. The above scope of reporting had relatively significant impact on the environment and society during the year. This ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 20 of the GEM Listing Rules.

Board's ESG Management Approach and Strategy

The Group has implemented a top-down management approach within the Group for ESG management and has developed appropriate and effective ESG management systems and processes. The Board is responsible for the determination of the Group's ESG strategy, assessing the ESG risks and opportunities as well as the oversight of the Group's overall ESG performance, including environmental management issues, labor practices and other ESG aspects. The management of the Group is responsible for the execution of ESG management, the collection of relevant ESG data and the preparation of the ESG Report. The Group maintains effective communication with stakeholders through daily operations to understand and identify their needs, expectations and concerns regarding ESG factors of the Group, so that the importance of each ESG area can be assessed and long-term development approaches and strategies can be formulated. The Board reviews and approves the ESG Report annually to ensure all material ESG issues and their impacts on sustainable development are fairly presented in the ESG Report.

Reporting Principles

The Group adheres to the four fundamental reporting principles set out in the ESG Reporting Guide for the preparation of this report:

Materiality: The Group acknowledges the importance of material issues that may have a significant impact on its stakeholders and operations. Material environmental and social issues were identified through an analysis of the written and verbal comments and responses submitted by members of the management team of the Group. Material issues identified during the year are similar to the material issues identified in the previous reporting period. Results were presented to the Board for validation of the material ESG issues for the year.

Quantitative: The Group records and discloses the key performance indicators in quantitative terms as appropriate for evaluation and validation of the effectiveness of ESG policies and measures.

Consistency: As far as practicable and unless stated otherwise, the Group applies consistent measurement methodology to allow for meaningful comparison of the ESG performance over time. Any changes in the methods or the key performance indicators used will be disclosed.

Balance: This report discloses information in an objective manner, providing stakeholders with an unbiased picture of the Group's overall ESG performance.

ENVIRONMENT

Emissions

Policies relating to Air and Greenhouse Gas Emissions, Discharges into Water and Land, and Generation of Hazardous and Non-hazardous Waste

The indirect greenhouse gas emission, which is generated from our daily electricity consumption, is the main source of the Group's carbon footprint. To reduce greenhouse gas emission, energy-saving measures, including employees turning off light and unnecessary energy device before leaving the offices to reduce energy consumption and avoid unnecessary wastage of energy, are implemented. In order to reduce waste, a responsible waste management policy, including waste avoidance, reducing waste from its source, reuse, recycling and responsible disposal of waste, is adopted. During the year, the Group was not aware of any material non-compliance with the environmental laws and regulations in Hong Kong and in the PRC relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Key Performance Indicators

1. *Air Pollutants*

Fuel consumption by motor vehicles was the major source of nitrogen oxides ("$\mathbf{NO_x}$"), sulphur oxides ("$\mathbf{SO_x}$") and particulate matter ("**PM**") emissions. Relevant data for the year ended 30 June 2023 and 2022 were as follows:

	Year ended 30 June 2023 (g)	Year ended 30 June 2022 (g)
NO_x	**0.00**	2,794.00
SO_x	**0.00**	9.41
PM	**0.00**	205.72

2. *Greenhouse Gas Emissions*

Greenhouse gas came from all sorts of daily activities, such as the use of electricity, water and the combustion of fuels in motor vehicles. Total greenhouse gas emissions included carbon dioxide ("$\mathbf{CO_2}$") and other greenhouse gases, such as methane ("$\mathbf{CH_4}$") and nitrous oxide ("$\mathbf{N_2O}$"). The Group strives to reduce burning and improve energy and resource use efficiency in its daily operations so as to manage its greenhouse gas emissions.

The combustion of fuels in motor vehicles caused the direct emission of greenhouse gasses. Relevant data for the year ended 30 June 2023 and 2022 were as follows:

	Year ended 30 June 2023 (kg)	Year ended 30 June 2022 (kg)
CO_2	**0.00**	1,511.06
CH_4	**0.00**	3.40
N_2O	**0.00**	219.33

The electricity consumption of the Group mainly for the daily operations of the head office and mask factories in Hong Kong caused the indirect emission of greenhouse gas of CO_2. Indirect CO_2 emission from electricity purchased from power companies was approximately 98,858.91kg for the year ended 30 June 2023 (2022: approximately 171,779.73kg).

3. *Hazardous Waste Production*

According to the National Catalogue of Hazardous Wastes (《國家危險廢物名錄》) which was formulated in accordance with Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) by the Ministry of Environmental Protection of the People's Republic of China (中華人民共和國環境保護部), printing ink is classified as hazardous waste.

Despite that the hazardous waste data during the year was unavailable to the Group (2022: not available), the Group considered only limited hazardous waste was produced during printing process.

4. *Non-hazardous Waste Production*

Commercial waste constituted the production of non-hazardous waste of the Group. For the year ended 30 June 2023, 1.2 tonnes of non-hazardous waste were produced due to one-off disposal of substandard masks in Hong Kong and the intensity of the non-hazardous waste produced was 0.6 tonnes per production line (2022: 0.6 tonnes per production line).

5. *Emissions Management*

The Group targeted to keep the levels of the air pollutants and greenhouse gas emissions for the year to not more than those for the year ended 30 June 2020 (the benchmark). The targets were achieved by using five less motor vehicles compared with the benchmark.

6. *Wastes Management*

The non-hazardous waste shall be classified, collected and placed separately from those of the hazardous waste, and then transferred to the government-approved institutions to dispose regularly. The Group has been continuously keeping the hazardous waste minimal over the years. Only limited hazardous waste was produced during the printing process in the offices so the hazardous waste data for the year and the previous years were unavailable to the Group. The Group reduces printing by making the documents electronically. On the other hand, the Group targeted to keep the intensity of the non-hazardous waste produced per production line which was due to one-off disposal of substandard masks in Hong Kong for the year to not more than 0.6 tonnes per production line which was the data for the year ended 30 June 2020 (the benchmark). The target was achieved by conducting quality control of the masks produced.

For the year ended 30 June 2023, the Group was committed to the policies relating to air and greenhouse gas emissions, discharges into water and land, and generation and disposal of hazardous and non-hazardous waste as set out in this ESG Report in order to minimise such pollution. The Group also performed regular assessments on the same.

Use of Resources

Policies on the Efficient Use of Resources

To support environmental protection, the Group tries its best endeavours to minimize the energy and resources consumption during the daily operation of the Group in Hong Kong and PRC offices. The Group strives to build an environmentally friendly working environment through our guidance and policies and participation among the staff to minimize the adverse impact of electricity and office consumables consumption on the environment.

In order to reduce the consumption of electricity in office, the Group issues guidance to the staff for setting the optimal temperature on the air-conditioning. All the lights and electronic appliances in office will be turned off when not in use and all the lights in office will be turned off during the lunch time.

Further, in order to reduce the consumables consumption in office, the Group encourages all the staff to save and file the documents electronically, use the recycled papers for printing, print the documents on double-sided papers and arrange the telephone or video conferences instead of face-to-face meetings.

Key Performance Indicators

1. *Energy Consumption*

   Daily energy consumption of the Group mainly involved purchased electricity for the daily operations of the head office and mask factories in Hong Kong. For the year ended 30 June 2023, the total electricity consumption was approximately 22.13kWh and the intensity of the electricity consumption was approximately 7.38kWh per production line (2022: approximately 38.45kWh and approximately 12.82kWh per production line).

2. *Water Consumption*

   Despite that the water consumption data for the year ended 30 June 2023 was unavailable to the Group (2022: not available), the Group considered that there was only limited water consumption for the daily operations of the Group.

3. *Energy Management*

   The Group targeted to keep the intensity of the electricity consumption per production line for the year to not more than 14.83kWh which was the data for the year ended 30 June 2020 (the benchmark). For the year ended 30 June 2023, the intensity of the electricity consumption per production line was approximately 7.38kWh. The reduction was achieved by conducting control on electricity consumption.

4. *Water Management*

   The Group's domestic water is mainly provided by local water supply companies, and there was no problem in sourcing water that was fit for purpose during the year. For the business nature of the Group of provision of lottery-related services, internet plus services (solution and supply chain), and manufacturing and distribution of personal protective equipment, etc., the Group has been continuously keeping the water consumption minimal over the years. There was only limited water consumption for the daily operations of the Group so the water consumption data for the year and the previous years were unavailable to the Group.

5. *Packaging Materials used for Finished Products*

Total packaging materials used for finished products in the mask production business for the year ended 30 June 2023 was approximately 32.26 tonnes and the intensity of the packaging materials used was approximately 16.13 tonnes per production line (2022: approximately 56.93 tonnes and approximately 18.98 tonnes per production line).

For the year ended 30 June 2023, the Group was committed to the policies on the efficient use of resources as set out in this ESG Report in order to reduce the consumption of energy and water.

Environment and Natural Resources

Policies on Minimising the Group's Significant Impact on the Environment and Natural Resources

The Group manages and minimizes the impact it may cause on the environment and natural resources, directly or indirectly, through the policies, including (i) ensuring that its business operations comply with the environmental laws and regulations in Hong Kong and in the PRC; (ii) monitoring and minimising air and greenhouse gas emissions and hazardous and non-hazardous waste; and (iii) ensuring that in its daily business operations, with best endeavours, energy, water and other raw materials will be conserved.

Key Performance Indicator

For the year ended 30 June 2023, due to the mask production business, the electricity consumption causing the indirect emission of greenhouse gas of CO_2, the non-hazardous waste production resulting from one-off disposal of substandard masks and the packaging material used for finished products of masks may have impact on the environment and natural resources. (2022: might have impact). The Group was committed to the policies on minimising its significant impact on the environment and natural resources as set out in this ESG Report in order to protect the environment and natural resources.

Climate Change

Policies on Identification and Mitigation of Significant Climate-related Issues

The Group has considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate related Financial Disclosures, in which potential physical risk and transition risk from climate change may pose adverse financial impacts on the Group's businesses.

Key Performance Indicator

Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences. Upon evaluation of the potential acute physical risk that may cause disruption to the manufacturing activities and supply network, our offices do not locate in high-risk flood areas and that the Group maintains a large supplier base so we can source from alternative suppliers in the event of our suppliers being affected by extreme weather conditions. While sustained high temperature may result in an elevation of electricity consumption, the Group has adopted energy conservation measures in managing such risk, which are detailed in the above sub-section headed "Environment and Natural Resources". As for the potential transition risk, the Group continues to monitor the regulatory environment and the product market to ensure that our products meet customers and regulatory demand and expectations.

It is expected that potential extreme weather condition, sustained high temperature, change in environmental-related regulations and customer preference do not have a material impact on the Group's operations. Nevertheless, the Group continues to monitor the climate-related risks and implement relevant measures to minimize the potential physical and transition risks.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group believes that human resources are the most valuable asset and core competitive strength of the Group. The Group adopts a fair and open recruitment policy to avoid any discrimination on age, gender, race, nationality, religion or marital status. All the candidates will be assessed under the fair recruitment process.

The resting time of the Group's employees is well respected and the employees are also entitled to paid holidays pursuant to statutory requirements or otherwise under their respective employment contracts. There is a computerized human resources management system in place to continuously monitor the working hours and leave application of the employees. The Group also adopts zero tolerance policy towards sexual harassment at the workplace to protect its employees from unsolicited sexual advances.

The Group rewards all the employees by providing a competitive remuneration package and performs the performance appraisal on annual basis with appropriate bonus, promotion opportunities for career advancement. "Employee Handbook" will be delivered to all employees for stating all the information regarding employment, business conduct, social security funds, compensation, leave benefits, working hours, etc. A brief orientation is provided to new employees to ensure that they are aware of all relevant policies. During the reporting period, the Group was not aware of any material non-compliance with all relevant labour and employment laws.

Key Performance Indicators

1. *Total Workforce*

Total workforce by gender, employment type, age group and geographical region for the year ended 30 June 2023 and 2022 was as follows:

		Year ended 30 June 2023 (person)	Year ended 30 June 2022 (person)
gender:	male	**13**	17
	female	**6**	15
employment type:	full-time	**19**	16
	part-time	**0**	16
	contract	**0**	0
age group:	under the age of 30	**1**	1
	between the age of 30–50	**13**	16
	over the age of 50	**5**	15
geographical region:	Hong Kong	**18**	30
	China	**1**	2

2. *Employee Turnover Rate*

Employee turnover rate by gender, age group and geographical region for the year ended 30 June 2023 and 2022 was as follows:

		Year ended 30 June 2023 (%)	Year ended 30 June 2022 (%)
gender:	male	**96.77**	80.70
	female	**123.81**	75.00
age group:	under the age of 30	**200.00**	120.00
	between the age of 30–50	**122.58**	92.06
	over the age of 50	**73.68**	48.65
geographical region:	Hong Kong	**108.33**	57.14
	China	**100.00**	161.90

Health and Safety

The Group has been committed to provide a safe, pleasant and healthy working environment to the employees in order to protect their health and safety. In order to maintain a safe and comfortable working environment, the Group designs and plan office layouts based on relevant safety provisions, ensures that fire escapes are available and the hygiene of the office is regularly maintained. During the reporting period, the Group reviewed the office environment and safety policies regularly and was not aware of any material non-compliance with the health and safety laws and regulations.

Key Performance Indicators

1. *Work-related Fatalities and Lost Days due to Work Injury*

	Year ended 30 June 2023	Year ended 30 June 2022	Year ended 30 June 2021
number of work-related fatalities	**0 person**	0 person	0 person
rate of work-related fatalities	**0%**	0%	0%
lost days due to work injury	**0 day**	0 day	0 day

2. *Occupational Health and Safety Measures*

The Group promotes the concept of "work-life balance" for caring our employees in terms of their health, wellness and continuing education. Different types of health care plans are available such as medical insurance, employees' compensation insurance and accident insurance on business trip. We strive to enhance the injury and illness prevention through more robust post-incident investigations. Work injury handling procedures were reviewed during the year to ensure the injury case can be handled properly.

In response to the COVID-19 outbreak, the Group put in place a number of infection prevention measures to safeguard the health and safety of our employees, such as distributing mask to them every day and providing sanitizing materials to them. In addition, all staff were required to have their body temperature checked and recorded in writing before entering the offices to ensure that they were not infected with the virus and to prevent the spread of the virus. For those employees' cohabitating family members, close contacts or their residential buildings with confirmed cases of COVID-19, the Company will arrange for the relevant colleagues to work from home for 14 consecutive days (except weekends).

Development and Training

Staff's continuous development is one of crucial success of the Group. The Group provides on-board briefings and orientation for the new coming staff. The Group also encourages the employees to attend the external applicable training courses or seminars during the office hours which are relevant to the job duties. The employees are entitled to the examination leaves when they attend the external examination applicable to their job duties on the examination day. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

Key Performance Indicators

1. The Percentage of Employees Trained

		Year ended 30 June 2023 (%)	Year ended 30 June 2022 (%)
gender:	male	**26.00**	25.00
	female	**5.00**	0.00
employee category:	senior management	**32.00**	25.00
	middle management	**0.00**	0.00
	junior employee	**0.00**	0.00

2. The Average Training Hours Completed Per Employee

		Year ended 30 June 2023 (hour(s))	Year ended 30 June 2022 (hour(s))
gender:	male	**1.00**	1.00
	female	**1.00**	0.00
employee category:	senior management	**1.00**	1.00
	middle management	**0.00**	0.00
	junior employee	**0.00**	0.00

Labour Standards

During the recruitment process, the Group strictly complies with all applicable laws and regulations in those places where it operates. The Group ascertains that its employees are all above the minimum legal working age requirement and have been fully protected in terms of labour standards. The Group complied with all laws and regulations prohibiting child labour and forced labour. Applicants are required to provide documentary proofs of academic qualifications and working experience for verifications. Applicants who are suspected to have false academic qualifications and working experience will not be employed. All the staff were employed in accordance with the relevant laws and regulations in Hong Kong and the PRC and the management regularly reviews the recruitment process to ensure that no discrimination is present.

Key Performance Indicators

Child Labour and Forced Labour

The Group does not tolerate the recruitment of child labour and the use of forced labour. Our recruitment process is subject to a stringent internal review process that includes verifying personal information of applicants. For instance, the staff member who is responsible for recruitment collects the identity proof from the candidates to ensure that the age of the candidates fulfils the requirements as stipulated by the law.

The employment of forced and child labour is strictly prohibited. During the year, all employees were over the age 18, and were properly employed in accordance with the requirements of all applicable laws and regulations. No confirmed non-compliance incidents or grievances were noted by the Group (2022: Nil).

OPERATING PRACTICES

Supply Chain Management

The Group believes that sourcing and selection of suppliers play a crucial part in establishing our product and brand. The Group conducts assessment on supplier with the relevant industrial and environmental standards in supply of materials, and to consider that it is one of the supplier selection criteria. During the procurement process, the Group performs regular assessments on the environmental and social risks of the supply chain management.

Key Performance Indicators

1. *Suppliers by Geographical Region*

   During the year ended 30 June 2023, the Group made the purchases from 8 suppliers and 3 suppliers located in Hong Kong and the PRC respectively (2022: 7 suppliers and 7 suppliers located in Hong Kong and the PRC respectively).

2. *Practices relating to Engaging Suppliers*

   Moreover, the Group closely monitor the performance of our existing suppliers and select all new vendors based on our defined criteria, such as their size, quality of products and/or services, delivery time, supply stability, cost effectiveness, etc. Approved suppliers are evaluated regularly to uphold the quality of products and services acquired which is up to standard. Suppliers who are not up to the standard for a prolonged period of time are to be disqualified.

3. *Practices to Identify Environmental and Social Risks along the Supply Chain*

The Group conducts assessment on the environmental and social risks of suppliers. The environmental assessment report, the pollutant discharge permit and other qualification requirements are listed as rigid qualifications, and the environmental system certification, the work safety permit and other industry-related requirements are listed as supporting qualifications.

4. *Practices to Promote Environmentally Preferable Products and Services when Selecting Suppliers*

The Group supports the purchases of environmentally-friendly products to minimize the environmental impact caused by our business operations. We also closely cooperate with our suppliers to maintain the quality of products and services provided to our customers.

Product Responsibility

The Group has responsibilities on its product or services provided. The Group encourages employees to maintain high standards of product or services provided and are obliged to retain confidence and all information obtained in connection with their employment.

Key Performance Indicators

1. *Products Sold or Shipped subject to Recalls for Safety and Health Reasons*

During the year ended 30 June 2023, no products sold or shipped was subject to recalls for safety or health reasons (2022: Nil).

2. *Products and Service related Complaints*

During the year, no written complaint was received by the Group relating to product and service quality. If the Group receives a complaint, the responsible personnel will investigate into the matter and take appropriate action accordingly. If a reported complaint on product quality is confirmed and is found to be caused by the supplier, the Group will terminate the agreement with the relevant supplier and may take appropriate legal actions, if necessary. If our customers are not satisfied with a particular package that they have purchased from us, the Group will offer the relevant customer an exchange of another package. In the last resort, the Group may offer refund to our customers.

3. *Practices relating to Observing and Protecting Intellectual Property Rights*

During the year, the Group complied with laws and regulations regarding intellectual property rights in Hong Kong and the PRC that have a significant impact on us, including, but not limited to, Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) in Hong Kong, "Trademark Law of the PRC" (中華人民共和國商標法) and the "Copyright Law of the PRC" (中華人民共和國著作權法) in the PRC. Moreover, the Group act proactively to enforce intellectual property rights against third party infringers. Legal actions will be taken in due course upon identification of any intellectual property rights infringements.

4. *Quality Assurance Process and Recall Procedures*

The Group offers high quality products, and we strive to minimize our product liability risk. Before launching any new products, the Group requests samples from the suppliers or factories and engages a third-party professional to perform quality control inspections on the samples. Products are only launched if the quality control tests pass. The Group deals with product or service recalls by offering refund or discount for future purchases.

5. *Consumer Data Protection and Privacy Policies*

The Group is committed to protecting the privacy of all consumers. We adhered to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and laws and regulations relating to customer data and privacy. The Group imposed strict procedures in dealing with collecting, retaining, and disclosing personal information. We recorded customer information into our customer management system and set up access rights only for responsible employees to ensure the security of customer information.

Anti-corruption

All of the Group's operations comply with the legislation on standards of conduct, such as criminal law of the PRC, the Anti-Unfair Competition Law of the PRC, and the Prevention of Bribery Ordinance in Hong Kong. The Group has established a corporate culture of integrity and justice, and adopted the clear guidelines for employees which strictly prohibit bribery, extortion, fraud, money laundering and other acts. The Group has also implemented the whistleblowing policy for encouraging the staff to report to the Board if there is any money laundering, bribery and irregularities.

Key Performance Indicators

No concluded legal cases regarding corrupt practices brought against the Company or its employees was noted or reported during the year.

The Group prohibits any acts of corruption and bribery committed by our employees. Our "Employee Handbook" clearly sets out guidelines for the acceptance of gifts. In the handbook, all employees are required to exercise caution and judgment when accepting gifts. Gifts should not be accepted if they are in value higher than HK$100. Discounts or other privileges given by any person or company to employees of the Group can be accepted by them but the terms and conditions of use must also apply to other general customers. Moreover, in the whistleblowing policy, all employees should immediately report any suspected corruption and fraud cases to the Company. After a potential fraud case has been reported, investigation is to be conducted with due care. For any proven fraud case, management will take appropriate action immediately.

In the case of conflicts of interest, directors and staff are required to declare their personal interests and report the matters to the Board or management of the Group. Employees are strictly prohibited to abuse their power and/or take advantage of their position for personal gain. Training would be introduced in respect of the updated and relevant regulations in relation to anti-bribery and corruption.

COMMUNITY

Community Investment

The Group believes in contributing to the society as part of our mission to create a more peaceful community. Therefore, the Group encourages our staff to participate in any activities which are beneficial to our communities. The Group targets through donations, sponsorships and charity work by supporting any activities which can help charitable, cultural, medical, educational and other needs in our community. The Group will consider to support or donate to any charitable organizations from time to time where appropriate.

Key Performance Indicators

Focus Areas of Contribution and Resources Contributed

During the year, the Group with business of manufacturing and distribution of personal protective equipment fulfilled its corporate responsibility as well as brought Hong Kong community through the difficult times.

In response to the COVID-19 outbreak, the Group safeguarded the health of our employees, which are part of the community, by distributing masks to them to ensure that they were not infected with the virus and to prevent the spread of the virus to the community.

The Group has also donated few thousands of boxes of masks to different communities for charity.

INDEPENDENT AUDITOR'S REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF SINOPHARM TECH HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Sinopharm Tech Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 62 to 162, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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.

BASIS FOR QUALIFIED OPINION – continued

(i) Compensation income relating to profit guarantee in previous acquisition – continued

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 the 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.

BASIS FOR QUALIFIED OPINION – continued

(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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS – continued

Impairment assessment on trade receivables and other receivables

Key audit matter	How the matter was addressed in our audit
As detailed in Notes 27 and 28 to the consolidated financial statements, as at 30 June 2023, the Group had trade receivables and other receivables, net of impairment losses recognised, of approximately HK\$8,095,000 and HK\$14,833,000 respectively. Assessment of impairment provision for these receivables involves management's judgment of the ability of the debtors to make settlement which depends on customers' specific and market conditions that are inherently uncertain. We have identified impairment assessment on trade receivables and other receivables as a key audit matter due to the magnitude of these receivables and the management's estimates and judgments involved in the determination of the expected credit losses of these receivables.	Our procedures in relation to management's impairment assessment on trade receivables and other receivables included: (a) We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. (b) We assessed the accuracy of individual balances in ageing reports of trade receivables and other receivables by testing the underlying invoices and/or agreement on a sample basis. (c) We assessed the historical accuracy of the estimates made by the management for the credit loss allowances. (d) We assessed the appropriateness of the expected credit loss provision methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

OTHER MATTER

The consolidated financial statements of the Company for the year ended 30 June 2022, were audited by another auditor who expressed a qualified opinion in relation of interest in associates on those statements on 30 September 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – continued

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – continued

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Yip Kai Yin with Practising Certificate number P07854.

Elite Partners CPA Limited
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

29 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	**Year ended 30-6-2023 HK$'000**	Year ended 30-6-2022 HK$'000
Revenue	*10*	**42,839**	40,985
Cost of sales and services		**(37,369)**	(35,053)
Gross profit		**5,470**	5,932
Other income and gains	*11*	**106,849**	39,350
Impairment loss on receivables and other assets, net	*12*	**(74,782)**	(58,554)
Loss on dilution of interests in associates	*24*	**(1,131)**	(21,889)
Loss on deemed disposal of associates	*24*	**(19,217)**	—
Fair value change on financial assets at fair value through profit or loss	*25*	**1,815**	—
Selling and distribution expenses		**(2,251)**	(1,003)
Administrative and operating expenses		**(19,775)**	(41,431)
Finance costs	*13*	**(8,571)**	(16,410)
Share of profits/(losses) of associates	*24*	**186**	(153)
Loss before tax	*14*	**(11,407)**	(94,158)
Income tax credit	*16*	**1,307**	387
Loss for the year		**(10,100)**	(93,771)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(10,635)**	(87,998)
Non-controlling interests		**535**	(5,773)
		(10,100)	(93,771)
Loss for the year		**(10,100)**	(93,771)
Other comprehensive (expense)/income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of overseas operations		**(1,416)**	296
Total comprehensive expenses for the year		**(11,516)**	(93,475)

	Notes	**Year ended 30-6-2023 HK$'000**	Year ended 30-6-2022 HK$'000
Total comprehensive expenses for the year attributable to:			
Equity holders of the Company		**(11,115)**	(87,710)
Non-controlling interests		**(401)**	(5,765)
		(11,516)	(93,475)

		Year ended 30-6-2023	Year ended 30-6-2022
		HK Cents	HK Cents (restated)
Loss per share attributable to equity holders of the Company	*18*		
Basic		**(0.06)**	(0.49)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**30-6-2023** **HK$'000**	30-6-2022 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**1,163**	3,850
Right-of-use assets	*20*	**—**	800
Interests in associates	*24*	**—**	23,621
Financial assets at FVTPL	*25*	**5,274**	—
Deposits for acquisition of property, plant and equipment		**—**	537
		6,437	28,808
Current assets			
Inventories	*26*	**855**	682
Trade receivables	*27*	**8,095**	28,419
Other receivables, deposits and prepayments	*28*	**16,319**	15,986
Bank balances and cash	*29*	**1,776**	2,991
		27,045	48,078
Current liabilities			
Trade payables	*30*	**34,932**	54,589
Accruals and other payables	*31*	**72,524**	22,044
Amounts due to directors	*32*	**—**	8,490
Amounts due to related parties	*33*	**—**	12,144
Amount due to a shareholder	*34*	**105,747**	105,747
Lease liabilities	*35*	**—**	934
Convertible bonds	*36*	**—**	44,995
Deferred tax liabilities	*38*	**—**	1,307
Income tax payable		**33**	33
		213,236	250,283
Net current liabilities		**(186,191)**	(202,205)
Total assets less current liabilities		**(179,754)**	(173,397)
Net liabilities		**(179,754)**	(173,397)

	Notes	30-6-2023 HK$'000	30-6-2022 HK$'000
Capital and reserves			
Share capital	*39*	**57,404**	56,721
Reserves		**(230,137)**	(223,498)
Capital deficiency attributable to equity holders of the Company		**(172,733)**	(166,777)
Non-controlling interests		**(7,021)**	(6,620)
Total capital deficiency		**(179,754)**	(173,397)

The consolidated financial statements on pages 62 to 162 were approved and authorised for issue by the Board of Directors on 29 September 2023 and are signed on its behalf by:

HO Kam Kin
Director

KWOK Shuk Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Attributable to equity holders of the Company											
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Share option reserve** HK$'000 *(Note 40)*	**Convertible bonds reserve** HK$'000 *(Note 36)*	**Translation reserve** HK$'000 *(Note a)*	**Special reserve** HK$'000	**Capital reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 July 2021	55,050	2,675,328	1,484	11,290	4,507	7,968	(1)	10,184	(2,904,690)	(138,880)	(1,676)	(140,556)
Loss for the year	—	—	—	—	—	—	—	—	(87,998)	(87,998)	(5,773)	(93,771)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	288	—	—	—	288	8	296
Total comprehensive income/(expense) for the year	—	—	—	—	—	288	—	—	(87,998)	(87,710)	(5,765)	(93,475)
Shares issued for settlement of amounts due to shareholders	1,671	26,674	—	—	—	—	—	—	—	28,345	—	28,345
Recognition of equity settled share-based payments	—	—	—	4,446	—	—	—	—	—	4,446	—	4,446
Deemed contribution arising from settlement of amount due to shareholder *(Note 32)*	—	—	—	—	—	—	—	18,449	—	18,449	—	18,449
Reclassified to accumulated losses upon maturity of convertible bonds *(Note 36)*	—	—	—	—	(4,507)	—	—	—	4,507	—	—	—
Recognition of equity component of convertible bonds *(Note 36)*	—	—	—	—	10,267	—	—	—	—	10,267	—	10,267
Deferred tax liability on recognition of equity component of convertible bonds *(Note 36, 38)*	—	—	—	—	(1,694)	—	—	—	—	(1,694)	—	(1,694)
Share options lapsed	—	—	—	(42)	—	—	—	—	42	—	—	—
Disposal of subsidiaries *(Note 41)*	—	—	—	—	—	—	—	—	—	—	1,288	1,288
Deregistration of subsidiaries	—	—	—	—	—	—	—	—	—	—	(467)	(467)
At 30 June 2022 and 1 July 2022	56,721	2,702,002	1,484	15,694	8,573	8,256	(1)	28,633	(2,988,139)	(166,777)	(6,620)	(173,397)
(Loss)/profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,635)**	**(10,635)**	**535**	**(10,100)**
Exchange differences arising from translation of financial statements of overseas operations	**—**	**—**	**—**	**—**	**—**	**(480)**	**—**	**—**	**—**	**(480)**	**(936)**	**(1,416)**
Total comprehensive expense for the year	**—**	**—**	**—**	**—**	**—**	**(480)**	**—**	**—**	**(10,635)**	**(11,115)**	**(401)**	**(11,516)**
Shares issued for settlement of amounts due to a former director	**683**	**1,994**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,677**	**—**	**2,677**
Recognition of equity settled share-based payments	**—**	**—**	**—**	**2,482**	**—**	**—**	**—**	**—**	**—**	**2,482**	**—**	**2,482**
Reclassified to accumulated losses upon maturity of convertible bonds *(Note 36)*	**—**	**—**	**—**	**—**	**(10,267)**	**—**	**—**	**—**	**10,267**	**—**	**—**	**—**
Reversal of deferred tax liability on recognition of equity component of convertible bonds upon maturity *(Note 36, 38)*	**—**	**—**	**—**	**—**	**1,694**	**—**	**—**	**—**	**(1,694)**	**—**	**—**	**—**
Share options lapsed	**—**	**—**	**—**	**(16,437)**	**—**	**—**	**—**	**—**	**16,437**	**—**	**—**	**—**
At 30 June 2023	**57,404**	**2,703,996**	**1,484**	**1,739**	**—**	**7,776**	**(1)**	**28,633**	**(2,973,764)**	**(172,733)**	**(7,021)**	**(179,754)**

Notes:

(a) The translation reserve includes the exchange differences on monetary items which form part of the Group's net investment in the foreign operation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(11,407)**	(94,158)
Adjustments for:			
Interest income	11	**(2)**	(3)
Depreciation of property, plant and equipment	14, 19	**1,207**	1,318
Depreciation of right-of-use assets	14, 20	**800**	1,081
Amortisation of intangible assets	14, 22	**—**	27
Equity-settled share-based payment expenses		**2,482**	4,446
Finance costs	13	**8,571**	16,410
Share of (profits)/losses of associates	24	**(186)**	153
Gain on disposal of subsidiaries	11, 41	**—**	(8,680)
Loss on dilution of interests in associates	24	**1,131**	21,889
Loss on deemed disposal of associates	24	**19,217**	—
Loss on deregistration of subsidiaries		**—**	630
Write-off of consideration payable for acquisition of subsidiaries	11	**—**	(22,000)
Written-off of property, plant and equipment	14	**1,496**	—
Write back of other payables	11	**—**	(4,819)
Gain on disposal of property, plant and equipment	11, 14	**—**	(9)
Gain on settlement of amount due to a director	11	**(12,621)**	(1,108)
Gain on settlement of amount due to a related party	11	**—**	(1,030)
Fair value change on financial assets at FVTPL	25	**(1,815)**	—
Impairment loss on receivables and other assets, net	12	**74,782**	58,554
Operating cash flows before movements in working capital		**83,655**	(27,299)
Increase in inventories		**(173)**	(309)
Increase in trade receivables, and other receivables, deposits and prepayments		**(54,791)**	(26,842)
(Decrease)/increase in trade payables, accruals and other payables and amounts due to related parties		**(23,958)**	17,777
Cash generated from/(used in) operations		**4,733**	(36,673)
Tax paid		**—**	(91)
Net cash generated from/(used in) operating activities		**4,733**	(36,764)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	**Year ended 30-6-2023 HK$'000**	Year ended 30-6-2022 HK$'000
INVESTING ACTIVITIES			
Interest received		**2**	3
Proceeds from disposal of property, plant and equipment		**—**	308
Purchases of property, plant and equipment	*19*	**—**	(121)
Net cash outflow arising on disposal of subsidiaries	*41*	**—**	(17)
Net cash outflow arising a deregistration of subsidiaries		**—**	(258)
Net cash generated from/(used in) investing activities		**2**	(85)
FINANCING ACTIVITIES			
Decrease in amounts due to directors		**—**	(2,476)
Payment of lease liabilities		**(1,017)**	(1,485)
Proceeds from issue of convertible bonds		**—**	50,000
Repayment of interest of convertible bonds		**(3,500)**	—
Repayment of other borrowing and related interest charges		**—**	(13,801)
Net cash (used in)/generated from financing activities		**(4,517)**	32,238
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**218**	(4,611)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,991**	7,482
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		**(1,433)**	120
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,776**	2,991
ANALYSIS OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Bank balances and cash	*29*	**1,776**	2,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in Notes 46.

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 (Note 34).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS – continued

(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

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

Amendments to HKFRSs that are mandatorily effective for the current year – continued

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after a date to be determined
3 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and all the applicable disclosures as required by the Hong Kong Companies Ordinance. In addition, the consolidated financial statements have been prepared in accordance with applicable disclosure provisions of the GEM Listing Rules.

The consolidated financial statements have been prepared on the historical cost convention, except for financial assets at FVTPL which has been measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

— deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations – continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the acquisition, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investment in a subsidiary is accounted for in the Company's financial statements at cost less any identified impairment loss. Cost includes directly attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in associates and joint ventures – continued

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The principal annual rates are as follows:

Leasehold land and buildings	3%–5% or over the lease term but limited to 15 years
Furniture, fixtures and equipment	7%–31%
Plant and machinery	3%–12%
Leasehold improvement	Over the lease term
Motor vehicles	6%–20%
Computer equipment	20%–25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sales.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified of HKFRS 16 on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contact are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contact that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee – continued

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposit

Refundable rental deposit paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of use assets.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual values guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment loss on tangible and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against the profit or loss in the year in which the expenditure is incurred.

Useful lives of acquired intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less any subsequent accumulated impairment losses.

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets are tested for impairment annually either individually or at the CGU level. Useful lives are also examined on an annual basis and, where applicable, adjustments are made on a prospective basis.

As intangible asset is derecognised on disposal or no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset, is recognised in the consolidated statement of profit or loss and other comprehensive income in the year the intangible asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

Computer software

Costs incurred on the acquisition of computer software are capitalised in the consolidated statement of financial position at cost less amortisation and any identified impairment losses.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity.

Where no internally generated intangible asset can be recognised, development cost is charged to profit or loss in the year in which it is incurred.

Service contracts

Acquired service contracts are stated at cost less amortisation and any identified impairment losses.

Intellectual property right

Acquired intellectual property right are stated at cost less amortisation and any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Employee benefits

(a) Retirement benefits schemes

The Group operates a defined contribution MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries that operated in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The contributions are charged to consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

(b) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits – continued

(b) Share option schemes – continued

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

(c) Share award scheme

The Group also grants employees and consultants (but not directors) shares of the Company at nil consideration under its share award scheme. Under the share award scheme, the awarded shares are newly issued at par value. The fair value of the employees' and consultants' services received in exchange for the grant of shares newly issued is recognised as staff costs in the consolidated statement of profit or loss and other comprehensive income with a corresponding increase in an employee share-based compensation reserve under equity.

Dividends

Dividends proposed or declared after the date of the reporting period is not recognized as a liability at the date of the reporting period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

All borrowing costs are charged to the consolidated statement of profit or loss and other comprehensive income in the year in which they are incurred.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or a parent of the Group.

(b) An entity is related to Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

   (iii) Both entities are joint ventures of the same third party;

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

   (vi) The entity is controlled or jointly controlled by a person identified in (a); or

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the Group (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business are presented as other income.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Convertible bonds issued by the Company

Convertible bonds issued by the Company contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Convertible bonds issued by the Company – continued

(i) Conversion option to be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

(ii) Conversion option to be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 Financial Instruments permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL were stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors, amounts due to related parties, amount due to a shareholder, lease liabilities and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future accounting periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

Provision of ECL for trade and other receivables

The Group makes provision for doubtful recovery of trade receivables and other receivables based on an assessment of the recoverability of receivables. Provision of ECL for trade and other receivables is made when events or changes in circumstances indicate that the balances may not be collectible. The identification of non-recoverability of receivables requires the use of judgement and estimates. Where the expectation on the recoverability of trade receivables and other receivables is different from the original estimate, such difference will impact the carrying amounts of trade receivables and other receivables and impairment loss in the period which such estimate has been changed.

The Group uses provision matrix to calculate expected credit loss ("**ECL**") for the trade receivables based on the grouping of various trade receivables that have similar loss patterns. The provision matrix is based on the Group's historical default rates and taking into consideration forward-looking information that is reasonable and supportable available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances are assessed for ECL individually.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY — continued

Provision of ECL for trade and other receivables — continued

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. Management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for the other receivables and adjusts for forward looking macroeconomic data.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in Note 8(i) and (ii).

During the year ended 30 June 2023, reversal for impairment loss on trade receivables and impairment loss on other receivables totalled HK$879,000 (Year ended 30 June 2022: impairment loss HK$10,363,000), and HK$75,661,000 (Year ended 30 June 2022: HK$6,999,000) respectively was recognised in profit and loss in respect of the current year (Note 27 and 28).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes convertible bonds disclosed in Note 36, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. Management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issuance of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	30-6-2023 HK$'000	30-6-2022 HK$'000
Financial assets		
At FVTPL		
Unlisted equity investment	5,274	—
At amortised cost		
Trade receivables	8,095	28,419
Financial assets included in other receivables, deposits and prepayments	15,960	15,432
Bank balances and cash	1,776	2,991
	31,105	46,842
Financial liabilities		
At amortised cost		
Trade payables	34,932	54,589
Financial liabilities included in accruals and other payables	68,506	19,257
Amounts due to directors	—	8,490
Amounts due to related parties	—	12,144
Amount due to a shareholder	105,747	105,747
Lease liabilities	—	934
Convertible bonds	—	44,995
	209,185	246,156

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, financial assets included in financial assets at FVTPL, other receivables, deposits and prepayments, bank balances and cash, trade payables, financial liabilities included in accruals and other payables, amounts due to directors, amounts due to related parties, amount due to a shareholder, lease liabilities and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from that of the prior year.

Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

In order to minimize the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors.

The Group performed ongoing credit evaluations of its debtors' financial condition and did not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintained a loss allowance accounts and actual losses incurred had been within management's expectations.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

(i) Trade receivables

The Group applies the simplified approach to provide for expected credit losses for trade receivables, which permits the use of the lifetime expected loss provision for all trade receivables.

As at 30 June 2023, the loss allowance for trade receivables was determined as follows:

	Receivables aged (based on past due date)					
	0–30 days	**31–60 days**	**61–180 days**	**181–365 days**	**Over 365 days**	**Total**
Expected loss rate	2%	2%	2%	N/A	100%	
Gross carrying amount (HK$'000)	5,991	520	1,712	—	88,481	96,704
Loss allowance (HK$'000)	93	8	27	—	88,481	88,609

As at 30 June 2022, the loss allowance for trade receivables was determined as follows:

	Receivables aged (based on past due date)					
	0–30 days	**31–60 days**	**61–180 days**	**181–365 days**	**Over 365 days**	**Total**
Expected loss rate	0%	0%	5%	5%	100%	
Gross carrying amount (HK$'000)	61	—	23,641	6,151	88,054	117,907
Loss allowance (HK$'000)	—	—	1,128	306	88,054	89,488

The above expected credit losses also incorporated forward looking information.

Receivables that aged not more than 60 days substantially related to customers that have good trade records with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group has concentration of credit risk as 69.12% (30 June 2022: 40.75%) and 100% (30 June 2022: 98.60%) of the total trade receivables at 30 June 2023 were due from the Group's largest customer and the five largest customers respectively within the manufacturing and distribution of personal protective equipment business segment. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any additional significant impairment on trade receivables.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

(ii) Other receivables

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

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days to 60 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days to 120 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

Management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for the other receivables and adjusts for forward looking macroeconomic data.

The Group has assessed that the expected credit loss for other receivables at 30 June 2023 was estimated to be approximately HK$103,132,000 (30 June 2022: HK$27,471,000) under 12 months expected losses method and impairment loss on other receivables amounted to approximately HK$75,661,000 was charged to profit and loss of the Group in respect of the current year (Year ended 30 June 2022: HK$6,999,000).

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

(iii) Cash at bank

The credit risk on liquid funds is limited because the counterparties are authorised banks in Hong Kong and the PRC.

Foreign currency risk

At the end of the reporting period, the Group has trade receivables, other receivables, deposits, bank balances and cash, trade payables, accruals, other payables, amounts due to directors, amounts due to related parties lease liabilities denominated in RMB and US$, which are the currencies other than the functional currency of respective group entities. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	Assets		Liabilities	
	30-6-2023 HK$'000	30-6-2022 HK$'000	**30-6-2023 HK$'000**	30-6-2022 HK$'000
US$	**—**	172	**—**	—
RMB	**4,629**	9,459	**11,766**	27,310

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

The Group uses a 5% sensitivity rate to report foreign currency risk internally to key management personnel, which represents management's assessment of the reasonable possible change in foreign exchange rates. If RMB had strengthened/weakened by 5%, loss for the year ended 30 June 2023 would have been increased/decreased by approximately HK$298,000 as a result of exchange gains/losses on translation of foreign currency transactions (Year ended 30 June 2022: decreased/increased loss by approximately HK$738,000).

Certain financial assets and liabilities of the Group are denominated in US$. However, the exchange rate of US$ against HK$ is relatively stable, accordingly, no sensitivity analysis has been presented on the currency risk.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates.

Interests on convertible bonds and other borrowing are charged at fixed interest rates which expose the Group to fair value interest rate risk. Details of the Group's convertible bonds and other borrowing are set out in Notes 36 and 37 respectively.

Sensitivity analysis

At 30 June 2023, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variable held constant, would decrease/increase the Group's loss by approximately HK$10,000 (Year ended 30 June 2022: decrease/increase loss by approximately HK$30,000). The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the next financial year. The analysis was performed on the same basis in respect of the prior year ended 30 June 2022.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables analyse the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay:

At 30 June 2023

	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities						
Trade payables	34,932	34,932	—	—	—	34,932
Financial liabilities included in accruals and other payables	68,506	68,506	—	—	—	68,506
Amount due to a shareholder	105,747	105,747	—	—	—	105,747
	209,185	209,185	—	—	—	209,185

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk – continued

At 30 June 2022

	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000	Carrying amounts HK$'000
Non-derivative financial liabilities						
Trade payables	54,589	54,589	—	—	—	54,589
Financial liabilities included in accruals and other payables	19,257	19,257	—	—	—	19,257
Amounts due to directors	8,490	8,490	—	—	—	8,490
Amounts due to related parties	12,144	12,144	—	—	—	12,144
Amount due to a shareholder	105,747	105,747	—	—	—	105,747
Lease liabilities	992	992	—	—	—	934
Convertible bonds *(Note)*	52,334	52,334	—	—	—	44,995
Other borrowing	—	—	—	—	—	—
	253,553	253,553	—	—	—	246,156

Note: This is categorised based on contractual terms of redemption at maturity on the assumption that there were no redemption or conversion of the convertible bonds outstanding at the end of the reporting period before the maturity dates.

Fair value

Fair value estimation

The carrying amounts of financial instruments measured at fair value at the end of the reporting period are categorised among the three levels of the fair value hierarchy, defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Fair value – continued

Fair value hierarchy

During the year ended 30 June 2023, there was no transfers between Level 1, 2 and 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as the reporting date in which they occur.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 30 June 2023				
Financial assets at FVTPL	—	—	5,274	5,274

Fair Value Measurements of Financial Instruments

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs and hence the fair value measurement are categorised under Level 3, the Group engages independent qualified valuers to perform the valuation. The following table gives information about how the fair values of these financial assets are determined.

Description	Fair value at 2023 HK$'000	Fair value at 2022 HK$'000	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity instrument	5,274	N/A	Income approach — Discount cash flow method was used to capture the present value of the expected future economic benefits to be derived from the asset with suitable discount rate.	Revenue growth rate ranged from 2.5%-6%	Higher the revenue growth rate would increase the fair value of financial assets
				Discount rate of 14.3%	Lower the discount rate would increase the fair value of the financial assets
				Discount of lack of marketability ("**DLOM**") of 15.7%	Lower the DLOM would increase the fair value of the financial assets
				Discount of lack of control ("**DLOC**") of 28.6%	Lower the DLOC would increase the fair value of the financial assets

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Fair value – continued

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but fair value disclosures are required

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

9. 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.

9. SEGMENT INFORMATION – continued

(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 HK$'000	Internet plus Solution services HK$'000	Internet plus Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Total HK$'000
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)

9. SEGMENT INFORMATION – continued

(a) Segment revenue and results – continued

Year ended 30 June 2022

	Lottery-related services HK$'000	Internet plus: Solution services HK$'000	Internet plus: Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Total HK$'000
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	1,841	362	29,670	9,112	40,985
Segment gross profit	1,314	11	2,269	2,338	5,932
Segment profit/(loss) before impairment of goodwill	987	231	(8,141)	(26,456)	(33,379)
Impairment of goodwill	(12,305)	—	—	—	(12,305)
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					(15,869)
Loss before tax					(94,158)
Income tax credit					387
Loss for the year					(93,771)

9. SEGMENT INFORMATION – continued

(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 HK$'000	Internet plus: Solution services HK$'000	Internet plus: Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Total HK$'000
Assets					
Segment assets	**83**	**35**	**9,822**	**12,689**	**22,629**
Unallocated assets					**10,853**
Total assets					**33,482**
Liabilities					
Segment liabilities	**4,682**	**586**	**20,828**	**15,393**	**41,489**
Unallocated liabilities					**171,747**
Total liabilities					**213,236**

At 30 June 2022

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

9. SEGMENT INFORMATION – continued

(c) Other segment information

In respect of year ended 30 June 2023

		Internet plus				
	Lottery-related services HK$'000	Solution services HK$'000	Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Unallocated HK$'000	Total HK$'000
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

In respect of year ended 30 June 2022

		Internet plus				
	Lottery-related services HK$'000	Solution services HK$'000	Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Unallocated HK$'000	Total HK$'000
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

9. SEGMENT INFORMATION – continued

(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 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
PRC	**12,135**	2,203
Hong Kong	**30,704**	38,782
	42,839	40,985

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	
	30-6-2023 HK$'000	30-6-2022 HK$'000	**30-6-2023 HK$'000**	30-6-2022 HK$'000
PRC	**88**	95	**—**	—
Hong Kong	**1,075**	28,713	**—**	121
	1,163	28,808	**—**	121

Revenue from major products and services

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

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

9. SEGMENT INFORMATION – continued

(e) Information about major customers

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

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Arising from manufacturing and distribution of personal protective equipment		
Customer A	**14,404**	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	**7,320**	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.

10. 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 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Point in time		
Internet plus services (supply chain)		
— Trading of goods	**37,077**	29,670
Manufacturing and distribution of personal protective equipment	**5,762**	9,112
	42,839	38,782
Over time		
Lottery-related services	**—**	1,841
Internet plus services (solution services)	**—**	362
	—	2,203
Total	**42,839**	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.

11. 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 *(Note 31(d))*	—	4,819
Gain on disposal of property, plant and equipment	—	9
Gain on disposal of subsidiaries *(Note 41)*	—	8,680
Gain on settlement of amount due to a director *(Note 32, 45(a)(ii))*	**12,621**	1,108
Gain on settlement of amount due to a related party *(Note 33)*	—	1,030
Government subsidies*	**391**	1,587
Compensation income relating to profit guarantee *(Note 46(a))*	**92,838**	—
Others	**997**	114
	106,849	39,350

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

12. 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 *(Note 27)*	**(879)**	10,363
— other receivables *(Note 28)*	**75,661**	6,999
— amounts due from former subsidiaries *(Note 41)*	—	16,590
— property, plant and equipment *(Note 19)*	—	5,894
— right-of-use assets *(Note 20)*	—	2,240
— goodwill *(Note 21)*	—	12,305
— inventories	—	4,163
	74,782	58,554

13. FINANCE COSTS

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Interest on:		
— convertible bonds *(Note 36)*	**7,241**	15,654
— other borrowings *(Note 37)*	**—**	541
— lease liabilities	**83**	215
— other payables *(Note 31)*	**1,247**	—
	8,571	16,410

14. LOSS BEFORE TAX

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Loss before tax has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments *(Note 15)*):		
— Directors' fees, wages and salaries	**7,404**	22,584
— Retirement benefits scheme contributions	**274**	392
— Equity-settled share-based payment	**1,875**	3,150
Total staff costs	**9,553**	26,126
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 *(Note)*	**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

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.

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payable to 11 directors (Year ended 30 June 2022: 8 directors) of the Company, were analysed as follows:

For the year ended 30 June 2023

	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Equity-settled share-based expense HK$'000	Total HK$'000
Executive Directors					
Mr. CHAU Wai Wah Fred *(note (i))*	75	220	11	289	595
Mr. HO Kam Kin *(note (ii))*	49	1,112	18	289	1,468
Ms. KWOK Shuk Yi *(iii)*	49	648	18	289	1,004
Mr. CHAN Ting *(note (iv))*	20	250	2	—	272
Mr. LIAO Zhe *(note (v))*	26	216	4	—	246
Mr. CHEUK Ka Chun Kevin *(note (vi))*	26	238	5	—	269
Non-executive Directors					
Dr. CHENG Yanjie	75	—	—	29	104
Madam CHEUNG Kwai Lan *(note (iv))*	20	—	—	—	20
Independent Non-executive Directors					
Mr. LAU Fai Lawrence	75	—	—	29	104
Dr. LIU Ta-pei *(note (vii))*	75	—	—	7	82
Mr. LAM Kit Sun *(note (viii))*	55	—	—	29	84
	545	2,684	58	961	4,248

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(a) Directors' emoluments – continued

For the year ended 30 June 2022

	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Equity-settled share-based expense HK$'000	Total HK$'000
Executive Directors					
Mr. CHAN Ting *(note (iv))*	240	3,000	11	162	3,413
Mr. LIAO Zhe *(note (v))*	240	1,200	18	93	1,551
Mr. CHEUK Ka Chun Kevin *(note (vi))*	240	888	18	832	1,978
Non-executive Directors					
Madam CHEUNG Kwai Lan *(note (iv))*	240	—	—	162	402
Dr. CHENG Yanjie	240	—	—	146	386
Independent Non-executive Directors					
Mr. LAU Fai Lawrence	240	—	—	—	240
Dr. LIU Ta-pei *(note (vii))*	240	—	—	146	386
Mr. CHAU Wai Wah Fred *(note (i))*	240	—	—	146	286
	1,920	5,088	47	1,687	8,742

The emoluments of executive directors, non-executive directors and independent non-executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group.

Notes:

(i) Mr. Chau Wai Wah Fred was re-designated from independent non-executive director to executive director of the Company with effect from 1 August 2022.

(ii) Mr. Ho Kam Kin was appointed as executive director of the Company with effect on 5 September 2022.

(iii) Ms. Kwok Shuk Yi was appointed as executive director of the Company with effect on 5 September 2022.

(iv) Mr. Chan Ting resigned as executive director of the Company with effect from 1 August 2022 and Madam Cheung Kwai Lan resigned as non-executive director of the Company with effect from 1 August 2022.

(v) Mr. Liao Zhe resigned as executive director and chief operating officer of the Company with effect from 5 September 2022.

(vi) Mr. Cheuk Ka Chun Kevin resigned as executive director of the Company with effect from 5 September 2022.

(vii) Dr. Liu Ta-pei resigned as independent non-executive director of the Company with effect from 3 August 2023.

(viii) Mr. Lam Kit Sun was appointed as independent non-executive director of the Company with effect on 1 August 2022. He resigned as independent non-executive director with effect from 16 May 2023.

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(b) Senior management's emoluments

The five highest paid employees of the Group during the year include 2 directors (Year ended 30 June 2022: 3 directors) whose emoluments are set out above. The emoluments paid or payable to the remaining 3 (Year ended 30 June 2022: 2) highest paid employees, who are not a director of the Company, are as follows:

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Salaries, allowances and other benefits	**1,566**	2,012
Contributions to retirement benefits scheme	**53**	27
	1,619	2,039

The emoluments of the 3 individuals (Year ended 30 June 2022: 2 individuals) fell within the following bands:

	Year ended 30-6-2023 No. of individuals	Year ended 30-6-2022 No. of individuals
Nil to HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**—**	1

No emoluments were paid by the Group to the directors as an inducement to join the Group or as compensation for loss of office for both of the years presented.

16. INCOME TAX CREDIT

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Current year		
— Hong Kong Profits Tax	**—**	—
Current tax credit		
Deferred tax credit *(Note 38)*	**1,307**	387
Income tax credit for the year	**1,307**	387

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 HK$'000	Year ended 30-6-2022 HK$'000
Loss before tax	**(11,407)**	(94,158)
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	**(1,245)**	(271)
Income tax credit	**(1,307)**	(387)

17. 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).

18. 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 HK$'000	Year ended 30-6-2022 HK$'000
Loss for the year for the purpose of basic loss per share		
Loss for the year attributable to the equity holders of the Company	**(10,635)**	(87,998)

	Year ended 30-6-2023 '000	Year ended 30-6-2022 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**182,873**	179,881

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.

19. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
COST						
At 1 July 2021	1,357	13,693	16,171	4,007	12,731	47,959
Additions, at cost	—	121	—	—	—	121
Transferred from right-of-use assets	—	—	—	560	—	560
Disposals	(242)	—	—	(560)	—	(802)
Disposal of subsidiaries *(Note 41)*	—	—	(9,914)	—	—	(9,914)
Exchange realignment	(10)	35	(3)	(3)	(2)	17
At 30 June 2022 and at 1 July 2022	1,105	13,849	6,254	4,004	12,729	37,941
Written-off	—	(13,849)	—	—	—	(13,849)
Exchange realignment	(42)	—	(48)	—	—	(90)
At 30 June 2023	**1,063**	**—**	**6,206**	**4,004**	**12,729**	**24,002**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 July 2021	1,134	5,042	8,128	3,997	12,542	30,843
Depreciation charged for the year	53	780	418	27	40	1,318
Transferred from right-of-use assets	—	—	—	261	—	261
Eliminated on disposals	(242)	—	—	(261)	—	(503)
Eliminated on disposal of subsidiaries *(Note 41)*	—	—	(3,689)	—	—	(3,689)
Impairment loss recognised *(Note 12)*	17	5,807	38	—	32	5,894
Exchange realignment	(8)	—	(3)	(20)	(2)	(33)
At 30 June 2022 and at 1 July 2022	954	11,629	4,892	4,004	12,612	34,091
Depreciation charged for the year	28	724	418	—	37	1,207
Eliminated on written-off	—	(12,353)	—	—	—	(12,353)
Exchange realignment	(62)	—	(44)	—	—	(106)
At 30 June 2023	**920**	**—**	**5,266**	**4,004**	**12,649**	**22,839**
CARRYING AMOUNTS						
At 30 June 2023	**143**	**—**	**940**	**—**	**80**	**1,163**
At 30 June 2022	151	2,220	1,362	—	117	3,850

Note: During the year ended 30 June 2022, certain subsidiaries of the Company were inactive. Management of the Company is as of the view that the impairment loss is required to be made for the property, plant and equipment held by these subsidiaries and accordingly, impairment loss on property, plant and equipment amounted to approximately HK$5,894,000 was recognised.

20. RIGHT-OF-USE ASSETS

	Leased land HK$'000 *Note (a)*	Leased properties HK$'000 *Note (b)*	Motor vehicles HK$'000 *Note (c)*	Total HK$'000
COST				
At 1 July 2021	2,288	11,651	560	14,499
Transfer to property, plant and equipment	—	—	(560)	(560)
Disposal of subsidiaries *(Note 41)*	—	(8,515)	—	(8,515)
Exchange realignment	50	—	—	50
At 30 June 2022 and at 1 July 2022	**2,338**	**3,136**	**—**	**5,474**
Expired	**—**	**(3,136)**	**—**	**(3,136)**
At 30 June 2023	**2,338**	**—**	**—**	**2,338**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 July 2021	58	4,744	178	4,980
Depreciation charged for the year	—	998	83	1,081
Transfer to property, plant and equipment	—	—	(261)	(261)
Eliminated on disposals of subsidiaries *(Note 41)*	—	(3,406)	—	(3,406)
Impairment loss recognised *(Note 12)*	2,240	—	—	2,240
Exchange realignment	40	—	—	40
At 30 June 2022 and at 1 July 2022	2,338	2,336	—	4,674
Depreciation charged for the year	—	800	—	800
Expired	—	(3,136)	—	(3,136)
At 30 June 2023	**2,338**	**—**	**—**	**2,338**
CARRYING AMOUNTS				
At 30 June 2023	**—**	**—**	**—**	**—**
At 30 June 2022	—	800	—	800

Notes:

(a) The leased land represents land use rights in respect of certain land parcels located in the PRC that was transferred from a non-controlling interest as its capital contribution to a subsidiary of the Company. Such leased land is depreciated over the relevant land lease period of approximately 20 years. Since the subsidiary was inactive, accordingly, impairment loss amounted to HK$2,240,000 was recognised during the year ended 30 June 2022.

(b) Leased properties represent lease of properties by the Group for certain of the Group's offices and factories. Leases are negotiated and rentals are fixed for average terms of 2 to 3 years.

(c) Motor vehicles represent the Group's lease of motor vehicle under finance lease. The average lease term is four years. Interest rates on the leases is fixed at 3.13% per annum. During the year ended 30 June 2022, the Group exercised the option and purchased the motor vehicle for a nominal amount at the end of the lease terms, accordingly, such motor vehicle was transferred to property, plant and equipment (Note 19).

21. 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 12)*	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**"):

	Goodwill (net of impairment)	
	30-6-2023 HK$'000	30-6-2022 HK$'000
Lottery-related services	**—**	—

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 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Impairment loss recognised on goodwill allocated to:		
— Lottery-related services	**—**	12,305

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.

22. INTANGIBLE ASSETS

	Computer software HK$'000	Service contracts HK$'000	Intellectual property right HK$'000	Total HK$'000
COST				
At 1 July 2021	3,333	28,373	6,012	37,718
Eliminated on deregistration of subsidiaries	—	(8,710)	(6,048)	(14,758)
Exchange realignment	(83)	52	36	5
At 30 June 2022 and at 1 July 2022	3,250	19,715	—	22,965
Expired	—	(19,715)	—	(19,715)
At 30 June 2023	**3,250**	**—**	**—**	**3,250**
ACCUMULATED AMORTISATION				
At 1 July 2021	3,306	24,998	4,810	33,114
Charged for the year	27	—	—	27
Eliminated on deregistration of subsidiaries	—	(6,968)	(4,839)	(11,807)
Exchange realignment	(83)	42	29	(12)
At 30 June 2022 and at 1 July 2022	3,250	18,072	—	21,322
Expired	—	(18,072)	—	(18,072)
At 30 June 2023	**3,250**	**—**	**—**	**3,250**
ACCUMULATED IMPAIRMENT				
At 1 July 2021	—	3,375	1,202	4,577
Eliminated on deregistration of subsidiaries	—	(1,742)	(1,209)	(2,951)
Exchange realignment	—	10	7	17
Expired	—	(1,643)	—	(1,643)
At 30 June 2022 and 1 July 2022 30 June 2023	—	—	—	—
CARRYING AMOUNTS				
At 30 June 2023	**—**	**—**	**—**	**—**
At 30 June 2022	—	—	—	—

22. INTANGIBLE ASSETS – continued

Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. The estimated useful lives are as follows:

Computer software	5 years
Service contracts	3–5 years
Intellectual property right	5 years

23. INTERESTS IN JOINT VENTURES

	30-6-2023 HK$'000	30-6-2022 HK$'000
Cost of investments in unlisted joint ventures	**47,860**	47,860
Share of post acquisition profits less losses of joint ventures	**(39,457)**	(39,457)
Exchange realignment	**(440)**	232
	7,963	8,635
Amounts due from joint ventures	**6,700**	6,700
Impairment loss recognised	**(14,927)**	(14,927)
Exchange realignment	**264**	(408)
	—	—

The amounts due from joint ventures are unsecured, interest free and have no fixed repayment term. Details of the joint ventures as at 30 June 2023 and 2022 are as follows:

Name	Form of business structure	Place of establishment and operation	Class of capital	Percentage of ownership interest held by the Group 2023	2022	Principal activities
北京中文發數字科技有限公司 (China Culture Development Digital Technology Co., Ltd.) ("**China Culture**")	Sino-foreign equity joint venture	PRC	Registered	**49%**	49%	Research and development of software and information technology products; system integrations; technology consultancy and other services
重慶禮光博軟科技發展有限公司 (Chongqing Lightsoft Technology Development Co., Ltd.) ("**Chongqing Lightsoft**")	Limited liability company	PRC	Registered	**27%**	27%	Development of software, and trading of computer hardware

Chongqing Lightsoft is a 55% owned subsidiary of China Culture.

23. INTERESTS IN JOINT VENTURES – continued

Summarised consolidated statement of financial position of China Culture and its subsidiary, Chongqing Lightsoft, and reconciliation of the carrying amount of interests in joint ventures recognised in the consolidated financial statements are as follows:

	30-6-2023 HK$'000	30-6-2022 HK$'000
Current assets	**48,036**	52,082
Non-current assets	**3,418**	3,706
Current liabilities	**(13,158)**	(14,266)
Translation reserve	**(15,097)**	(16,368)
Other reserve	**(6,947)**	(7,532)
	16,252	17,622
Reconciled to the Group's interests in the joint venture:		
Gross amounts of the joint venture's net assets	**16,252**	17,622
Group's effective interest	**49%**	49%
Carrying amounts of interests in joint venture	**7,963**	8,635

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Revenue	**—**	—
Other income	**—**	—
Profit for the year	**—**	—
Profit for the year attributable to:		
Equity holders of China Culture	**—**	—
Non-controlling interests	**—**	—
	—	—
Group's share of profit of the joint venture		
— recognised	**—**	—
— unrecognised	**—**	—
	—	—

Note: The share of results of the joint ventures for the year has not been recognised in the consolidated financial statements as the directors consider that the joint ventures are inactive during the years ended 30 June 2023 and 2022 and it is appropriate to recognise impairment loss in full against the cost at the Group's investments in and amounts due from joint ventures.

24. INTERESTS IN ASSOCIATES

	30-6-2023 HK$'000	30-6-2022 HK$'000
Unlisted investment	**—**	22,991
Share of post-acquisition profits	**—**	630
	—	23,621

	30-6-2023 HK$'000	30-6-2022 HK$'000
Movements during the year:		
At beginning of the year	**23,621**	45,663
Share of profits/(losses) recognised for the year	**186**	(153)
Loss on dilution of interests in associates	**(1,131)**	(21,889)
Deemed disposal of associates	**(22,676)**	—
At end of the year	**—**	23,621

Particulars regarding the associates of the Group are as follows:

Name	Particulars of issued shares/ registered capital	Place of incorporation/ operation	Percentage of ownership interest held by the Group		Principal activity
			2023	2022	
Ever Development Holdings Limited ("**Ever Development**")	Ordinary shares	BVI	**N/A**	20%	Investment holding
Kenford Medical Group Co. Ltd. ("**Kenford**")	Ordinary shares	Hong Kong	**N/A**	20%	Provision of Chinese medical consultation and sale of Chinese medical products and personal protective equipment
Hong Kong Expert Medical Group Co. Ltd. ("**Hong Kong Expert**")	Ordinary shares	Hong Kong	**N/A**	20%	Provision of Chinese medical consultation and sale of Chinese medical products
Wong Cheung Wah Medical Group Co. Ltd. ("**Wong Cheung Wah**")	Ordinary shares	Hong Kong	**N/A**	14%	Provision of Chinese medical consultation and sale of Chinese medical products
Shenzhen Kenford Technology Co. Ltd. ("**SZ Kenford**")	Registered capital	PRC	**N/A**	20%	Sale of Chinese medical products and personal protective products
Jian He Tang Company Limited ("**Jian He Tang**")	Ordinary shares	Hong Kong	**N/A**	20%	Provision of Chinese medical consultation and sale of Chinese medical products

Kenford, Hong Kong Expert, Wong Cheung Wah, SZ Kenford and Jian He Tang are subsidiaries of Ever Development.

24. INTERESTS IN ASSOCIATES – continued

Dilution of shareholding in Ever Development

During the year ended 30 June 2022, the shareholders of Ever Development, except STCM, made capital contribution to Ever Development on 6 June 2022, which resulted in a dilution of the Group's shareholding in Ever Development from 40% to 20%. The loss on dilution of interest in Ever Development amounted to approximately HK$21,889,000 was charged to profit or loss of the Group in respect of the current year. Details regarding the dilution of interest in associates are set out in the announcement dated 7 June 2022 made by the Company.

On 24 October 2022, the shareholders of Ever Development, except STCM, allotted and issued 100 new ordinary shares by way of placing of new shares, which resulted in a dilution of the Group's shareholding in Ever Development from 20% to 19.05%. As a result, the remaining 19.05% equity interest in Ever Development has therefore been accounted as a financial asset at FVTPL as at 30 June 2023 (Note 25). The loss on dilution of interest in Ever Development amounted to approximately HK$1,131,000 was charged to profit or loss of the Group during the year ended 30 June 2023.

After accounted for the share of losses of the associates and dilution of the Group's shareholding in Ever Development from 20% to 19.05%, the carrying amount of the associates of approximately HK$22,676,000 was accounted for financial assets at FVTPL immediately as initial recognition. Based on the result from the independent valuer, the fair value of financial assets at FVTPL at initial recognition was approximately HK$3,459,000. The difference between the carrying amount of the associates and the fair value of financial assets at FVTPL at date of initial recognition approximately HK$19,217,000 was recognised as loss on deemed disposal of associates in profit or loss during the year ended 30 June 2023.

24. INTERESTS IN ASSOCIATES – continued

The financial information of Ever Development and its subsidiaries is summarised as below:

	30-6-2022 HK$'000
Non-current assets	19,685
Current assets	21,795
Current liabilities	(10,987)
Non-current liabilities	(5,023)
Net assets	25,470

	Year ended 30-6-2022 HK$'000
Revenue	50,714
Loss and total comprehensive expense for the year	(97)

Reconciliation of the above recognised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	30-6-2022 HK$'000
Net assets of Ever Development	25,470
Proportion of the Group's ownership interest in Ever Development	20%
Group's share of net assets of Ever Development	5,094
Goodwill	18,527
Carrying amount of the Group's interest in Ever Development	23,621

25. FINANCIAL ASSETS AT FVTPL

	30-6-2023	30-6-2022
	HK$'000	HK$'000
Unlisted:		
— Equity investments *(Note)*	**5,274**	—

Note: On 24 October 2022, the shareholders of Ever Development, except STCM, allotted and issued 100 new ordinary shares by way of placing of new shares, which resulted in a dilution of the Group's shareholding in Ever Development from 20% to 19.05%. As a result, the remaining 19.05% equity interest in Ever Development has therefore been accounted as a financial asset at FVTPL as at 30 June 2023 (Note 24).

The above unlisted equity investment represents the Group's equity interest in a private entity established in Hong Kong.

Based on the result from the independent valuer, the fair value of the financial assets at FVTPL as at date initial recognition and 30 June 2023 were approximately HK$3,459,000 and HK$5,274,000 respectively. The subsequent fair value change amounted to approximately HK$1,815,000 was recognised in profit or loss during the year.

26. INVENTORIES

	30-6-2023	30-6-2022
	HK$'000	HK$'000
Raw materials and consumables	**—**	211
Finished goods	**855**	471
	855	682

27. TRADE RECEIVABLES

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

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:

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

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.

27. TRADE RECEIVABLES – continued

Movements in the impairment of trade receivables are as follows:

	30-6-2023 **HK$'000**	30-6-2022 HK$'000
Balance at the beginning of the year	**89,488**	79,453
Eliminated on deregistration of subsidiaries	**—**	(74)
(Reversal)/charge for the year *(Note 12)*	**(879)**	10,363
Exchange realignment	**—**	(254)
Balance at the end of the year	**88,609**	89,488

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:

	30-6-2023 **HK$'000**	30-6-2022 HK$'000
0 to 30 days	**—**	—
31 to 60 days	**—**	—
61 to 180 days	**—**	862
181 to 365 days	**—**	—
Over one year	**—**	—
	—	862

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Movements in impairment of other receivables are as follows:

	30-6-2023 HK$'000	30-6-2022 HK$'000
Balance at the beginning of the year	**27,471**	21,494
Deregistration of subsidiaries	**—**	(817)
Charge for the year *(Note 12)*	**75,661**	6,999
Exchange realignment	**—**	(205)
Balance at the end of the year	**103,132**	27,471

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) (Note 45(a)(vi)) 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.

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Movements in impairment of deposits paid are as follows:

	30-6-2023 HK$'000	30-6-2022 HK$'000
Balance at beginning and end of the year	**11,852**	11,852

29. BANK BALANCES AND CASH

	30-6-2023 HK$'000	30-6-2022 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar ("**HK$**")	**112**	1,186
Renminbi ("**RMB**")	**1,659**	1,790
United States dollar ("**US$**")	**5**	15
	1,776	2,991

The remittance of the bank deposits denominated in RMB out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

30. 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:

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

The credit period ranged from 30 days to 60 days.

31. ACCRUALS AND OTHER PAYABLES

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

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 11).

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.

32. AMOUNTS DUE TO DIRECTORS

	30-6-2023 HK$'000	30-6-2022 HK$'000
Amounts due to:		
— Madam Cheung Kwai Lan	**—**	3,124
— Mr. Liao Zhe	**—**	3,337
— Mr. Cheuk Ka Chun, Kevin	**—**	2,029
	—	8,490

32. AMOUNTS DUE TO DIRECTORS – continued

The amounts due to directors are unsecured, interest free and repayable on demand.

During the year ended 30 June 2023, former director, Mr. Chan Ting entered into the agreements with former directors, Mr. Liao Zhe and Mr. Cheuk Ka Chun, Kevin, for the settlement of the outstanding amounts owed by the Group to them, details of which are set out in Note 45(a)(i). The gain on the settlement of the amount due to Mr. Chan Ting amounted to approximately HK$12,621,000 was recognised in the profit and loss of the Group and included in other income and gains (Note 11).

During the year ended 30 June 2022, the Company entered into agreements with the directors, Madam Cheung Kwai Lan and Mr. Chan Ting, for the settlement of portions of the outstanding amounts due by the Group to them, details of which are set out in Note 45(a)(iii). The gain on the settlement of the amount due to Madam Cheung Kwai Lan (also a shareholder of the Company) amounted to approximately HK$18,449,000 is deemed contribution by shareholder and was recognised in the capital reserve. The gain on the settlement of the amount due to Mr. Chan Ting amounted to approximately HK$1,108,000 was recognised in profit and loss of the Group and included in other income and gains (Note 11).

33. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties are analysed as follows:

	30-6-2023 HK$'000	30-6-2022 HK$'000
Amounts due to:		
— Family members of directors of the Company	—	4,891
— An entity controlled by a director of the Company	—	2,108
— Directors of subsidiary of the Company	—	3,622
— An entity controlled by a director of a subsidiary of the Company	—	1,523
	—	12,144

These balances are unsecured, interest-free and repayable on demand or within one year after the end of the reporting period.

During the year ended 30 June 2023, former director, Mr. Chan Ting entered into the agreements with certain related parties, to settle the outstanding amounts owed by the Group to them, details of which are set out in Note 45(a)(i).

Included in amounts due to directors of subsidiary of the Company is amount due by the Group to Ms. Ng Pik Yin, the spouse of a director of a subsidiary of the Company. During the year ended 30 June 2022, the Company entered into agreement with Ms. Ng Pik Yin for the settlement of portions of the outstanding amounts due by the Group to her, details of which are set out in Note 45(a)(iii). This settlement resulted in a gain amounted to approximately HK$1,030,000 which was recognised in profit and loss of the Group and included in other income and gains (Note 11).

34. AMOUNT DUE TO A SHAREHOLDER

	30-6-2023 HK$'000	30-6-2022 HK$'000
Unsecured amount due to a shareholder	**105,747**	105,747

The amount due to shareholder at 30 June 2023 and 2022 was interest free and repayable on demand after its re-classification from convertible bonds to amount due to a shareholder upon the maturity of the convertible bonds on 17 January 2022 (Note 36(a)(i)).

35. LEASE LIABILITIES

	30-6-2023 HK$'000	30-6-2022 HK$'000
Lease liabilities payable:		
Within one year	—	934
Within a period of more than one year but not more than two years	—	—
	—	934
Less: Amounts due for settlement within 12 months shown under current liabilities	—	(934)
Amounts due for settlement after 12 months shown under non-current liabilities	—	—

36. CONVERTIBLE BONDS

	30-6-2023 HK$'000	30-6-2022 HK$'000
Convertible bonds:		
— Liability component	—	44,995
Classified under current liabilities:		
— Convertible bonds	—	44,995

36. CONVERTIBLE BONDS – continued

(a) Convertible bonds issued in prior years

(i) 10% Bonds January 2022

On 18 January 2021, the Company entered into the fifth amendment agreement with the bondholder to amend certain terms and conditions of 8% Bonds January 2021, under which the conversion price was amended to HK$0.221 per share and the convertible bonds carry interest at 10% per annum, are convertible into 405,542,986 shares at the revised convertible price of HK$0.221 per share and the maturity date was extended to 17 January 2022.

The revised 8% Bonds January 2020 (the "**10% Bonds January 2022**") contain liability and equity components. The effective interest rate of the liability component was estimated to be approximately 16.30% per annum. The equity component is presented under the equity and included in "convertible bonds reserve".

The fair value of the 10% Bonds January 2022 at the date of amendment (i.e. 18 January 2021) was estimated to be HK$89,675,000 as valued by an external valuer.

The fair value of the liability component of the 10% Bonds January 2022 was estimated to be HK$85,168,000 at the date of amendments as valued by the external valuer based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan. Details of the principal valuation parameters applied in determining the fair value of the 10% Bonds January 2022 liability component is summarised as follows:

	At date of amendment
Principal amount:	HK$89,625,000
Coupon rate:	10% per annum
Maturity date:	17 January 2022
Conversion price:	HK$0.221
Risk-free rate:	0.105%
Expected volatility:	75.71%
Expected dividend yield:	0%

The 10% Bonds January 2022 matured on 17 January 2022 and the Bonds were not repaid or converted into shares of the Company upon their maturity. In this respect, the total outstanding balance of the Bonds of HK$105,747,000, comprising the principal amount of the Bonds of HK$89,625,000 and the related accrued interests of HK$16,122,000 (included in accruals and other payables), was reclassified to amount due to a shareholder upon their maturity as at 30 June 2022.

36. CONVERTIBLE BONDS – continued

(a) Convertible bonds issued in prior years – continued

(ii) 7% Bonds February 2023

On 30 August 2021, the Company issued the 7% convertible bonds due on 20 February 2023 (the "**7% Bonds February 2023**") with a principal amount of HK$50,000,000, at 2% coupon interest rate to a third party. Pursuant to the terms of the agreement for the convertible bonds, the convertible bonds, which will be matured on 20 February 2023, are convertible into 172,413,793 new ordinary shares of the Company at the initial conversion price of HK$0.29 per share, subject to adjustment.

The convertible bonds contain liability and equity components. The effective interest rate of the liability component is 26.03% per annum. The equity component is presented under the equity heading of "convertible bonds reserve".

The fair value of the liability component of the 7% Bonds February 2023 was estimated to be HK$39,733,000 at the issue date as valued by the external valuer based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

Details of principal valuation parameters applied in determining the fair value of the 7% Bonds February 2023 liability component is summarized as follows:

	At 30 August 2021 (date of issue)
Principal amount:	HK$50,000,000
Coupon rate:	7% per annum
Maturity date:	20 February 2023
Conversion price:	HK$0.29
Risk-free rate:	0.096%
Expected volatility:	73.19%
Expected dividend yield:	0%

The 7% Bond February 2023 matured on 20 February 2023 and the Bonds were not repaid or converted into shares of the Company upon their maturity. In this respect, the total outstanding principal amount of the Bonds of HK$50,000,000 and the related accrued interests of HK$1,750,000 was reclassified to other payables upon their maturity as at 30 June 2023.

36. CONVERTIBLE BONDS – continued

Movements of the convertible bonds are set out below:

	Liability component			
	10% Bonds January 2022 HK$'000	7% Bonds February 2023 HK$'000	Total HK$'000	Equity component HK$'000
As at 1 July 2021	87,041	—	87,041	4,507
Movements during the year ended 30 June 2022:				
Issue of convertible bonds	—	39,733	39,733	10,267
Deferred tax liability on recognition of equity component of convertible bonds *(Note 38)*	—	—	—	(1,694)
Imputed interest charge *(Note 13)*	7,475	8,179	15,654	—
Interest payable included in accruals and other payables	(4,891)	(2,917)	(7,808)	—
Reclassified upon maturity of convertible bonds	(89,625)	—	(89,625)	(4,507)
As at 30 June 2022 and 1 July 2022	—	44,995	44,995	8,573
Movements during the year ended 30 June 2023:				
Reversal of deferred tax liability on recognition of equity component of convertible bonds upon maturity *(Note 38)*	**—**	**—**	**—**	**1,694**
Imputed interest charge *(Note 13)*	**—**	**7,241**	**7,241**	**—**
Interest payable included in accruals and other payables	**—**	**(2,236)**	**(2,236)**	**—**
Reclassified upon maturity of convertible bonds	**—**	**(50,000)**	**(50,000)**	**(10,267)**
As at 30 June 2023	**—**	**—**	**—**	**—**

37. OTHER BORROWING

	30-6-2023 HK$'000	30-6-2022 HK$'000
Promissory note payable within one year	—	—
Movements during the year are as follows:		
Balance at beginning of the year	—	13,260
Interest charged to profit or loss *(Note 13)*	—	541
Promissory note repaid during the year	—	(13,801)
Balance at end of the year	—	—

Note:

On 10 October 2019, a promissory note with the principal amount of US$2,000,000 was issued by Sinopharm (Hong Kong) Industrial Co., Limited, a wholly-owned subsidiary of the Company, to a third party, for a gross proceed of US$2,000,000. Pursuant to the terms of the note, interest on the promissory note is charged at 12% per annum, and the note is secured by personal guarantee given by Mr. Chan Ting, a director of the Company, and is payable on or before 11 October 2020.

During the year ended 30 June 2022, the Group repaid the notes and interest thereon totalled approximately US$1,769,000 and the note was fully repaid as at 30 June 2022.

38. DEFERRED TAX LIABILITIES

	30-6-2023 HK$'000	30-6-2022 HK$'000
Deferred tax liabilities classified under current liabilities	—	1,307

Movements of the deferred tax liabilities are as follows:

	Convertible bonds HK$'000
At 1 July 2021	—
Deferred tax arising on issue of convertible bonds *(Note 36)*	1,694
Deferred tax credited to profit or loss *(Note 16)*	(387)
At 30 June 2022 and 1 July 2022	1,307
Deferred tax credited to profit or loss upon maturity of convertible bonds *(Note 16)*	(1,307)
At 30 June 2023	—

At the end of the reporting period, the Group has unused tax losses of approximately HK$101,691,000 (30 June 2022: HK$92,929,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams. Included in unused tax losses are losses of approximately HK$41,949,000 (30 June 2022: HK$40,818,000) that will expire within one to five years from the end of the reporting period. Other losses may be carried forward indefinitely.

39. SHARE CAPITAL

	Number of shares '000	Nominal amounts HK$'000
Ordinary shares of HK$0.0125 each		
Authorised:		
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	16,000,000	200,000
Issued and fully paid:		
At 1 July 2021	4,403,984	55,050
Share issued for settlement of amounts due to shareholder and/or director *(Note (a))*	133,705	1,671
At 30 June 2022 and 1 July 2022	4,537,689	56,721
Share issued for settlement of amounts due to shareholder and/or director *(Note (b))*	54,637	683
At 30 June 2023	**4,592,326**	**57,404**

Notes:

(a) On 20 October 2021, the Company issued an aggregate of 133,705,046 new ordinary shares for the settlements of amounts due by the Group to certain shareholder and/or director, details of which are set out in Notes 45(a)(iii). The closing share price of the Company's shares at the date of issue is HK$0.212 per share.

(b) On 15 November 2022, the Company issued an aggregate of 54,637,617 new ordinary shares for the settlements of amounts due by the Group to a former director, details of which are set out in Notes 45(a)(ii). The closing share price of the Company's shares at the date of issue is HK$0.049 per share.

40. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Old Share Option Scheme**") on 31 January 2013 under which the Board may, at its discretion, invite eligible persons to take up share options to subscribe for the Shares. The purpose of the Old Share Option Scheme is to enable the Company to grant share options to selected eligible persons as incentives or rewards for their contribution to the Group. Eligible persons shall include any employee, any Director (including executive, non-executive and independent non-executive Directors) and any consultant of the Company or of any subsidiary of the Company or such other persons who, at the sole determination of the Board, have contributed to the Group at the time when an option is granted to such persons. The Old Share Option Scheme will remain valid for a period of 10 years commencing from the date of its adoption. The Old Share Option Scheme was terminated on 9 June 2021.

The Company adopted a new share option scheme (the "**New Share Option Scheme**") on 9 June 2021 under which the Board may, at its discretion, invite eligible persons to take up share options to subscribe for the Shares. The purpose of the New Share Option Scheme is to enable the Group to grant the share options to selected eligible persons (the "**Eligible Persons**") as incentives or rewards for their contribution to the Group. The New Share Option Scheme will provide the Eligible Persons with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives: (i) motivate the Eligible Persons (in case of the Eligible Employees, as defined below) to optimise their performance and efficiency for the benefit of the Group; (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Persons (in case of the Eligible Consultants, as defined below) whose contributions are, will be or are expected to be beneficial to the Group; and (iii) align the interests of the Eligible Persons with the Shareholders. Eligible persons shall include any employee and any Director (including executive, non- executive and independent non-executive Directors) (both collectively, the "**Eligible Employee(s)**") and any consultant (collectively, the "**Eligible Consultant(s)**") of the Company or of any subsidiary of the Company or such other persons who, at the sole determination of the Board, have contributed to the Group at the time when an option is granted to such persons. The New Share Option Scheme will remain valid for a period of 10 years commencing from the date of its adoption.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted to each eligible participant (included both exercised and outstanding options) in any 12 month period must not exceed 1% of the total issued share capital of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholder's approval in a general meeting.

The maximum number of shares of the Company which may be issued upon exercise of all the outstanding options granted and yet to be issued under the Share Option Scheme or any other schemes must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

The exercise price of the share options is determinable by the directors, and may not be less than the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share of the Company.

40. SHARE OPTION SCHEME – continued

Details of the share options granted, exercised, cancelled and lapsed during both of the years presented are set out as follows:

Year ended 30 June 2023

Grantee	Grant date	Exercise price per share	Exercisable period	Balance as at 1 July 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 30 June 2023
				Number of share options					
		HK$							
Directors and related party	07/01/2020	0.33	1/6/2020 to 31/12/2022	55,655,000	—	—	—	(55,655,000)	—
Directors	28/12/2022	0.04	01/07/2023 to 30/06/2028	—	132,900,000	—	—	(4,000,000)	128,900,000
Employees	07/01/2020	0.33	1/6/2020 to 31/12/2022	32,395,000	—	—	—	(32,395,000)	—
	27/08/2021	0.25	1/10/2021 to 30/09/2024	63,000,000	—	—	—	(63,000,000)	—
	28/12/2022	0.04	01/07/2023 to 30/06/2028	—	131,000,000	—	—	—	131,000,000
				151,050,000	263,900,000	—	—	(155,050,000)	259,900,000
Other eligible participants*	14/08/2019	0.33	1/1/2020 to 31/12/2022	90,800,000	—	—	—	(90,800,000)	—
	27/08/2021	0.25	1/10/2021 to 30/09/2024	14,000,000	—	—	—	(14,000,000)	—
				104,800,000	—	—	—	(104,800,000)	—
			Total	255,850,000	263,900,000	—	—	(259,850,000)	259,900,000
Weighted average exercise price				0.33	0.04	—	—	0.30	0.04

Year ended 30 June 2022

Grantee	Grant date	Exercise price per share	Exercisable period	Balance as at 1 July 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 30 June 2022
				Number of share options					
		HK$							
Directors and related party	07/01/2020	0.33	1/6/2020 to 31/12/2022	55,655,000	—	—	—	—	55,655,000
Employees	07/01/2020	0.33	1/6/2020 to 31/12/2022	33,295,000	—	—	—	(900,000)	32,395,000
	27/08/2021	0.25	1/10/2021 to 30/09/2024	—	63,000,000	—	—	—	63,000,000
				88,950,000	63,000,000	—	—	(900,000)	151,050,000
Other eligible participants*	14/08/2019	0.33	1/1/2020 to 31/12/2022	90,800,000	—	—	—	—	90,800,000
	27/08/2021	0.25	1/10/2021 to 30/09/2024	—	14,000,000	—	—	—	14,000,000
				90,800,000	14,000,000	—	—	—	104,800,000
			Total	179,750,000	77,000,000	—	—	(900,000)	255,850,000
Weighted average exercise price				0.33	0.25	—	—	0.33	0.31

* Other eligible participants include consultants of the Group.

40. SHARE OPTION SCHEME – continued

During the year ended 30 June 2023, options were granted by the Company to subscribe for 263,900,000 (2022: 77,000,000) new shares of the Company, details of which are as follows:

Date of grant	Number of shares under options granted	Exercise price per share	Exercisable period
		HK$	
27 August 2021	77,000,000	0.25	1 October 2021 to 30 September 2024
28 December 2022	263,900,000	0.04	1 July 2023 to 30 June 2028

The fair value of the options at 28 December 2022 and 27 August 2021 was estimated to be approximately HK$3,302,000 and HK$4,899,000 respectively. The fair value of the options granted was calculated using the Binomial Model. The inputs into the model were as follows:

	Share options granted on 28 December 2022	Share options granted on 27 August 2021
Exercise price	HK$0.04	HK$0.25
Expected volatility	49.16%	63.39%
Expected life	5.51 years	3.09 years
Risk-free rate	4.00%	0.60%
Expected dividend yield	0%	0%
Exercise multiple	2.2-2.8 times	2.2 times

Expected volatility was determined by reference to the historical volatility of the Company's share prices over the previous 5.51 years and 3.09 years for share options granted on 28 December 2022 and 27 August 2021 respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year ended 30 June 2023, the Group recognised the total expenses of HK$2,482,000 (2022: HK$4,446,000) in relation to share options granted by the Company.

41. DISPOSAL OF SUBSIDIARIES

	Net cash outflows on disposal	Gain on disposal
	30 June 2022 HK$'000	30 June 2022 HK$'000
Disposal of:		
— SPT Mask Academy Limited *(note a)*	(6)	8,478
— China Vanguard (China) Property Development Limited *(note b)*	(11)	202
	(17)	8,680

Notes:

(a) On 30 July 2021, the Group entered into an agreement with a third party for the disposal of the entire issued share capital of a subsidiary, SPT Mask Academy Limited ("**SPT Mask**").

The disposal was completed on 30 July 2021 and the consideration for disposal amounted to approximately HK$1, which remained outstanding at 30 June 2022.

(b) On 30 July 2021, the Group entered into an agreement with a third party for the disposal of 51% issued share capital of a subsidiary, China Vanguard (China) Property Development Limited ("**CV China**").

The disposal was completed on 30 July 2021 and the consideration for disposal amounted to approximately HK$510, which remained outstanding at 30 June 2022.

41. DISPOSAL OF SUBSIDIARIES – continued

Net liabilities disposed of

Assets and liabilities over which control was lost are as follows:

Year ended 30 June 2022

	SPT Mask HK$'000	CV China HK$'000	Total HK$'000
Non-current assets			
Property, plant and equipment *(Note 19)*	3,570	2,655	6,225
Right-of-use assets *(Note 20)*	2,523	2,586	5,109
Deposits for acquisition of property, plant and equipment	1,018	75	1,093
Current assets			
Inventories	143	66	209
Other receivables, prepayments and deposits	654	1,360	2,014
Amounts due from Group companies	—	180	180
Bank balances and cash	6	11	17
Total assets	7,914	6,933	14,847
Current liabilities			
Other payables	1,458	1,058	2,516
Amounts due to Group companies *(Note below)*	12,178	4,592	16,770
Lease liabilities	1,526	1,524	3,050
Non-current liabilities			
Lease liabilities	1,230	1,248	2,478
Total liabilities	16,392	8,422	24,814
Net liabilities disposed of	(8,478)	(1,489)	(9,967)

Note: Included in amounts due to Group companies are amounts owed the Group by certain former subsidiaries amounted to approximately HK$16,590,000 at the date of completion of the disposal. Having considered the financial position and cash flows of these former subsidiaries, management of the Group is of the view that it is highly uncertain that the Group is able to recover these amounts due from the former subsidiaries, accordingly, impairment loss in full amounted to approximately HK$16,590,000 was recognised on the amounts due by these former subsidiaries in profit or loss in respect of the year. At the end of the reporting period and up to the date of approval of these consolidated financial statements, the amount due by the former subsidiaries to the Group remained outstanding.

41. DISPOSAL OF SUBSIDIARIES – continued

Gain on disposal of subsidiaries

Year ended 30 June 2022

	SPT Mask HK$'000	CV China HK$'000	Total HK$'000
Consideration receivable for disposal	—	1	1
Net liabilities disposed of	8,478	1,489	9,967
Non-controlling interests	—	(1,288)	(1,288)
Gain on disposal of subsidiaries	8,478	202	8,680

Cash outflows on disposal of subsidiaries

Year ended 30 June 2022

	SPT Mask HK$'000	CV China HK$'000	Total HK$'000
Consideration for disposal received	—	—	—
Less: Bank balances and cash disposed of	(6)	(11)	(17)
Cash outflows on disposal of subsidiaries	(6)	(11)	(17)

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible bonds HK$'000	Amounts due to directors HK$'000	Lease liabilities HK$'000	Other borrowing HK$'000	Total HK$'000
At 1 July 2021	87,041	54,318	7,732	13,260	162,351
Financing cash inflows/ (outflows)	50,000	(2,476)	(1,485)	(13,801)	32,238
Finance costs	15,654	—	215	541	16,410
Other non-cash changes	(107,700)	(43,352)	(5,528)	—	(156,580)
At 30 June 2022	44,995	8,490	934	—	54,419
At 1 July 2022	**44,995**	**8,490**	**934**	**—**	**54,419**
Financing cash inflows/ (outflows)	**(3,500)**	**—**	**(1,017)**	**—**	**(4,517)**
Finance costs	**7,241**	**—**	**83**	**—**	**7,324**
Other non-cash changes	**(48,736)**	**(8,490)**	**—**	**—**	**(57,226)**
At 30 June 2023	**—**	**—**	**—**	**—**	**—**

43. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 30 June 2023, the Group settled the total amounts of approximately HK$15,299,000 due by the Group to Mr. Chan Ting, a former director of the Company, which was satisfied by the issue of 54,637,617 new ordinary shares by the Company, details of which are set out in Note 45(a)(ii).

(b) During the year ended 30 June 2022, the Group settled the total amounts of approximately HK$34,763,000 due by the Group to Mr. Chan Ting and Madam Cheung Kwai Lan, directors of the Company, and Ms. Ng Pik Yin, the spouse of a director of a subsidiary of the Company, which was satisfied by the issue by the Company of 133,705,046 new ordinary shares, details of which are set out in Notes 45(a)(iii).

44. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualifying employees pursuant to the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated statement of profit or loss represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

The total expenses recognised in profit or loss of HK$274,000 (Year ended 30 June 2022: HK$392,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

45. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with related parties

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had material transactions and balances with related parties as follows:

Transactions with related parties

(i) On 26 July 2022, former director, Mr. Chan Ting entered into the agreements with certain directors and related parties, to assign the outstanding amounts of approximately HK$15,299,000 owed by the Group to him.

(ii) On 27 July 2022, the Company entered into agreements with Mr. Chan Ting, pursuant to which the outstanding balances of approximately HK$15,299,000 owed by the Group to Mr. Chan Ting was settled by the Group which was satisfied by 54,637,617 new ordinary shares issued by the Company to him at the issue price of HK$0.28 per share.

(iii) On 8 July 2021, the Company entered into agreements with Mr. Chan Ting and Madam Cheung Kwai Lan, directors of the Company, and Ms. Ng Pik Yin, the spouse of a director of a subsidiary of the Company, pursuant to which the outstanding balances of HK$6,000,000 and HK$23,183,312 and HK$5,580,000 due by the Group to Mr. Chan Ting, Madam Cheung Kwai Lan and Ms. Ng Pik Yin respectively were settled by the Group which were satisfied by 23,076,923 new ordinary shares, 89,166,585 new ordinary shares and 21,461,538 new ordinary shares issued by the Company to them respectively at the issue price of HK$0.26 per share.

45. RELATED PARTY TRANSACTIONS – continued

(a) Transactions and balances with related parties – continued

Balances with related parties

(iv) Included in other receivables as at 30 June 2023 is receivable from a shareholder, Sinopharm Traditional Chinese Medicine Overseas Holding Limited, amounted to approximately HK$76,498,000, of which provision for expected credit losses of approximately HK$74,821,000 was recognised.

(v) Included in trade receivables at 30 June 2022 is receivable from a shareholder, Sinopharm Traditional Chinese Medicine Overseas Holding Limited, amounted to HK$16,601,400, of which provision for expected credit losses of HK$16,601,400 was recognised.

(vi) Included in other receivables as at June 2022 is amount due from a related entity (Xueliang Zhang Foundation) of HK$2,998,000. The amount is unsecured, interest free and has no fixed repayment terms. The Company's former director, Madam Cheung Kwai Lan, is the member of committee of the related entity.

(vii) Included in trade payables at 30 June 2022 is payable to an associate amounted to HK$8,014,000.

(viii) Amounts due to directors of HK$8,490,000 at 30 June 2022 are unsecured, interest free and repayable on demand, details of which are set out in Note 32.

(ix) Amounts due to related parties of HK$12,144,000 at 30 June 2022 are unsecured, interest free and repayable on demand, details of which are set out in Note 33.

(b) Compensation of directors and key management personnel

The remuneration of directors and other members of key management for the year were as follows:

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Short term benefits	**4,863**	11,297
Post-employment benefits	**—**	89
	4,863	11,386

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries as at 30 June 2023 and 2022 are as follows:

Name	Place of incorporation and operation	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Champion Vision Global Limited	Samoa and PRC	Ordinary share US$100	—	51%	Investment Holding
Cheerful Group Holdings Limited	BVI	Ordinary shares US$50,000	—	100%	Investment Holding
China Success Enterprises Limited	BVI	Ordinary shares US$2,000	100%	—	Investment Holding
Next Champion Limited	Hong Kong	Ordinary shares HK$1	—	100%	Distribution of personal protective equipment
深圳市博眾信息技術有限公司# (Shenzhen Bozone IT Co. Ltd.†) *(Note 1)*	PRC	Registered capital RMB50,000,000	—	100%	Provision of lottery-related hardware and software systems
Hero Global Holdings Limited *(Note 3)*	BVI	Registered capital US$100	—	100%	Investment Holding
Sinopharm Health Cross Border E-Commerce Company Limited	Hong Kong	Ordinary shares HK$100	—	51%	Provision of internet plus solution services
Sinopharm (Hong Kong) Industrial Co., Limited	Hong Kong	Ordinary shares HK$1,000,001	—	100%	Distribution of personal protective equipment
深圳國科防偽科技有限公司#(前稱「深圳生港科技有限公司」) (Shenzhen Guoke Anti-Counterfeit Technology Company Limited†) (formerly known as "Shenzhen Sheng-Gang Technology Co. Limited"†) *(Note 1)*	PRC	Registered capital US$6,809,751	100%	—	Investment Holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(a) Particulars of the Company's principal subsidiaries as at 30 June 2023 and 2022 are as follows: – continued

Name	Place of incorporation and operation	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sinopharm Tech Corporate Management Limited ("**STCM**")	Hong Kong	Ordinary shares HK$20,000,000	100%	—	Corporate management
Sinopharm Tech Medical Supplies Limited	Hong Kong	Ordinary shares HK$1,000	—	100%	Manufacturing and distribution of personal protective equipment
吉林國科醫療用品有限公司# (Jilin Guoke Medical Supplies Co. Ltd.†) *(Note 2)*	PRC	Registered capital RMB10,000,000	—	57%	Manufacturing and distribution of personal protective equipment
前海初道科技(深圳)有限公司# (Qianhai Chudao Technology (Shenzhen) Ltd.†) *(Note 2)*	PRC	Registered capital RMB5,000,000	—	51%	Provision of internet plus solution services

\# The statutory financial year end date of these subsidiaries is 31 December.

† For identification purpose only.

Notes:

1. Wholly-foreign-owned enterprises established under the law of the PRC.

2. A limited liability company established under the law of the PRC.

3. On 1 January 2019, STCM entered into an agreement to acquire 100% equity interest in Hero Global Holdings Limited ("**Hero Global**"), for a consideration which was satisfied by the issue of 650,000,000 new shares of the Company ("**Consideration Shares**") at a price of HK$0.155 per share.

   Pursuant to the sale and purchase agreement, the vendor warranted to the Group that (i) the actual net profit after taxation of Hero Global for each of the three years ending 31 December 2019, 2020 and 2021 shall not be less than HK$23,000,000, HK$23,000,000 and HK$23,000,000 respectively; or (ii) the aggregate net profit for the three years ending 31 December 2019, 2020 and 2021 shall not be less than HK$69,000,000 in total ("**Profit Guarantee**"). If the aggregate net profit for the three years ending 31 December 2019, 2020 and 2021 is less than the guaranteed profit, the vendor shall compensate 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 have been locked up by the Company for the purpose of the Compensation, if any, payable by the vendor.

   Management of the Group determined that the net profit after taxation of Hero Global for each of the years ended 31 December 2019, 2020 and 2021 is less than the Profit Guarantee, accordingly the Group is entitled to receive the compensation amounted to approximately HK$93 million which is calculated in accordance with the formula stated above and was agreed by the contracting parties as stated in the paragraph above.

   During the year ended 30 June 2022, the vendor failed to settle the first instalment of the compensation as agreed by the contracting parties. In accordance with the related sale and purchase agreement, the Group is entitled to sell the locked-up Consideration Shares for the recovery of the compensation.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(a) Particulars of the Company's principal subsidiaries as at 30 June 2023 and 2022 are as follows: – continued

Information about principal subsidiaries of the Group at the end of reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries 30-6-2023	Number of non-wholly owned subsidiaries 30-6-2022
Provision of internet plus solution services	PRC	**1**	1
Manufacturing and distribution of personal protective equipment	PRC	**1**	1

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries 30-6-2023	Number of wholly owned subsidiaries 30-6-2022
Provision of lottery-related services	PRC	**1**	1
Provision of internet plus solution services	Hong Kong and PRC	**2**	2
Provision of internet plus supply chain services	Hong Kong and PRC	**1**	1
Manufacturing and distribution of personal protective equipment	Hong Kong	**1**	1

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Place of incorporation and operation	Proportion of ownership and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		30-6-2023	30-6-2022	**30-6-2023 HK$'000**	30-6-2022 HK$'000	**30-6-2023 HK$'000**	30-6-2022 HK$'000
Champion Vision Global Limited	Samoa and PRC	**49%**	49%	**—**	(170)	**(4,885)**	(4,977)
Shandong Deji Medical Goods Company Limited	PRC	**49%**	49%	**—**	(2,510)	**(2,553)**	(2,566)
Individual immaterial subsidiaries with non-controlling interests				**535**	(3,093)	**417**	923
Total				**535**	(5,773)	**(7,021)**	(6,620)

Summarized financial information in respect of each of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amount before intragroup elimination.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

(i) Champion Vision Global Limited

	30-6-2023 HK$'000	30-6-2022 HK$'000
Non-current assets	**—**	—
Current assets	**5,892**	5,892
Current liabilities	**(16,049)**	(16,049)
Non-current liabilities	**—**	—
Capital deficiency attributable to equity holders of the Company	**(5,272)**	(5,180)
Non-controlling interests	**(4,885)**	(4,977)

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Revenue	**—**	—
Expenses	**—**	(346)
Loss for the year	**—**	(346)
Loss attributable to equity holders of the Company	**—**	(176)
Loss attributable to non-controlling interests	**—**	(170)
	—	(346)
Net cash outflows from operating activities	**—**	—
Net cash inflows from investing activities	**—**	—
Net cash inflows from financing activities	**—**	—
Net cash outflows	**—**	—

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

(ii) Shandong Deji Medical Goods Company Limited

	30-6-2023 HK$'000	30-6-2022 HK$'000
Non-current assets	**—**	—
Current assets	**287**	311
Current liabilities	**(1,163)**	(5,548)
Non-current liabilities	**—**	—
Capital deficiency attributable to equity holders of the Company	**(1,677)**	(2,671)
Non-controlling interests	**(2,553)**	(2,566)

	Year ended 30-6-2023 HK$'000	Year ended 30-6-2022 HK$'000
Revenue	**—**	—
Expenses	**—**	(5,123)
Loss for the year	**—**	(5,123)
Loss attributable to equity holders of the Company	**—**	(2,613)
Loss attributable to non-controlling interests	**—**	(2,510)
	—	(5,123)
Net cash inflows from operating activities	**—**	—
Net cash inflows from investing activities	**—**	—
Net cash inflows from financing activities	**—**	—
Net cash inflows	**—**	—

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position

	30-6-2023 HK$'000	30-6-2022 HK$'000
Non-current assets		
Interests in subsidiaries	**—**	—
Property, plant and equipment	**1,014**	1,485
Right-of-use assets	**—**	800
	1,014	2,285
Current assets		
Other receivables, deposits and prepayments	**5,004**	969
Bank balances and cash	**83**	132
	5,087	1,101
Current liabilities		
Accruals and other payables	**164,086**	143,296
Amounts due to subsidiaries	**21,996**	6,176
Amounts due to directors	**—**	62
Amounts due to related parties	**—**	2,470
Convertible bonds	**—**	44,995
Deferred tax liabilities	**—**	1,307
Lease liabilities	**—**	934
	186,082	199,240
Net current liabilities	**(180,995)**	(198,139)
Total assets less current liabilities	**(179,981)**	(195,854)
Net liabilities	**(179,981)**	(195,854)
Share capital	**57,404**	56,721
Reserves *(Note (b))*	**(237,385)**	(252,575)
Total capital deficiency	**(179,981)**	(195,854)

The Company's statement of financial position was approved and authorised by the Board of Directors on 29 September 2023 and are signed on its behalf by:

HO Kam Kin
Director

KWOK Shuk Yi
Director

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

(b) Reserves of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2021	2,675,328	1,484	11,290	4,507	2,569	—	(2,934,612)	(239,434)
Loss and total comprehensive expenses for the year	—	—	—	—	—	—	(69,604)	(69,604)
Shares issued for settlement of amounts due to shareholders	26,674	—	—	—	—	—	—	26,674
Recognition of equity settled share-based payments	—	—	4,446	—	—	—	—	4,446
Deemed contribution arising from settlement of amount due to shareholder	—	—	—	—	—	16,770	—	16,770
Reclassified to accumulated losses upon maturity of convertible bonds	—	—	—	(4,507)	—	—	4,507	—
Recognition of equity component of convertible bonds	—	—	—	10,267	—	—	—	10,267
Deferred tax liability on recognition of equity component of convertible bonds	—	—	—	(1,694)	—	—	—	(1,694)
Share options lapsed	—	—	(42)	—	—	—	42	—
At 30 June 2022 and 1 July 2022	2,702,002	1,484	15,694	8,573	2,569	16,770	(2,999,667)	(252,575)
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**10,714**	**10,714**
Shares issued for settlement of amounts due to a former director	**1,994**	**—**	**—**	**—**	**—**	**—**	**—**	**1,994**
Recognition of equity settled share-based payments	**—**	**—**	**2,482**	**—**	**—**	**—**	**—**	**2,482**
Reclassified to accumulated losses upon maturity of convertible bonds	**—**	**—**	**—**	**(10,267)**	**—**	**—**	**10,267**	**—**
Reversal of deferred tax liability on recognition of equity component of convertible bonds	**—**	**—**	**—**	**1,694**	**—**	**—**	**(1,694)**	**—**
Share options lapsed	**—**	**—**	**(16,437)**	**—**	**—**	**—**	**16,437**	**—**
At 30 June 2023	**2,703,996**	**1,484**	**1,739**	**—**	**2,569**	**16,770**	**(2,963,943)**	**(237,385)**

48. EVENTS AFTER REPORTING PERIOD

In addition to those disclosed elsewhere in the consolidated financial statements, the following events took place subsequent to the end of the reporting period:

(a) On 20 July 2023, the board of the Company proposed to implement the share consolidation on the basis that every twenty five existing shares of par value of HK$0.0125 each in the issued and unissued share capital of the Company be consolidated into one consolidated share of par value of HK$0.3125 each. The share consolidation became effective on 29 August 2023.

Subject to the adjusted event of the share consolidation took place after the reporting period, the loss per share in the statement of profit or loss and other comprehensive income for the year ended 30 June 2022 has been restated to reflect the adjusted weighted average number of ordinary shares outstanding.

(b) On 12 September 2023, the Company received a winding-up petition (the "**Petition**") dated 31 August 2023 which was filed by Creative Big Limited (the "**Petitioner**") at the High Court of the Hong Kong Special Administrative Region (the "**High Court**") against the Company in relation to the demand for the repayment of principal amount and interest accrued of the convertible bonds in the aggregate amount of HK$53,106,849.

The Company will negotiate with the Petitioner for an amicable settlement of the Petition and take all necessary actions to protect its legal rights.

The filing of the Petition does not represent the successful winding up of the Company by the Petitioner. No winding-up order has been granted by the High Court to wind up the Company as at the date of this report. The High Court has set the first hearing date for the Petition on 15 November 2023.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2023

RESULTS

	For the year ended 30 June				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**42,839**	40,985	77,813	165,934	43,503
Cost of sales and services	**(37,369)**	(35,053)	(56,929)	(121,281)	(19,802)
Gross profit	**5,470**	5,932	20,884	44,653	23,701
Other income and gains	**106,849**	39,350	4,978	11,223	66,269
Impairment loss on receivables and other assets, net	**(74,782)**	(58,554)	(52,949)	(135,686)	(68,143)
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**	—	—	—	—
Loss on settlement of contingent consideration payable	**—**	—	(10,796)	—	—
Selling and distribution expenses	**(2,251)**	(1,003)	(5,208)	(4,791)	—
Administrative and operating expenses	**(19,775)**	(41,431)	(57,015)	(63,183)	(57,815)
Finance costs	**(8,571)**	(16,410)	(14,546)	(18,154)	(11,950)
Share of profits/(losses) of associates	**186**	(153)	3,588	558	—
Loss before tax	**(11,407)**	(94,158)	(111,064)	(165,380)	(47,938)
Income tax credit	**1,307**	387	558	1,390	2,312
Loss for the year	**(10,100)**	(93,771)	(111,506)	(163,990)	(45,626)

ASSETS AND LIABILITIES

	30-6-2023	30-6-2022	30-6-2021	30-6-2020	30-6-2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**33,482**	76,886	135,903	188,173	228,668
Total liabilities	**(213,236)**	(250,283)	(276,459)	(261,558)	(191,429)
Net (liabilities)/assets	**(179,754)**	(173,397)	(140,556)	(73,385)	37,239
(Capital deficiency)/equity attributable to equity holders of the Company	**(172,733)**	(166,777)	(138,880)	(73,080)	37,736
Non-controlling interests	**(7,021)**	(6,620)	(1,676)	(305)	(497)
Total (capital deficiency)/equity	**(179,754)**	(173,397)	(140,556)	(73,385)	37,239

GLOSSARY

"Articles of Association"	the articles of association of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CGU(s)"	cash generating unit(s)
"Company"	Sinopharm Tech Holdings Limited
"Director(s)"	the director(s) of the Company
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standard
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"new and revised HKFRSs"	new and revised Hong Kong Financial Reporting Standards, amendments and interpretations
"PRC"	the People's Republic of China, which for the purpose of this report, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.0125 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollar, the lawful currency of the United States of America
"Year 2022"	financial year ended 30 June 2022
"Year 2023"	financial year ended 30 June 2023