Sinopharm Tech Holdings Limited
國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8156)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2024 AND RESUMPTION OF TRADING

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Sinopharm Tech Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries for the year ended 30 June 2024. This announcement, containing the full text of the Annual Report 2024 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcement of annual results.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company (the "**Shares**") on the Stock Exchange has been suspended with effect from 9:00 a.m. on Wednesday, 2 October 2024 pending the publication of this announcement and the annual report for the year ended 30 June 2024. Application has been made for the resumption of trading in the Shares with effect from 9:00 a.m. on 24 December 2024 following the publication of this announcement.

By order of the Board
Sinopharm Tech Holdings Limited
國藥科技股份有限公司
HO Kam Kin
Executive Director

Hong Kong, 23 December 2024

As at the date of this announcement, the Board comprises Mr. HO Kam Kin and Ms. KWOK Shuk Yi as executive Directors, Dr. CHENG Yanjie as non-executive Director and Mr. LAU Fai Lawrence, Mr. HSU Dong An and Mr. HEUNG Pik Lun as independent non-executive Directors.

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

This announcement will remain on the "Latest Listed Company Information" page of the website of The Stock Exchange of Hong Kong Limited at https://www.hkexnews.hk for a minimum period of 7 days from the date of its publication and on the website of the Company at http://www.sinopharmtech.com.hk.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

*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.*

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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. 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. HSU Dong An *(appointed on 15 August 2023)*
Mr. HEUNG Pik Lun *(appointed on 29 December 2023)*

NOMINATION COMMITTEE

Mr. HSU Dong An *(Chairperson)*
(appointed on 15 August 2023)
Ms. KWOK Shuk Yi *(appointed on 29 December 2023)*
Mr. HEUNG Pik Lun *(appointed on 15 September 2023)*

AUTHORISED REPRESENTATIVES

Mr. HO Kam Kin
Ms. KWOK Shuk Yi *(appointed on 29 December 2023)*

COMPLIANCE OFFICER

Mr. HO Kam Kin *(appointed on 29 December 2023)*

COMPANY SECRETARY

Mr. HO Kam Kin

AUDITORS

SFAI (HK) 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 accelerate its deployment in the healthcare industry and supply chain business. Through establishing a subsidiary in the PRC, the Group has strengthened the relevant deployment in respect of the development of the distribution of Chinese patent medicines and health products, which provides new revenue streams to the Group and broadens its business development scope. The Group has continued to develop its supply chain business and achieved a stable development during the year under review. The Group will keep discussing other feasible models of cooperation and leverage its years of experience in the supply chain business to provide various industry operators and merchants with quality and efficient value-added services. The above cooperation will bring new opportunities for the Group in the supply chain and healthcare business and mark the acceleration of the Group's steady growth in its business.

"Internet Plus" Solution Services Business

There are still uncertainties on the market acceptance in the Internet plus solution services for the anti-counterfeiting business. The Company will continue to explore the prospects of the Internet plus solution services business and make timely adjustments. During the period under review, the Group did not generate revenue from the provision of Internet plus solution services.

Supply Chain Services Business

During the period under review, the supply chain business still provided the major revenue for the Group. The Group has continued to enhance its supply chain services for big health products within the scope of the existing supply chain business and in the newly covered regions of service. Leveraging its years of experience and strengths in supply chain business as well as materials sourcing, the Company provides timely supply chain services to its customers.

During the period under review, the Group expanded its business by establishing a subsidiary in the PRC to develop the distribution of Chinese patent medicine and big health products. Leveraging years of experience and networks in the supply chain business, the Group has laid a solid foundation for the distribution of Chinese patent medicine and big health products and accelerated the mutual delivery and supply chain services among various provinces and cities in the PRC. As the Group focuses on the development of the healthcare industry chain, the Group has cooperated with the product brands, understood customers' demands for related products, and provided appropriate market analysis information and in-depth insights into the healthcare market, which will help accelerate the business development and momentum. On the other hand, the Group continues to maintain business development by setting up service agreements with platform operators in Mainland China. Through various platforms of the operators, the Group provided one-stop product supply chain services.

Personal Protective Equipment Business

During the period under review, the market demand for personal protective equipment decreased due to the resumption of social activities. In light of this, the Group has reallocated 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.

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 with cost control as a starting point, establishing a sound financial foundation for the Group. In the face of the huge development market of the healthcare industry, the Group has made effort to reduce operating costs through flexible adjustments, while enhancing the efficiency of operating revenue and seizing development opportunities, thereby achieving the business objective of sustainable development.

Future Outlook

The year 2024 was a year full of challenges and opportunities for the Group. The Group achieved effective cost control through the optimization of structure, and the establishment of a subsidiary in Mainland China also accelerated the development of our business. The Group will continue to make efficient use of the business resources of the Company in the supply chain 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 is constantly focusing on the supply chain business and big health products. Leveraging its years of experience in supply chain services as well as its co-operative relationships with various platform operators, the Group has ample room for development in supply chain services and the healthcare industry, among other things, it is in the process of strengthening its cooperative relationships with various platform operators and product manufacturers. Additionally, the Group will also continue to explore other opportunities to develop its "Internet Plus" supply chain business, including collaborating with various industry players on "Internet Plus" solutions to jointly tap into the application of "Internet Plus" technologies in various areas, which will open up new development opportunities for the Group.

On the other hand, the Group is focusing on business explorations in the healthcare industry chain, involving the entire business process of production, distribution and supply chain of big health products, with a view to exploring new opportunities in the healthcare industry and bringing in new sources of revenue for the Group. The Group will consider conducting feasibility studies on other aspects relating to the expansion of the healthcare industry. In addition, the Group is also working with industry participants about other possible cooperation and conducting relevant business analyses, so as to bring new growth opportunities to the Group.

The Group will continue to strengthen its exploration in the health industry supply chain segment and conduct feasibility studies for future development in various areas of the industry chain. The Group will also consider the possibilities of developing in other healthcare related businesses and believes that this will uncover new business development opportunities for the Group in the future. Subsequent to the period under review, the Group also completed the loan capitalisation with major creditors, which indicated that the Group would strengthen capital structure and reduce debt exposure, thus laying a sound and solid foundation for its business development in the future.

FINANCIAL REVIEW

During the year ended 30 June 2024, the Group recorded revenue of HK$41.3 million, representing a decrease of 4% over the revenue of HK$42.8 million for the same period in 2023, while gross profit for the period of HK$5.0 million represented a decrease of 8% over gross profit of HK$5.5 million in the corresponding period in 2023. Decrease in revenue as the result of the effect of the Company terminated the manufacturing and distribution of personal protective equipment business during the year as the market demand for personal protective equipment decreased due to the resumption of social activities. Decrease in gross profit was mainly due to the reasons as decrease in revenue which generated from Manufacturing and distribution of personal protective equipment and rising in relevant production costs and lower gross profit margin for rendering the supply chain services of big health products during the year.

The Group recorded a loss attributable to equity holders of HK$19.7 million for the year under review, representing an increase of 85% over the loss attributable to the equity holders for the same period in 2023 (2023: HK$10.6 million). The major reasons for the increase of the loss attributable to equity holders mainly due to the net effects of i) the settlement of amount due to shareholders with the interests of HK$19.7 million was made for the Year 2024; ii) no compensation income related to profit guarantee of HK$92.8 million with the impairment loss on compensation receivables of HK$74.8 million were made for the Year 2024 as compared with the Year 2023, 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 2023.

SEGMENTAL INFORMATION

No revenue was generated from the Internet plus solution services business during the reporting period and the last financial year. Details of further development of Internet plus solution services business are stated in the “Business Review” of the “Management Discussion and Analysis”.

Supply chain services business recorded an increase in overall revenue as the result of higher demand of the supply chain services of big health products during the reporting period. The revenue of supply chain services recorded HK$41.3 million, representing an increase of 11% in total revenue over the revenue of HK$37.1 million for the same period of the last financial year. The gross profit recorded HK$5.0 million with the margin of 12% for the reporting period comparing with 13% for the same period of the last financial year. Details of the further development of supply chain services business are stated in the “Business Review” of the “Management Discussion and Analysis”.

Manufacturing and distribution of the personal protective equipment has been suspended during the reporting period. No revenue was generated from the Manufacturing and distribution of the personal protective equipment business during the reporting period as compared with the revenue of HK$5.7 million for the same period of the last financial year. The gross profit record HK$0.7 million with the margin of 12% 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”.

GOODWILL AND INTANGIBLE ASSETS

During the reporting period, no goodwill was determined to be impaired. The amount of goodwill and intangible assets were fully impaired and no impairment assessment was performed of the goodwill for the year ended 30 June 2024 and 30 June 2023. Details of movements in the goodwill and intangible assets of the Group are set out in Note 19 and Note 20 to the Consolidated Financial Statements of this annual report respectively.

VALUE OF INPUTS, BASIS AND KEY ASSUMPTIONS FOR GOODWILL IMPAIRMENT LOSS ASSESSMENT

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. As at 30 June 2024 and 30 June 2023, the goodwill was fully impaired and no assessment was performed on the recoverable amount of the CGUs.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2024, the Group's bank balances and cash amounted to HK$2.6 million (2023: HK$1.8 million) which were mainly held in HK$ and RMB. Current assets amounted to HK$38.1 million (2023: HK$27.0 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK$249.4 million (2023: HK$213.2 million), mainly comprising of trade payables, other borrowings, accruals and other payables and amounts due to a shareholder. As at 30 June 2024, the gearing ratio of the Group was 162% on the basis of the Group's total interest-bearing borrowings divided by total assets (2023: 149%).

COMMITMENTS

The Group had capital commitments of HK$Nil million from operations as at 30 June 2024 (30 June 2023: capital commitments of HK$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 2024 (30 June 2023: Nil). No assets of the Group was pledged as securities to any third parties as at 30 June 2024 (30 June 2023: Nil).

CAPITAL STRUCTURE

During the year under review, 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 2024, the total number of issued share capital of the Company was 183,693,055 ordinary shares with a par value of HK$0.3125 (the "**Share(s)**").

Share Consolidation

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.

Capital Reorganisation

The capital reorganisation (the "**Capital Reorganisation**") consisting of the reduction of the par value of each issued shares from HK$0.3125 to HK$0.0125 by cancelling the paid-up share capital to the extent of HK$0.3 per issued share and the sub-division of each of the authorised but unissued shares with par value of HK$0.3125 each into 25 authorised but unissued new shares with par value of HK$0.0125 each, was approved by the Shareholders by way of special resolution at the extraordinary general meeting of the Company on 8 August 2024 and became effective on 6 November 2024 after fulfillment of other conditions for completion of the Capital Reorganisation. The authorised share capital of the Company remained at HK$200,000,000 but was divided into 12,800,000,000 ordinary shares of par value of HK$0.0125 each and 3,200,000,000 non-voting convertible preference shares of par value of HK$0.0125 each.

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 ordinary shares with a par value of HK$0.0125 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, Integrated Asset Management (Asia) Limited ("**IAM**") 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.

On 14 June 2024, the Company and IAM entered into a loan capitalisation agreement (the "**IAM Loan Capitalisation Agreement**") in respect of the loan capitalisation of the outstanding principal and accrued interests under the CBs held by IAM up to 31 December 2023 (the "**IAM Loan Capitalisation**"). The details of the IAM Loan Capitalisation can be referred to the paragraphs headed "CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES UNDER CONNECTED SPECIFIC MANDATE" and "Completion of Connected Transactions — Loan Capitalisation involving Issue of Ordinary Shares and Convertible Preference Shares under Connected Specific Mandate" in the section headed "Directors' Report" on pages 31 to 33 and 44.

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 ordinary shares with a par value of HK$0.0125 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, Creative Big Limited ("**Creative Big**") 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.

On 14 June 2024, the Company and Creative Big entered into a loan capitalisation agreement (the "**Creative Big Loan Capitalisation Agreement**") in respect of the loan capitalisation of the outstanding principal amount and accrued interest under the CBs II held by Creative Big up to 31 December 2023 (the "**Creative Big Loan Capitalisation**").

The progress of the CBs II can be referred to the paragraphs headed "Litigation" in the sections headed "Management Discussion and Analysis" on pages 8 to 9 and "Directors' Report" on pages 35 to 36. The details of the Creative Big Loan Capitalisation can be referred to the paragraphs headed "LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE" and "Completion of Loan Capitalisation involving Issue of Convertible Preference Shares under Specific Mandate" in the section headed "Directors' Report" on pages 33 and 44.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year 2024, the Group did not make any significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures.

The disposals of the six subsidiaries of the Group as disclosed in Note 37 to the Consolidated Financial Statements of this annual report did not constitute notifiable transactions under Chapter 19 of the GEM Listing Rules.

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 2024, the Group had 33 (2023: 19) 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$3.5 million (2023: HK$5.3 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. At the hearing on 15 November 2023, the High Court ordered that the hearing of the Petition be adjourned to 7 February 2024. At the hearing on 7 February 2024, the High Court ordered that the hearing of the Petition be further adjourned to 3 April 2024. At the hearing on 3 April 2024, the High Court ordered that the hearing of the Petition be further adjourned to 8 May 2024.

The Petitioner and the Company have executed and filed a consent summons to the High Court for the withdrawal of the Petition. At the hearing on 8 May 2024, order has been pronounced by the High Court that the Petition be withdrawn.

On 14 June 2024, the Company and the Petitioner entered into the Creative Big Loan Capitalisation Agreement in respect of the Creative Big Loan Capitalisation. The details of the Creative Big Loan Capitalisation can be referred to the paragraphs headed "LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE" and "Completion of Loan Capitalisation involving Issue of Convertible Preference Shares under Specific Mandate" in the section headed "Directors' Report" on pages 33 and 44.

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.

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. HO Kam Kin, aged 47, is an executive director, the Group chief financial officer, company secretary, authorised representative and compliance officer of the Company. He is also a director of subsidiaries 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. He has over 22 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 48, is an executive director, the director of Group human resources and public relations and authorised representative of the Company. She is also a member of the nomination committee 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 22 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 60, 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 53, 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 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 and Artini Holdings Limited (stock code: 789.HK) between April 2008 and November 2023.

Mr. HSU Dong An, aged 35, 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 12 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 62, is an independent non-executive director of the Company, a member of the audit committee, remuneration 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 C1 "Corporate Governance Code" of the GEM Listing Rules (the "**CG Code**") during the year ended 30 June 2024, 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 2024, 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 2024.

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 2024, 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. HO Kam Kin
Ms. KWOK Shuk Yi
Mr. CHAU Wai Wah Fred *(resigned on 29 December 2023)*

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)*
Dr. LIU Ta-pei *(resigned on 3 August 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 executive Directors 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.

EXPLANATION OF THE QUALIFIED OPINION

The Company's auditor, SFAI (HK) CPA Limited issued a qualified opinion on the consolidated financial statements of the Group, details of which are set out in the independent auditor's report.

IMPACT OF THE AUDIT MODIFICATION ON THE GROUP'S CONSOLIDATED FINANCIAL POSITION

(a) Insufficient accounting records relating to Disposal of Disposed Subsidiaries during the year ended 30 June 2024

The qualification and impact was detailed in section "Independent Auditors' Report" on pages 58 to 59.

(b) Opening balances and the comparative information

(i) Compensation income relating to profit guarantee in previous acquisition recognised during the year ended 30 June 2023

The qualification and impact was detailed in section "Independent Auditors' Report" on page 60.

(ii) Share of results of interests in associates and loss on deemed disposal of interests in associates which were recognised for the year ended 30 June 2023

The qualification and impact was detailed in section "Independent Auditors' Report" on pages 60 to 61.

THE MANAGEMENT'S POSITION AND BASIS ON THE AUDIT MODIFICATION

(a) Insufficient accounting records relating to Disposal of Disposed Subsidiaries during the year ended 30 June 2024

The qualification was related to the insufficient accounting records which mainly included the bank confirmation, bank statements, ledgers and vouchers and other documentations relating to Disposal of Disposed Subsidiaries during the year ended 30 June 2024. During the year ended 30 June 2024, those of Disposed Subsidiaries's accounting records had been passed to the new shareholders and the authorized bank signature has been changed, the company could not arrange the bank confirmation and provide sufficient documentations for the opening balance of audit work done for the year ended 30 June 2023. Those companies are dormant, inactive and did not have any operations during the year ended 30 June 2024, the Company disposed those companies during the year in order to narrow down the group structure and decrease the administrative costs on managing those companies. Since those companies have been disposed and were derecognised from the consolidation financial statements for the year ended 30 June 2024, discussed with Auditor, the Audit issue on the comparative figures of the Group's consolidated financial statement for the year ending 30 June 2025 (the "**2025 Financial Statements**") will not have any continuing effect on the 2025 Financial Statements. The management considered that the qualification did not materially affect the consolidated financial statements for the year ended 30 June 2024.

(b) Opening balances and the comparative information

(i) Compensation income relating to profit guarantee in previous acquisition recognized during the year ended 30 June 2023

During the year ended 30 June 2023, the Company sold 530.2 million locked-up consideration shares and received approximately HK$16.4 million in cash and recognized as compensation income in profit or loss. The Company has recorded the compensation income which based on the cash received from the selling of locked-up consideration shares during the year 2023. It was difficult to measure the fair value of compensation income relating to Profit Guarantee of contingent consideration at the acquisition date as such arrangements had high uncertainties about outcome which the Profit Guarantee cover three years ended 31 December 2019, 2020 and 2021 and the outcome will be concurred until the end of year ended 31 December 2021 when the aggregate net profit for the three years ended 31 December 2019, 2020 and 2021 shall not be met the Profit Guarantee.

The compensation income and the corresponding receivable were not recognized in the financial statements for the year ended 30 June 2022 due to the Board's view that the first installment of the compensation of the Profit Guarantee was not settled on 15 July 2022 pursuant to the settlement agreement dated 23 May 2022 and the compensation income would be recognized in the financial statements after the Company exercised the right to sell the locked-up consideration shares after the year ended 30 June 2022 as a prudence approach. Based on the above, the predecessor auditors and the audit committee were satisfied with such accounting treatment that the compensation income and the corresponding receivable were not recognized in the financial statements for the year ended 30 June 2022.

Since the Company and the Vendor signed a deed of authorization pursuant to which the Vendor authorized the right to the Group to sell the locked-up consideration shares for compensation during the year ended 30 June 2023, the Company had recognized the compensation income under the situation of the outcome has been confirmed. The Company has recognized the compensation income and made the impairment loss on the compensation receivable related to the Profit Guarantee which based on the market value of the remaining locked-up consideration shares. Since the qualification was related to the opening balance presented under comparative column of the Company's consolidated financial statements as at 30 June 2024, the management considered that the qualification on the fair value of compensation income did not materially affect the consolidated financial statements for the year ended 30 June 2024.

(ii) Share of results of interests in associates and loss on deemed disposal of interests in associates which were recognised for the year ended 30 June 2023

The qualification was related to the loss on deemed disposal of interest in associates of the Company's consolidated financial statements as at 30 June 2023 under the circumstances that the opening balance for interests in associates has been qualified. During the year ended 30 June 2023, the shareholders of an associate allotted and issued 100 new ordinary shares which resulted in a dilution of the Group's shareholding in associate from 20% to 19.05%, and the carrying value of the associates was accounted for financial assets at FVTPL after that. The carrying amount of interest in associates was classified as financial assets at FVTPL, the carrying amount stated at fair value through profit or loss for the year ended 30 June 2023 and 2024. Since the qualification was related to the opening balance presented under comparative column of the Company's consolidated financial statements as at 30 June 2024, the management considered that the qualification on the loss on deemed disposal of interests in associates did not materially affect the consolidated financial statements for the year ended 30 June 2024.

THE COMPANY'S ACTION PLANS AND TIMELINE TO ADDRESS THE AUDIT MODIFICATION

(a) Insufficient accounting records relating to Disposal of Disposed Subsidiaries during the year ended 30 June 2024

To address the auditors' concerns, we have implemented enhanced internal procedures for future possible disposal transactions of the subsidiaries from December 2024 onwards, including but not limited to state the comprehensive hand-over procedures, keeping copy of accounting records and documentations before the disposal transactions and clearly state the obligation of both parties in the sales and purchase agreement. The Board has resolved to monitor internal procedures closely in year 2025. We are confident that the steps we are taking will resolve the issues leading to the qualified opinion.

The Company understands, after discussion with the auditor, the possible consequential effect on the 2025 Financial Statements would be a modified opinion on the comparative figures of the 2025 Financial Statements. Since auditor qualified on the assets and liabilities of the Disposed Subsidiaries as at 30 June 2023 and also the gains or losses on the Disposal of the Disposed Subsidiaries are properly credited or charged to the financial statement for the year ended 30 June 2024, such modified opinion on the comparative figures of the 2025 Financial Statements will not have any continuing effect on the 2025 Financial Statements and the subsequent years under the Disposed Subsidiaries had been disposed and the impacts had been reflected in the 2024 Financial Statements.

(b) Opening balances and the comparative information

(i) Compensation income relating to profit guarantee in previous acquisition recognized during the year ended 30 June 2023

The Company will continue to sell the locked-up consideration shares for the compensation of the Profit Guarantee and chase the remaining outstanding balance from the Vendor for the Compensation. The Company understands, after discussion with the auditor, such modified opinion on the comparative figures of the 2024 Financial Statements will not have any continuing effect on the 2025 Financial Statements and the subsequent years. The Audit Modification will be removed in the 2025 Financial Statements.

(ii) Share of results of interests in associates and loss on deemed disposal of interests in associates which were recognised for the year ended 30 June 2023

The Company engaged the independent valuer for assessing the fair value of the financial assets at FVTPL for the financial statement as at 30 June 2023 and 30 June 2024 since the carrying amount of interests in associates has been accounted for as financial assets at FVTPL as at 30 June 2023 and 30 June 2024. The Company understands, after discussion with the Auditor, such modified opinion on the comparative figures of the 2024 Financial Statements will not have any continuing effect on the 2025 Financial Statements and the subsequent years. The Audit Modification will be removed in the 2025 Financial Statements.

THE AUDIT COMMITTEE'S VIEW ON THE AUDIT MODIFICATION

The audit committee of the Company (the "**Audit Committee**") has reviewed the Audit Issues, the Management's position concerning the Audit Issues and measures taken by the Company for addressing the Audit Issues. The Audit Committee had critically reviewed the facts and circumstances of the conclusion of the Company's management and had also discussed with the Auditors regarding the financial position of the Company, measures taken and to be taken by the Company, and considered the Auditors' rationale and understood their consideration in arriving at their opinion.

Moreover, the Audit Committee had assessed the plans and measures which will be taken by the Management to address the Audit Issues, the Audit Committee was satisfied that the abovementioned action plan may address the Audit Issues and the 2025 Financial Statements may be free from the Audit Issues.

Material Uncertainty Related to Going Concern

As described in the Group's consolidated financial statement for the year ended 30 June 2024, the Group incurred a net loss attributable to the shareholders of the Company of approximately HK$19,698,000 (2023: HK$10,635,000) and, as of that date, the Group had net current liabilities of approximately HK$211,368,000 (2023: HK$186,191,000). In addition, as described in Notes 30 and 29, as at 30 June 2024, the Group's unsecured amount due to the shareholder and the Creative Big borrowings, together with the respective accrued interests were overdue and would be immediately repayable if and when requested by IAM and Creative Big (both are defined below), respectively. The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2024. They are of the opinion that, taking into account the following plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2024.

Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern, after taking into consideration of the following:

(i) As described in Note 2(b), the Group completed the Loan Capitalisation (as defined below) in November 2024 to improve the Group's liquidity and strengthen its capital position.

(ii) On 11 December 2024, the Company entered into a loan facility agreement with Quantum Worldwide Investment Limited ("**Quantum**") for a term loan facility of HK$12,000,000 to the Company with the interest accrued daily at a rate equal to 5% per annum for the purpose of financing the general working capital of the Group. On 11 December 2024, the Company drawn down of loan amounted to HK$3,000,000 from Quantum. Quantum was a substantial shareholder and connected person of the Company on the transaction date in accordance with the GEM Listing Rules. Entering into the loan facility agreement by the Company with Quantum constituted a connected transaction of the Company fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules as it was conducted on normal commercial terms and was not secured by the assets of the Company and its subsidiaries.

(iii) As described in Note 29 and 30, on 2 December 2024, the Group obtained letters of undertaking (the "**Letters of Undertaking**") from Quantum and IAM that Quantum and IAM agreed not to request the Group to repay the amounts due to them. Further, both IAM and Quantum agreed to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 30 June 2024.

(iv) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

(v) The Group continues to generate cash inflows from its operating activities by implementing measures to tighten cost controls over various operating expenses in order to improve its cash flows position and to generate greater positive cash inflows from its business and operations in the future.

In light of the above measures and plans implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for a period of at least the next twelve months from 30 June 2024 after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the Directors 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 values of 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.

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 2024, the Board held eight 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 2024, 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	8	3	3	2	1	1
Executive Directors						
Mr. HO Kam Kin	8/8	N/A	N/A	N/A	1/1	1/1
Ms. KWOK Shuk Yi	8/8	N/A	N/A	N/A	1/1	1/1
Mr. CHAU Wai Wah Fred *(resigned on 29 December 2023)*	5/5	N/A	3/3	2/2	1/1	1/1
Non-executive Director						
Dr. CHENG Yanjie	8/8	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. LAU Fai Lawrence	8/8	3/3	3/3	N/A	1/1	1/1
Mr. HSU Dong An *(appointed on 15 August 2023)*	6/6	3/3	2/2	2/2	1/1	1/1
Mr. HEUNG Pik Lun *(appointed on 15 September 2023)*	5/5	3/3	1/1	1/1	1/1	N/A
Dr. LIU Ta-pei *(resigned on 3 August 2023)*	1/1	N/A	N/A	N/A	N/A	N/A

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) and Dr. LIU Ta-pei (resigned on 3 August 2023). 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 2024, the Audit Committee held three 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 20 of this annual report. The Group's audited consolidated results for the year ended 30 June 2024 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. HSU Dong An (appointed on 15 August 2023), Mr. HEUNG Pik Lun (appointed on 29 December 2023), Dr. LIU Ta-pei (resigned on 3 August 2023) and Mr. CHAU Wai Wah Fred (resigned on 29 December 2023). 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 2024, 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 20 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 2024 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	1
Nil — HK$500,000	—
Total:	2

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), Ms. KWOK Shuk Yi (appointed on 29 December 2023), Mr. HEUNG Pik Lun (appointed on 15 September 2023) and Dr. LIU Ta-pei (resigned on 3 August 2023) and Mr. CHAU Wai Wah Fred (resigned on 29 December 2023). Mr. HSU Dong An has been appointed as the chairperson of the Nomination Committee with effect from 15 August 2023. 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 2024, two 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 20 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 2024. 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, authorised representative and compliance officer 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 2024, 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.

The audit modification issues (a), (b)(i) and (b)(ii) leading to the qualified opinion on the Company's consolidated financial statements for the year ended 30 June 2024 issued by the Company's auditors were disclosed in the sections headed "CORPORATE GOVERNANCE REPORT" on pages 14 to 18 and "INDEPENDENT AUDITOR'S REPORT" on page 58 to 61. The audit modification issue (a) was caused by the lack of communication and not clearly state the obligation for the hand-over procedures in the sales and purchase agreement during the disposal transactions. From December 2024 onwards, the Company has implemented enhanced internal procedures for future possible disposal transactions of the subsidiaries. The Board has resolved to monitor internal procedures closely in year 2025. We are confident that the steps we are taking will resolve the issues leading to the qualified opinion.

The audit modification issue (b)(i) was caused by the fair value recognition of the profit guarantee in previous acquisition recognized during the year ended 30 June 2023 in accordance with HKFRS.

The audit modification issue (b)(ii) was caused by no physical count of inventories performed by the associates and the predecessor auditor not being able to obtain sufficient and appropriate audit evidence by alternative means to assess the existence and condition of these inventories and caused by adjustments found to be necessary in respect of the interests in associates. On December 2023, the Board assessed the internal control procedures in respect of investment in associates on financial reporting and considered the following internal control system will be implemented to enhance the internal control system and prevent re-occurrence of similar incidents relating to its investment accounted for using equity methods. From January 2024 onwards, the Company required more comprehensive reporting procedures on financial reporting and internal control on its future investment when drafting the co-operation agreements with counterparties in safeguarding the Company's interests. The Company also reviewed the communication policy and strengthen the communication with the management of its investment company by increase in the frequency of management meetings to point out any internal control deficiencies as early as possible.

In conclusion, after the auditors' review, the Company considers that the internal control system can be strengthened by the abovementioned measures in relation to the audit modification issues. The Board has resolved to monitor the internal control procedures more closely in the future. We are confident that the steps we are taking will resolve the issues leading to the qualified opinion and improve the internal control system.

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$700,000 and HK$20,000 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 51 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 61%: 39% as at 30 June 2024. 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

On 1 January 2022, the GEM Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix A to the GEM Listing Rules. As such, the Board proposes to amend the amended and restated memorandum and articles of association of the Company (the "**Existing Memorandum and Articles of Association**") and adopt a second amended and restated memorandum and articles of association of the Company to, among others, (i) ensure that the memorandum and articles of association of the Company complies with the latest requirements of the GEM Listing Rules and the applicable laws of the Cayman Islands; (ii) update and clarify provisions where it is considered desirable; and (iii) make certain minor housekeeping amendments to the Existing Memorandum and Articles of Association (collectively, the "**Amendments**"). A special resolution to approve the proposed Amendments to the Existing Memorandum and Articles of Association and the adoption of the second amended and restated memorandum and articles of association of the Company incorporating the Amendments was duly passed by the shareholders of the Company in the annual general meeting of the Company held on 22 December 2023.

The Board proposed that the existing second amended and restated memorandum and articles of association of the Company be amended to, among others, (i) incorporate the relevant terms of the non-voting convertible preference shares (the "**CPSs**"); (ii) reflect the Capital Reorganisation; and (iii) reflect the change in authorised share capital of the Company that the authorised share capital of HK$200,000,000 would be divided into 12,800,000,000 ordinary shares of par value of HK$0.0125 each and 3,200,000,000 CPSs of par value of HK$0.0125 each (collectively, the "**Proposed Amendments**"). The Proposed Amendments and the adoption of the third amended and restated memorandum and articles of association of the Company were approved by the independent Shareholders by way of a special resolution at the extraordinary general meeting of the Company on 8 August 2024 and became effective on 6 November 2024 subject to the effective date of the Capital Reorganisation.

Save as disclosed above, there was no other change in the constitutional documents during the year and up to the date of this annual report.

DIRECTORS' REPORT

The Directors are pleased to present the annual report together with the audited consolidated financial statements for the year ended 30 June 2024.

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 45 to the Consolidated Financial Statements.

An analysis of the Group's performance for the year ended 30 June 2024 by segments is set out in Note 6 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) supply chain services business: the Group has opened up business development in different scopes of products line, including the big health products and Chinese patent medicine 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 business have been materially affected by the industry trends and future development. ii) Product liability: As the Group strengthens the supply chain of Chinese patent medicine and big health products, the quality and qualifications of related products will constitute responsibilities and risks. The Group will continue to review the quality and related qualifications of its supplied products to ensure that relevant requirements can be met. 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 supply chain service 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 2024, sales to the five largest customers accounted for approximately 69.43% of its entire sales and sales to the largest customer accounted for approximately 41%. Purchases from the Group's five largest suppliers accounted for approximately 94.97% of the total purchases for the year and purchases from the largest supplier accounted for approximately 31.97%.

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 2024 are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on pages 66 and 67.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 30 June 2024 (2023: 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 183 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 70.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the Consolidated Financial Statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$Nil (2023: HK$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 38 to the Consolidated Financial Statements of this annual report.

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 2024.

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 share option scheme of the Company adopted on 9 June 2021, 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.

CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES UNDER CONNECTED SPECIFIC MANDATE

On 14 June 2024 (after trading hours of the Stock Exchange), the Company and Integrated Asset Management (Asia) Limited ("**IAM**") entered into a loan capitalisation agreement (the "**IAM Loan Capitalisation Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and IAM has conditionally agreed to subscribe for, (i) 300,000,000 ordinary shares of the Company (the "**IAM Shares**") at the subscription price of HK$0.1 per ordinary share of the Company, the same of which shall be satisfied by offsetting HK$30,000,000 of the total amount of HK$123,254,146, being the outstanding principal and accrued interests under the convertible bonds held by IAM up to 31 December 2023 (the "**IAM Debt**"); and (ii) 932,541,460 non-voting convertible preference share(s) of the Company (the "**IAM CPSs**") at the subscription price of HK$0.1 per CPS, the same of which shall be satisfied by offsetting the remaining balance of the IAM Debt of approximately HK$93,254,146 (the "**IAM Loan Capitalisation**"). Upon completion of the IAM Loan Capitalisation, the IAM Debt shall be deemed to have been fully repaid and the Company shall be released from its obligations under the IAM Debt. The interests for the period from 1 January 2024 up to the date of the completion of the IAM Loan Capitalisation shall be settled in cash by the Company's internal resources within 12 months from the date of the completion of the IAM Loan Capitalisation or any other date to be agreed by both parties in writing.

On 14 June 2024 (after trading hours of the Stock Exchange), the Company and Quantum Worldwide Investment Limited ("**Quantum**") entered into a loan capitalisation agreement (the "**Quantum Loan Capitalisation Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and Quantum has conditionally agreed to subscribe for 150,000,000 ordinary shares of the Company (the "**Quantum Shares**") at the subscription price of HK$0.1 per ordinary share of the Company, the same of which shall be satisfied by offsetting the full amount of HK$15,000,000, being the outstanding principal under a loan agreement dated 8 November 2023 entered into between the Company as borrower and Quantum as lender for a term loan facility of HK$20,000,000 to the Company (the "**Quantum Debt**") (the "**Quantum Loan Capitalisation**"). Upon completion of the Quantum Loan Capitalisation, the Quantum Debt shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Quantum Debt. The outstanding interest accrued from the Quantum Debt under the Quantum Loan Capitalisation Agreement shall be paid on such date and by such means to be agreed by the Company and Quantum. The outstanding interests shall be settled in cash by the Company's internal resources.

Completion of the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement are inter-conditional with each other.

The Directors considered that the Loan Capitalisation (including the IAM Loan Capitalisation, Quantum Loan Capitalisation and the Creative Big Loan Capitalisation, details of the Creative Big Loan Capitalisation can be referred to the paragraphs headed "LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE" in the Directors' Report on page 33) (i) would reduce the Group's debt level and improve its deficit position by approximately HK$193.0 million upon completion of the Loan Capitalisation; (ii) would improve the Group's gearing ratio due to the reduction of debt level by approximately HK$193.0 million; and (iii) would eliminate the interest burden of the Company from the relevant debts. Moreover, the Company would be in a better position to focus on its business operation and capture future fund raising opportunities.

The 300,000,000 IAM Shares, the 932,541,460 IAM CPSs and the 150,000,000 Quantum Shares have an aggregate nominal value of approximately HK$3,750,000, HK$11,656,768 and HK$1,875,000 respectively (after taking into account the effect of the Capital Reorganisation). The net issue price per IAM Share, Quantum Share and IAM CPS will be approximately HK$0.1. As at 14 June 2024, being the date of the IAM Loan Capitalisation Agreement and Quantum Loan Capitalisation Agreement, the closing price of the shares of the Company as quoted on the Stock Exchange was HK$0.123.

As at 14 June 2024, IAM is interested in 21,694,520 ordinary shares of the Company, representing approximately 11.8% of the total issued share capital of the Company, and is a substantial shareholder of the Company. Both IAM and Quantum are wholly and beneficially owned by Mr. YAM Tak Cheung. Save for the above, Mr. YAM Tak Cheung does not have any other shareholding interest in the Company. Pursuant to Chapter 20 of the GEM Listing Rules, IAM and Quantum are connected persons of the Company. Accordingly, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

The settlement arrangement of the respective interests incurred or to be incurred under the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement represent financial assistance received by the Group, which were on normal commercial terms or better and were not secured by the assets of the Group. Such financial assistance was fully exempt from Independent Shareholders' approval, annual review and all disclosure requirements for connected transactions under Rule 20.88 of the GEM Listing Rules.

Under Rule 26.1 of the Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"), the allotment and issue of IAM Shares and Quantum Shares to IAM and Quantum will give rise to an obligation on IAM to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by IAM and its concert parties), unless a waiver (the "**Whitewash Waiver**") is granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director (the "**Executive**").

An application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (a) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the extraordinary general meeting of the Company (the "**EGM**") by way of poll in respect of the Whitewash Waiver; and (b) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Capital Reorganisation, the IAM Loan Capitalisation and the Quantum Loan Capitalisation.

Completion of the IAM Loan Capitalisation Agreement shall take place within seven business days following the satisfaction of the conditions precedent of the IAM Loan Capitalisation Agreement (which shall be no later than 10 January 2025 or such later date as may be agreed by the Company and IAM in writing).

Completion of the Quantum Loan Capitalisation Agreement shall take place within seven business days following the satisfaction of the conditions precedent of the Quantum Loan Capitalisation Agreement (which shall be no later than 10 January 2025 or such later date as may be agreed by the Company and Quantum in writing).

LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE

On 14 June 2024 (after trading hours of the Stock Exchange), the Company and Creative Big Limited ("**Creative Big**") entered into a loan capitalisation agreement (the "**Creative Big Loan Capitalisation Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and Creative Big has conditionally agreed to subscribe for 547,609,590 non-voting convertible preference share(s) of the Company (the "**Creative Big CPSs**") at the subscription price of HK$0.1 per CPS, the same of which shall be satisfied by offsetting the full amount of HK$54,760,959, being the outstanding principal amount and accrued interest under the convertible bonds held by Creative Big up to 31 December 2023 (the "**Creative Big Debt**") (the "**Creative Big Loan Capitalisation**"). Upon completion of the Creative Big Loan Capitalisation, the Creative Big Debt shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Creative Big Debt.

The Creative Big Loan Capitalisation Agreement is not inter-conditional with the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement. Nevertheless, all three agreements are expected to be completed simultaneously.

The Directors considered that the Loan Capitalisation (including the IAM Loan Capitalisation, Quantum Loan Capitalisation and the Creative Big Loan Capitalisation, details of the IAM Loan Capitalisation and Quantum Loan Capitalisation can be referred to the paragraphs headed "CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES UNDER CONNECTED SPECIFIC MANDATE" in the Directors' Report on pages 31 to 33) (i) would reduce the Group's debt level and improve its deficit position by approximately HK$193.0 million upon completion of the Loan Capitalisation; (ii) would improve the Group's gearing ratio due to the reduction of debt level by approximately HK$193.0 million; and (iii) would eliminate the interest burden of the Company from the relevant debts. Moreover, the Company would be in a better position to focus on its business operation and capture future fund raising opportunities.

The 547,609,590 Creative Big CPSs have an aggregate nominal value of approximately HK$6,845,120 (after taking into account the effect of the Capital Reorganisation). The net issue price per Creative Big CPS will be approximately HK$0.1. As at 14 June 2024, being the date of the Creative Big Loan Capitalisation Agreement, the closing price of the shares of the Company as quoted on the Stock Exchange was HK$0.123.

As at 14 June 2024, Creative Big and its ultimate beneficial owner are independent third parties who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the GEM Listing Rules).

Completion of the Creative Big Loan Capitalisation Agreement shall take place within seven business days following the satisfaction of the conditions precedent of the Creative Big Loan Capitalisation Agreement (which shall be no later than 10 January 2025 or such later date as may be agreed by the Company and Creative Big in writing).

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 ordinary shares of par value of HK$0.0125 each of the Company (before share consolidation effective on 29 August 2023) (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.

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. At the hearing on 15 November 2023, the High Court ordered that the hearing of the Petition be adjourned to 7 February 2024. At the hearing on 7 February 2024, the High Court ordered that the hearing of the Petition be further adjourned to 3 April 2024. At the hearing on 3 April 2024, the High Court ordered that the hearing of the Petition be further adjourned to 8 May 2024.

The Petitioner and the Company have executed and filed a consent summons to the High Court for the withdrawal of the Petition. At the hearing on 8 May 2024, order has been pronounced by the High Court that the Petition be withdrawn.

On 14 June 2024, the Company and the Petitioner entered into the Creative Big Loan Capitalisation Agreement in respect of the Creative Big Loan Capitalisation. The details of the Creative Big Loan Capitalisation can be referred to the paragraphs headed "LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE" and "Completion of Loan Capitalisation involving Issue of Convertible Preference Shares under Specific Mandate" in the section headed "Directors' Report" on pages 33 and 44.

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.

DIRECTORS

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

Executive Directors

Mr. HO Kam Kin
Ms. KWOK Shuk Yi
Mr. CHAU Wai Wah Fred *(resigned on 29 December 2023)*

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)*
Dr. LIU Ta-pei *(resigned on 3 August 2023)*

In accordance with Article 116 of the Articles of Association, Mr. HO Kam Kin and Ms. KWOK Shuk Yi will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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 2024 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

There was no contract 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 2024, the interests and short positions of the Directors and chief executive in the ordinary share(s) of par value of HK$0.3125 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. HO Kam Kin	The Company	—	—	1,600,000	—	1,600,000	0.87%
Ms. KWOK Shuk Yi	The Company	—	—	1,600,000	—	1,600,000	0.87%
Dr. CHENG Yanjie	The Company	—	78,600	160,000	—	238,600	0.13%
Mr. LAU Fai Lawrence	The Company	—	—	160,000	—	160,000	0.09%

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 2024, 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, 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 2024, 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	27,097,574	14.75%
Integrated Asset Management (Asia) Limited ("**Integrated Asset**") & its concert parties *(Note 2)*	Beneficial Owner	21,694,520	11.81%
Mr. Tse Siu Hoi	Beneficial Owner	12,426,000	6.76%

Notes:

1. Best Frontier was wholly owned by Mr. Chan Kin Ho Philip.

2. Integrated Asset 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 ordinary shares of par value of HK$0.0125 each of the Company, 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.

   On 14 June 2024, the Company and IAM entered into a loan capitalisation agreement (the "**IAM Loan Capitalisation Agreement**") in respect of the loan capitalisation of the outstanding principal and accrued interests under the CBs held by IAM up to 31 December 2023 (the "**IAM Loan Capitalisation**"). The details of the IAM Loan Capitalisation can be referred to the paragraphs headed "CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES UNDER CONNECTED SPECIFIC MANDATE" and "Completion of Connected Transactions — Loan Capitalisation involving Issue of Ordinary Shares and Convertible Preference Shares under Connected Specific Mandate" in the section headed "Directors' Report" on pages 31 to 33 and 44.

Save as disclosed above, as at 30 June 2024, 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 "**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 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 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) (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 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 Share Option Scheme. 10,341,507 ordinary shares are available for issue under the Share Option Scheme, representing approximately 1.63% of the issued ordinary shares as at the date of this annual report.

Details of the Share Option Scheme adopted by the Company are set out in Note 35 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 2024 was 174,637,680 (before the Share Consolidation effective on 29 August 2023) and 10,341,507 (after the Share Consolidation effective on 29 August 2023) 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 2024 (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 2024 was 0.02 (after the Share Consolidation effective on 29 August 2023).

Share Option Scheme

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

						Number of Share Options					
Name/Category of Participants	**Grant Date**	**Exercise Price per Share (HK$)** *(Note)*	**Vesting Period**	**Exercise Period**	**As at 1 July 2023**	**Adjusted as a result of the Share Consolidation** *(Note)*	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**As at 30 June 2024**
Directors											
Mr. CHAU Wai Wah Fred	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	16,000,000	(15,360,000)	—	—	—	(640,000)	—
(resigned on	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	12,000,000	(11,520,000)	—	—	—	(480,000)	—
29 December 2023)	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	12,000,000	(11,520,000)	—	—	—	(480,000)	—
Mr. HO Kam Kin	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	16,000,000	(15,360,000)	—	—	—	—	640,000
	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	12,000,000	(11,520,000)	—	—	—	—	480,000
	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	12,000,000	(11,520,000)	—	—	—	—	480,000
Ms. KWOK Shuk Yi	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	16,000,000	(15,360,000)	—	—	—	—	640,000
	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	12,000,000	(11,520,000)	—	—	—	—	480,000
	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	12,000,000	(11,520,000)	—	—	—	—	480,000
Dr. CHENG Yanjie	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	1,600,000	(1,536,000)	—	—	—	—	64,000
	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	1,200,000	(1,152,000)	—	—	—	—	48,000
	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	1,200,000	(1,152,000)	—	—	—	—	48,000
Mr. LAU Fai Lawrence	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	1,600,000	(1,536,000)	—	—	—	—	64,000
	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	1,200,000	(1,152,000)	—	—	—	—	48,000
	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	1,200,000	(1,152,000)	—	—	—	—	48,000
Dr. LIU Ta-pei	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	360,000	(345,600)	—	—	—	(14,400)	—
(resigned on	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	270,000	(259,200)	—	—	—	(10,800)	—
3 August 2023)	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	270,000	(259,200)	—	—	—	(10,800)	—
				Sub-total	128,900,000	(123,744,000)	—	—	—	(1,636,000)	3,520,000
Employees	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	42,400,000	(40,704,000)	—	—	—	(368,000)	1,328,000
	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	31,800,000	(30,528,000)	—	—	—	(276,000)	996,000
	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	31,800,000	(30,528,000)	—	—	—	(276,000)	996,000
	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	12,500,000	(12,000,000)	—	—	—	(400,000)	100,000
	28/12/2022	1.00	28/12/2022–31/12/2023	01/01/2024–30/06/2028	12,500,000	(12,000,000)	—	—	—	(400,000)	100,000
				Sub-total	131,000,000	(125,760,000)	—	—	—	(1,720,000)	3,520,000
				Total	259,900,000	(249,504,000)	—	—	—	(3,356,000)	7,040,000

Note:

In accordance with the Share Option Scheme, the exercise price and the number of share options were adjusted on 29 August 2023 as a result of the share consolidation of (the "**Share Consolidation**") 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 approved at the extraordinary general meeting of the Company held on 25 August 2023 and effective from 29 August 2023.

Five Highest Paid Individuals in Aggregate under the 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 Share Option Scheme during the year were as follows:

Name/Category of Participants	Grant Date	Exercise Price per Share (HK$) *(Note)*	Vesting Period	Exercise Period	Number of Share Options: As at 1 July 2023	Adjusted as a result of the Share Consolidation *(Note)*	Granted	Exercised	Cancelled	Lapsed	As at 30 June 2024
Five highest paid individuals	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	33,200,000	(31,872,000)	—	—	—	—	1,328,000
	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	24,900,000	(23,904,000)	—	—	—	—	996,000
	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	24,900,000	(23,904,000)	—	—	—	—	996,000
				Sub-total	83,000,000	(79,680,000)	—	—	—	—	3,320,000
Other grantees (except Directors)	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	41,200,000	(39,552,000)	—	—	—	(368,000)	1,280,000
	28/12/2022	1.00	28/12/2022–30/06/2024	01/07/2024–30/06/2028	30,900,000	(29,664,000)	—	—	—	(276,000)	960,000
	28/12/2022	1.00	28/12/2022–30/06/2025	01/07/2025–30/06/2028	30,900,000	(29,664,000)	—	—	—	(276,000)	960,000
	28/12/2022	1.00	28/12/2022–30/06/2023	01/07/2023–30/06/2028	12,500,000	(12,000,000)	—	—	—	(400,000)	100,000
	28/12/2022	1.00	28/12/2022–31/12/2023	01/01/2024–30/06/2028	12,500,000	(12,000,000)	—	—	—	(400,000)	100,000
				Sub-total	128,000,000	(122,880,000)	—	—	—	(1,720,000)	3,400,000

Note:

In accordance with the Share Option Scheme, the exercise price and the number of share options were adjusted on 29 August 2023 as a result of the share consolidation of (the "**Share Consolidation**") 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 approved at the extraordinary general meeting of the Company held on 25 August 2023 and effective from 29 August 2023.

AUDITORS

The consolidated financial statements for the year ended 30 June 2024 have been audited by SFAI (HK) CPA Limited ("**SFAI Hong Kong**"). 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 2022 have been audited by CCTH CPA Limited ("**CCTH**"). On 16 August 2024, Elite Partners resigned as auditors of the Company and Peng Sheng CPA Limited has been appointed as the auditors of the Company. On 23 September 2024, Peng Sheng CPA Limited resigned as auditors of the Company and SFAI Hong Kong has been appointed as the auditors of the Company to fill the casual vacancy created by the resignation of Peng Sheng CPA Limited with effect from 23 September 2024 until the conclusion of the next annual general meeting of the Company. SFAI Hong Kong 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 SFAI Hong Kong 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 27.

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) and Dr. LIU Ta-pei (resigned on 3 August 2023). 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 2024 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 2024 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

Delay in Publication of 2024 Annual Results and Despatch of Annual Report 2024

Pursuant to Rule 18.49 of the GEM Listing Rules, the Company is required to publish the annual results announcement for the year ended 30 June 2024 (the "**2024 Annual Results**") not later than three months after the end of the financial year (i.e. on or before 30 September 2024). Furthermore, pursuant to Rule 18.48A and 18.03 of the GEM Listing Rules, the Company is required to publish and despatch its annual report for the year ended 30 June 2024 (the "**Annual Report 2024**") to the Shareholders no later than four months after the end of the financial year (i.e. on or before 31 October 2024). There is a delay in the publication of the 2024 Annual Results and despatch of the Annual Report 2024. Due to the change of the auditors of the Group on 23 September 2024 and with reference to the audit schedule prepared by SFAI (HK) CPA Limited, it was expected that the audit procedures would be completed within November 2024. As such, the Board expected that the Company would not be able to publish the 2024 Annual Results on or before 30 September 2024. Due to the delay in the publication of the 2024 Annual Results, the Board expected that the Company would not be able to publish and despatch the Annual Report 2024 on or before 31 October 2024.

Suspension of Trading

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Wednesday, 2 October 2024 pending the publication of the 2024 Annual Results.

Capital Reorganisation

The capital reorganisation (the "**Capital Reorganisation**") consisting of the reduction of the par value of each issued shares from HK$0.3125 to HK$0.0125 by cancelling the paid-up share capital to the extent of HK$0.3 per issued share and the sub-division of each of the authorised but unissued shares with par value of HK$0.3125 each into 25 authorised but unissued new shares with par value of HK$0.0125 each, was approved by the Shareholders by way of special resolution at the extraordinary general meeting of the Company on 8 August 2024 and became effective on 6 November 2024 after fulfillment of other conditions for completion of the Capital Reorganisation. The authorised share capital of the Company remained at HK$200,000,000 but was divided into 12,800,000,000 ordinary shares of par value of HK$0.0125 each and 3,200,000,000 non-voting convertible preference shares of par value of HK$0.0125 each.

Completion of Connected Transactions — Loan Capitalisation Involving Issue of Ordinary Shares and Convertible Preference Shares under Connected Specific Mandate

The IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder were approved by way of ordinary resolutions at the extraordinary general meeting of the Company on 8 August 2024. All of the conditions precedent under the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement have been fulfilled and the completion took place on 15 November 2024 (the "**Completion Date**").

Upon the completion of the IAM Loan Capitalisation Agreement, (i) 300,000,000 IAM Shares at HK$0.1 per ordinary share of the Company were allotted and issued to IAM, the subscription price of which was satisfied by offsetting HK$30,000,000 of the IAM Debt; and (ii) 932,541,460 IAM CPSs at HK$0.1 per CPS were allotted and issued to IAM, the subscription price of which was satisfied by offsetting the remaining balance of the IAM Debt of approximately HK$93,254,146. Upon completion of the IAM Loan Capitalisation Agreement, the IAM Debt has been fully repaid and the Company has been released from its obligations under the IAM Debt.

Upon the completion of the Quantum Loan Capitalisation Agreement, 150,000,000 Quantum Shares at HK$0.1 per ordinary share of the Company were allotted and issued to Quantum, the subscription price of which was satisfied by offsetting the full amount of the Quantum Debt. Upon completion of the Quantum Loan Capitalisation Agreement, the Quantum Debt has been fully repaid and the Company has been released from its obligations under the Quantum Debt.

The Executive granted the Whitewash Waiver on 6 August 2024 subject to: (i) (a) the Whitewash Waiver and (b) the Capital Reorganisation, the IAM Loan Capitalisation Agreement, and the Quantum Loan Capitalisation Agreement being separately approved by (1) at least 75% and (2) more than 50%, respectively, of the independent vote (as defined in Note 1 on dispensations from Rule 26 of the Takeovers Code) that are cast either in person or by proxy at a general meeting of the Company, to be taken on a poll; and (ii) unless the Executive gives prior consent, no acquisition or disposal of voting rights being made by IAM and its concert parties between the date of the announcement of the Company dated 14 June 2024 and the completion of the IAM Loan Capitalisation and the Quantum Loan Capitalisation. The aforesaid conditions have been fulfilled as at the Completion Date.

The net proceeds of approximately HK$138.25 million from the allotment and issue of the 300,000,000 IAM Shares, the 932,541,460 IAM CPSs and the 150,000,000 Quantum Shares has been utilized as intended.

Completion of Loan Capitalisation Involving Issue of Convertible Preference Shares under Specific Mandate

The Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder were approved by way of ordinary resolution at the extraordinary general meeting of the Company on 8 August 2024. All of the conditions precedent under the Creative Big Loan Capitalisation Agreement have been fulfilled and the completion took place on 15 November 2024.

Upon the completion of the Creative Big Loan Capitalisation Agreement, 547,609,590 Creative Big CPSs at HK$0.1 per CPS were allotted and issued to Creative Big, the subscription price of which was satisfied by offsetting the full amount of the Creative Big Debt. Upon completion of the Creative Big Loan Capitalisation Agreement, the Creative Big Debt has been fully repaid and the Company has been released from its obligations under the Creative Big Debt.

The net proceeds of approximately HK$54.76 million from the allotment and issue of the 547,609,590 Creative Big CPSs has been utilized as intended.

Save as disclosed above, there has been no important event affecting the Group since the end of the year ended 30 June 2024.

On behalf of the Board

HO Kam Kin
Executive Director

Hong Kong, 23 December 2024

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 business operations in Hong Kong and the PRC during the year ended 30 June 2024. 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 C2 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 ("**NO_x**"), sulphur oxides ("**SO_x**") and particulate matter ("**PM**") emissions. Relevant data for the year ended 30 June 2024 and 2023 were as follows:

	Year ended 30 June 2024 (g)	Year ended 30 June 2023 (g)
NO_x	**0.00**	0.00
SO_x	**0.00**	0.00
PM	**0.00**	0.00

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 ("**CO_2**") and other greenhouse gases, such as methane ("**CH_4**") and nitrous oxide ("**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 2024 and 2023 were as follows:

	Year ended 30 June 2024 (kg)	Year ended 30 June 2023 (kg)
CO_2	**0.00**	0.00
CH_4	**0.00**	0.00
N_2O	**0.00**	0.00

The electricity consumption of the Group mainly for the daily operations of the business operations in Hong Kong and the PRC caused the indirect emission of greenhouse gas of CO_2. Indirect CO_2 emission from electricity purchased from power companies was approximately 31,881.12kg for the year ended 30 June 2024 (2023: approximately 98,858.91kg).

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 (2023: 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 2024, the production lines of masks have been suspended, 0 tonne of non-hazardous waste was produced and the intensity of the non-hazardous waste produced was 0 tonne per business unit (2023: 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 business unit for the year to not more than 0.6 tonnes which was the data for the year ended 30 June 2020 (the benchmark). For the year ended 30 June 2024, the intensity of the non-hazardous waste produced was 0 tonne per business unit. The target was achieved by shifting the business to the provision of Internet Plus services (supply chain) and supply chain services.

For the year ended 30 June 2024, 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 business operations in Hong Kong and the PRC. For the year ended 30 June 2024, the production lines of masks have been suspended. The total electricity consumption was approximately 8.92kWh and the intensity of the electricity consumption was approximately 2.97kWh per business unit (2023: approximately 22.13kWh and approximately 7.38kWh per production line).

2. *Water Consumption*

   Despite that the water consumption data for the year ended 30 June 2024 was unavailable to the Group (2023: 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 business unit 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 2024, the intensity of the electricity consumption per business unit was approximately 2.97kWh. 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 the provision of Internet Plus services (supply chain) and supply chain services, 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

The production lines of masks have been suspended and total packaging materials used for finished products for the year ended 30 June 2024 was 0 tonne and the intensity of the packaging materials used was 0 tonne per business unit (2023: approximately 32.26 tonnes and approximately 16.13 tonnes per production line).

For the year ended 30 June 2024, 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 2024, due to the business of the Group, the electricity consumption causing the indirect emission of greenhouse gas of CO_2, the non-hazardous waste production (2024: Nil) and the packaging material used for finished products (2024: Nil) may have impact on the environment and natural resources. (2023: 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 2024 and 2023 was as follows:

		Year ended 30 June 2024 (person)	Year ended 30 June 2023 (person)
gender:	male	**20**	13
	female	**13**	6
employment type:	full-time	**33**	19
	part-time	**0**	0
	contract	**0**	0
age group:	under the age of 30	**5**	1
	between the age of 30–50	**21**	13
	over the age of 50	**7**	5
geographical region:	Hong Kong	**12**	18
	China	**21**	1

2. Employee Turnover Rate

Employee turnover rate by gender, age group and geographical region for the year ended 30 June 2024 and 2023 was as follows:

		Year ended 30 June 2024 (%)	Year ended 30 June 2023 (%)
gender:	male	**30.30**	96.77
	female	**21.05**	123.81
age group:	under the age of 30	**0.00**	200.00
	between the age of 30–50	**17.14**	122.58
	over the age of 50	**66.67**	73.68
geographical region:	Hong Kong	**40.00**	108.33
	China	**9.09**	100.00

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 2024	Year ended 30 June 2023	Year ended 30 June 2022
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 2024 (%)	Year ended 30 June 2023 (%)
gender:	male	**80.00**	26.00
	female	**100.00**	5.00
employee category:	senior management	**40.00**	32.00
	middle management	**100.00**	0.00
	junior employee	**100.00**	0.00

2. The Average Training Hours Completed Per Employee

		Year ended 30 June 2024 (hour(s))	Year ended 30 June 2023 (hour(s))
gender:	male	**2.5**	1.0
	female	**1.5**	1.0
employee category:	senior management	**2.0**	1.0
	middle management	**1.5**	0.0
	junior employee	**2.0**	0.0

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 (2023: 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 2024, the Group made the purchases from 1 supplier and 10 suppliers located in Hong Kong and the PRC respectively (2023: 8 suppliers and 3 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 2024, no products sold or shipped was subject to recalls for safety or health reasons (2023: 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 in the previous year 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 hundreds of boxes of masks to different communities for charity.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINOPHARM TECH HOLDINGS LIMITED
國藥科技股份有限公司
(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 66 to 182, which comprise the consolidated statement of financial position as at 30 June 2024, 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 material accounting policy information and other explanatory information.

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 2024, 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

(a) Insufficient accounting records relating to Disposal of Disposed Subsidiaries during the year ended 30 June 2024

As described in Note 37 to the consolidated financial statements, during the year ended 30 June 2024, the Group disposed of the Disposed Subsidiaries to the Disposed Subsidiaries Purchasers. Subsequent to the respective dates on the Disposal and loss of control of these Disposed Subsidiaries, the Company surrendered all the books and records of the Disposed Subsidiaries, including but not limited to the management accounts, ledgers and sub-ledgers accounts, vouchers, bank statements, agreements and other documentations to the Disposed Subsidiaries Purchasers and the financial statements of these Disposed Subsidiaries were then derecognised from the consolidation financial statements of the Company with effective from their respective dates on the Disposal of these Disposed Subsidiaries subsequently.

BASIS FOR QUALIFIED OPINION – continued

(a) Insufficient accounting records relating to Disposal of Disposed Subsidiaries during the year ended 30 June 2024 – continued

In view of the non-cooperation of the Disposed Subsidiaries Purchasers, neither the management of the Company nor the Auditor were able to access sufficient books and records of the deconsolidated Disposed Subsidiaries and the books and records which are available and were retained by the Company were not found to be of a sufficient level for the purposes of audit and thus, we were unable to obtain sufficient appropriate evidence for us to assess whether the assets and liabilities of the Disposed Subsidiaries as at 30 June 2023 and at their respective dates on the Disposal of the Disposed Subsidiaries and the income and expenses of the Disposed Subsidiaries during the period from 1 July 2022 up to their respective dates on the Disposal of the Disposed Subsidiaries as set out in Note 37 to the consolidated financial statements are fairly stated and properly reflected, despite the fact that the directors of the Company (the "**Directors**") have taken all reasonable steps and have used their best endeavours to resolve the matter.

As a result, we were unable to carry out sufficient appropriate audit evidence and there were no alternative audit procedures to satisfy ourselves as to whether the assets and liabilities of the Disposed Subsidiaries as at 30 June 2023 and at their respective dates on the Disposal of the Disposed Subsidiaries and the income and expenses of the Disposed Subsidiaries during the period from 1 July 2022 up to their respective dates on the Disposal of the Disposed Subsidiaries are fairly stated and properly reflected, and the segment information and other related disclosure notes thereof, and also the gains or losses on the Disposal of the Disposed Subsidiaries are properly credited or charged to the profit or loss for the year ended 30 June 2024 respectively, have been accurately recorded and properly accounted for which were included in the consolidated financial statements of the Company as of and for the year ended 30 June 2024.

Any adjustments to the figures as described above might have a consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the years ended 30 June 2023 and 30 June 2024, and the consolidated financial position of the Group as at 30 June 2023 and the related disclosures thereof in the consolidated financial statements.

BASIS FOR QUALIFIED OPINION – continued

(b) Opening balances and the comparative information

(i) Compensation income relating to Profit Guarantee in previous acquisition recognised during the year ended 30 June 2023

As described in Note 26(a)(ii) to the consolidated financial statements, 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 (the "**Profit Guarantee**") by the vendor for the acquisition of Hero Global Holdings Limited ("**Hero Global**").

During the year ended 30 June 2023, the predecessor auditor qualified their opinion relating to whether the recognition of compensation income regarding the acquisition of Hero Global of approximately HK$92,838,000 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 view of such circumstances, the predecessor auditor was unable to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that they could perform to satisfy themselves as to whether any adjustments to 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 view of these matters affect the determination of the Group's consolidated financial performance and its consolidated cash flows for the year ended 30 June 2023, they were unable to determine whether adjustments to the consolidated statement of profit or loss and consolidated statement of cash flows for the year ended 30 June 2023 were necessary.

(ii) Share of results of interests in associates and loss on deemed disposal of interests in associates which were recognised for the year ended 30 June 2023

As described in Note 21 to the consolidated financial statements, on 24 October 2022, the shareholders of Ever Development Holdings Limited ("**Ever Development**") being the associate company of the Group have made capital contribution to Ever Development, resulting in the Group's shareholding in Ever Development was diluted from 20% to 19.05% (the "**Deemed Disposal**"). In the opinion of the Directors, the Group did not have significant influence over Ever Development and its subsidiaries and therefore, subsequent to 24 October 2022, Ever Development and its subsidiaries ceased to be associate companies of the Group, and the equity interests of 19.05% in Ever Development has been recognised as financial assets at fair value through profit or loss.

BASIS FOR QUALIFIED OPINION – continued

(b) Opening balances and the comparative information – continued

(ii) Share of results of interests in associates and loss of deemed disposal of interests in associates which were recognised for the year ended 30 June 2023 – continued

However, subsequent to the cessation to be associate companies of the Group, the management of the Company was unable to obtain sufficient financial information of Ever Development during the period from 1 July 2022 up to 24 October 2022, the date on Deemed Disposal of interests in associates to ascertain the financial information of the associate companies for the said period. Based on the financial information available to the management of the Company, the Company recognised the share of results of associates of approximately HK$186,000, loss on dilution of interests in associates of approximately HK$1,131,000 and loss on Deemed Disposal of interests in associates of approximately HK$19,217,000, which were charged or credited to the profit or loss for the year ended 30 June 2023 respectively.

In view of such circumstances, the predecessor auditor was unable to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that they could perform to satisfy themselves as to whether any adjustments to the recognition of the share of results of interest in associates of approximately HK$186,000 and loss on Deemed Disposal of interests in associates of approximately HK$19,217,000, which were charged or credited to the profit or loss for the year ended 30 June 2023. In view of these matters affect the determination of the Group's consolidated financial performance and its consolidated cash flows for the year ended 30 June 2023, they were unable to determine whether adjustments to the consolidated statement of profit or loss and consolidated statement of cash flows for the year ended 30 June 2023 were necessary.

As the consolidated financial statements for the year ended 30 June 2023 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: (i) Compensation income relating to Profit Guarantee in previous acquisition recognised during the year ended 30 June 2023; and (ii) Share of results of interests in associates and loss on Deemed Disposal of interests in associates which were recognised for the year ended 30 June 2023, would have an effect on the corresponding figures presented in the consolidated statement of profit or loss and consolidated statement of cash flows for the year ended 30 June 2024.

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(a) to the consolidated financial statements, during the year ended 30 June 2024, the Group incurred a net loss attributable to the shareholders of the Company of approximately HK$19,698,000 and, as of that date, the Group had net current liabilities of approximately HK$211,368,000. These matters, along with other matters set forth in Note 2(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Directors, having considered the measures and plans being taken by the Group, are of the opinion that the Group would be able to continue as a going concern basis. Our conclusion 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 matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and other receivables	
As disclosed in Notes 25 and 26 to the consolidated financial statements, as at 30 June 2024, the carrying amounts of the Group's trade receivables and other receivables, net of allowances amounted to approximately HK$20,032,000 and HK$8,524,000, respectively. The assessment of impairment provision of these receivables involves the 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 identified the impairment assessment of trade receivables and other receivables as a key audit matter due to the magnitude of these receivables and the management's estimates and judgements involved in determination of the expected credit losses impairment of these receivables.	Our audit procedures to assess impairment assessment of trade receivables and other receivables included, among others, the followings: (a) Obtaining an understanding of the management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. (b) Assessing 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) Assessing the historical accuracy of the estimates made by the management for the expected credit loss allowances. (d) Assessing 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 Group for the year ended 30 June 2023, were audited by another auditor who issued a qualified audit opinion in respect of (i) Compensation income relating to Profit Guaranteed in previous acquisition; (ii) opening balance relating to interests in associates; and (iii) loss on deemed disposal of interests in associates, and also an emphasis of matter paragraph about the going concern basis on these consolidated financial statements 29 September 2023.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises all of the information included in the annual report other than 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. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence to conclude whether the Disposal of Disposed Subsidiaries during the year ended 30 June 2024 and opening balances and comparative figures presented in the current year's consolidated financial statements were free from material misstatement. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

The Directors 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 are 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.

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.

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

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.

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 Liao Yik Lam.

SFAI (HK) CPA Limited
Certified Public Accountants
Liao Yik Lam
Practising Certificate Number P06630

Hong Kong, 23 December 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	Notes	**2024 HK$'000**	2023 HK$'000 (Restated)
Continuing Operations			
Revenue	*7*	**41,277**	42,839
Cost of sales and service		**(36,258)**	(37,369)
Gross profit		**5,019**	5,470
Other income, gains and losses, net	*8*	**18,085**	106,849
Impairment loss on trade receivables and other assets, net	*9*	**(2,587)**	(74,782)
Loss on dilution of interests in associates	*21*	**—**	(1,131)
Loss on deemed disposal of interests in associates	*21*	**—**	(19,217)
Fair value change on financial assets at fair value through profit or loss	*23*	**(2,734)**	1,815
Selling and distribution expenses		**(495)**	(2,251)
Administrative and operating expenses		**(13,687)**	(19,217)
Finance costs	*10*	**(23,933)**	(8,571)
Share of results of associates	*21*	**—**	186
Loss before taxation	*12*	**(20,332)**	(10,849)
Income tax (expense) credit	*11*	**(83)**	1,307
Loss for the year from Continuing Operations		**(20,415)**	(9,542)
Discontinued Operation			
Profit (loss) for the year from Discontinued Operation	*13*	**388**	(558)
Loss for the year		**(20,027)**	(10,100)
Other comprehensive expenses			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of financial statements of overseas operations		**(34)**	(1,416)
Reclassification of cumulative exchange reserve upon Disposal of Disposed Subsidiaries		**(7,776)**	—
Other comprehensive expenses for the year, net of tax		**(7,810)**	(1,416)
Total comprehensive expenses for the year		**(27,837)**	(11,516)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2024

	Notes	**2024** **HK$'000**	2023 HK$'000 (Restated)
(Loss) profit for the year attributable to owners of the Company:			
— From Continuing Operations		**(20,086)**	(10,077)
— From Discontinued Operation		**388**	(558)
		(19,698)	(10,635)
(Loss) profit for the year attributable to non-controlling interests:			
— From Continuing Operations		**(329)**	535
— From Discontinued Operation		**—**	—
		(329)	535
Loss for the year		**(20,027)**	(10,100)
Total comprehensive (expenses) income attributable to owners of the Company:			
— From Continuing Operations		**(27,879)**	(10,557)
— From Discontinued Operation		**388**	(558)
		(27,491)	(11,115)
Total comprehensive expenses attributable to non-controlling interests:			
— From Continuing Operations		**(346)**	(401)
— From Discontinued Operation		**—**	—
		(346)	(401)
Total comprehensive expenses for the year		**(27,837)**	(11,516)
		HK cents	HK cents (Restated)
Loss per share	*16*		
From Continuing and Discontinued Operation			
— Basic and diluted		**(0.11)**	(0.06)
From Continuing Operation			
— Basic and diluted		**(0.11)**	(0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,749**	1,163
Right-of-use assets	18	**1,133**	—
Goodwill	19	**—**	—
Intangible assets	20	**—**	—
Interests in associates	21	**—**	—
Interest in joint venture	22	**—**	—
Financial assets at FVTPL	23	**2,540**	5,274
		6,422	6,437
CURRENT ASSETS			
Inventories	24	**3,537**	855
Trade receivables	25	**20,032**	8,095
Other receivables, deposits and prepayments	26	**11,859**	16,319
Bank balances and cash	27	**2,640**	1,776
		38,068	27,045
CURRENT LIABILITIES			
Trade payables	28	**32,494**	34,932
Other borrowings, accruals and other payables	29	**90,668**	72,524
Amount due to a shareholder	30	**125,489**	105,747
Convertible bonds	31	**—**	—
Lease liabilities	32	**670**	—
Income tax payable		**115**	33
		249,436	213,236
NET CURRENT LIABILITIES		**(211,368)**	(186,191)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(204,946)**	(179,754)
NON-CURRENT LIABILITIES			
Lease liabilities	32	**653**	—
Deferred tax liabilities	33	**—**	—
		653	—
NET LIABILITIES		**(205,599)**	(179,754)

	Notes	**2024 HK$'000**	2023 HK$'000
CAPITAL AND RESERVES			
Share capital	*34*	**57,404**	57,404
Reserves		**(256,884)**	(230,137)
Capital deficiency attributable to owners of the Company		**(199,480)**	(172,733)
Non-controlling interests		**(6,119)**	(7,021)
		(205,599)	(179,754)

The consolidated financial statements on pages 66 to 182 were approved and authorised for issue by the Board of Directors on 23 December 2024 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 2024

	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	**Convertible bonds reserve** HK$'000	**Exchange reserve** HK$'000	**Special reserve** HK$'000	**Capital reserve** HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Non-controlling interest** HK$'000	**Total** HK$'000
As at 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)
Other comprehensive expenses for the year:												
Exchange differences arising on translation of financial statements of overseas operations	—	—	—	—	—	(480)	—	—	—	(480)	(936)	(1,416)
Total comprehensive expenses for the year	—	—	—	—	—	(480)	—	—	(10,635)	(11,115)	(401)	(11,516)
Shares issued for settlement of amount 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 31)*	—	—	—	—	(10,267)	—	—	—	10,267	—	—	—
Reversal of deferred tax liability on recognition of equity component of convertible bonds upon maturity of convertible bonds *(Notes 31 and 33)*	—	—	—	—	1,694	—	—	—	(1,694)	—	—	—
Share options lapsed	—	—	—	(16,437)	—	—	—	—	16,437	—	—	—
As at 30 June 2023 and 1 July 2023	**57,404**	**2,703,996**	**1,484**	**1,739**	**—**	**7,776**	**(1)**	**28,633**	**(2,973,764)**	**(172,733)**	**(7,021)**	**(179,754)**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(19,698)**	**(19,698)**	**(329)**	**(20,027)**
Other comprehensive expenses for the year												
Exchange differences arising on translation of financial statements of overseas operations	**—**	**—**	**—**	**—**	**—**	**(17)**	**—**	**—**	**—**	**(17)**	**(17)**	**(34)**
Reclassification of cumulative exchange reserve upon Disposal of Disposed Subsidiaries	**—**	**—**	**—**	**—**	**—**	**(7,776)**	**—**	**—**	**—**	**(7,776)**	**—**	**(7,776)**
Total comprehensive expenses for the year	**—**	**—**	**—**	**—**	**—**	**(7,793)**	**—**	**—**	**(19,698)**	**(27,491)**	**(346)**	**(27,837)**
Disposal of Disposed Subsidiaries *(Note 37)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,248**	**1,248**
Recognition of equity settled share-based payments	**—**	**—**	**—**	**744**	**—**	**—**	**—**	**—**	**—**	**744**	**—**	**744**
Share options lapsed	**—**	**—**	**—**	**(601)**	**—**	**—**	**—**	**—**	**601**	**—**	**—**	**—**
As at 30 June 2024	**57,404**	**2,703,996**	**1,484**	**1,882**	**—**	**(17)**	**(1)**	**28,633**	**(2,992,861)**	**(199,480)**	**(6,119)**	**(205,599)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	2024 HK$'000	2023 HK$'000 (Restated)
OPERATING ACTIVITIES		
(Loss) profit before taxation		
— From Continuing Operations	**(20,332)**	(10,849)
— From Discontinued Operation	**388**	(558)
	(19,944)	(11,407)
Adjustments for:		
Finance costs	**23,933**	8,571
Interest income	**(84)**	(2)
Share of results of associates	**—**	(186)
Depreciation of property, plant and equipment	**638**	1,207
Depreciation of right-of-use assets	**740**	800
Amortisation of intangible assets	**—**	—
Impairment loss, net of reversal		
— trade and other receivables under expected credit loss model	**2,587**	74,782
Share-based payment expense	**744**	2,482
Gain on disposal of subsidiaries	**(17,469)**	—
Loss on dilution of interests in associates	**—**	1,131
Loss on deemed disposal of associates	**—**	19,217
Gain on settlement of amount due to a director	**—**	(12,621)
Fair value change on financial assets at FVTPL	**2,734**	(1,815)
Write down of inventories	**346**	—
Written-off of property, plant and equipment	**526**	1,496
Operating cash flows before movements in working capital	**(5,249)**	83,655
Increase in inventories	**(3,060)**	(173)
Increase in trade and other receivables, deposits and prepayments	**(10,236)**	(54,791)
Decrease in trade payables, accruals and other payables	**9,293**	(11,814)
Decrease in amounts due to related parties	**—**	(12,144)
Cash (used in) from operations	**(9,252)**	4,733
Income tax paid	**(1)**	—
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(9,253)**	4,733

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	2024 HK$'000	2023 HK$'000 (Restated)
INVESTING ACTIVITIES		
Interest received	**84**	2
Purchase of property, plant and equipment	**(3,328)**	—
Net cash outflow in respect of the disposal of the subsidiaries *(Note 37)*	**(1,615)**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(4,859)**	2
FINANCING ACTIVITIES		
Interest paid	**(23)**	(3,500)
Repayments of other borrowings	**(1,399)**	—
Repayments of lease liabilities	**—**	(1,017)
New other borrowings raised	**16,399**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**14,977**	(4,517)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**865**	218
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,776**	2,991
Effect of foreign exchange rate changes	**(1)**	(1,433)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by		
Bank balances and cash	**2,640**	1,776

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 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the *Corporate Information* section to the annual report.

The Company acts as an investment holding company. The particulars and principal activities of its principal subsidiaries are set out in Note 45 to the consolidated financial statements.

The Company's functional currency is Hong Kong dollars ("**HK$**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") for the convenience of the shareholders, as the Company is listed in Hong Kong.

The English names of all the companies established in the People's Republic of China (the "**PRC**") presented in these consolidated financial statements represent the best efforts made by the directors of the Company (the "**Directors**") for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Going concern assessment

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

During the year ended 30 June 2024, the Group incurred a net loss attributable to the shareholders of the Company of approximately HK$19,698,000 (2023: HK$10,635,000) and, as of that date, the Group had net current liabilities of approximately HK$211,368,000 (2023: HK$186,191,000). In addition, as described in Notes 30 and 29, as at 30 June 2024, the Group's unsecured amount due to the shareholder and the Creative Big borrowings, together with the respective accrued interests were overdue and would be immediately repayable if and when requested by IAM and Creative Big (both are defined below), respectively.

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

(a) Going concern assessment – continued

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2024. They are of the opinion that, taking into account the following plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2024. Nevertheless, the consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern, after taking into consideration of the following:

(i) As described in Note 2(b), the Group completed the Loan Capitalisation (as defined below) in November 2024 to improve the Group's liquidity and strengthen its capital position.

(ii) As described in Note 29(a), on 11 December 2024, the Company entered into a loan facility agreement with Quantum (as defined below) for a loan facility of HK$12,000,000 to the Company for the purpose of financing the general working capital of the Group. In December, the Company drawn down of loan amounted to HK$3,000,000 from Quantum.

(iii) As described in Note 29 and 30, on 2 December 2024, the Group obtained letters of undertaking (the "**Letters of Undertaking**") from Quantum and IAM that Quantum and IAM agreed not to request the Group to repay the amounts due to them. Further, both IAM and Quantum agreed to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 30 June 2024.

(iv) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

(v) The Group continues to generate cash inflows from its operating activities by implementing measures to tighten cost controls over various operating expenses in order to improve its cash flows position and to generate greater positive cash inflows from its business and operations in the future.

In light of the above measures and plans implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for a period of at least the next twelve months from 30 June 2024 after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the Directors 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 values of 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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

(b) Capitalisation Reorganisation and Loan Capitalisation completed in November 2024

Pursuant to the announcement of the Company dated 14 June 2024 and the circular (the "**Circular**") of the Company dated 19 July 2024, the Board of the Directors of the Company (the "**Board**") proposed the following transactions which were completed in November 2024:

(i) Capitalisation reorganisation

As at 14 June 2024, the authorised share capital of the Company was HK$200,000,000 divided into 640,000,000 shares of par value of HK$0.3125 each, of which 183,693,055 shares were issued and fully paid.

The Board proposed the following capital reorganisation (the "**Capital Reorganisation**") to be implemented in the following manner:

(1) the reduction of the issued share capital of the Company (the "**Capital Reduction**") by reducing the par value of each issued share from HK$0.3125 per issued share to HK$0.0125 per issued share by cancelling the paid up share capital to the extent of HK$0.3 per issued share; and

(2) the total credit arising from the Capital Reduction would be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective.

Immediately following the Capital Reduction became effective in November 2024, each of the authorised but unissued share would be sub-divided into twenty-five (25) authorised but unissued new shares with a par value of HK$0.0125 per share each (the "**Share Sub-division**").

As at 14 June 2024, 183,693,055 shares were issued and were fully paid or credited as fully paid. Assuming that the par value of each of the 183,693,055 issued shares would be reduced from HK$0.3125 per share to HK$0.0125 per share by cancelling the paid up share capital to the extent of HK$0.3 per share by way of a reduction of capital, such that the nominal value of each new share would be reduced from HK$0.3125 per share to HK$0.0125 per share.

The Company's existing issued share capital of approximately HK$57,404,000 would be reduced by approximately HK$55,108,000 to approximately HK$2,296,000. The credit amount of approximately HK$55,108,000 would be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective.

Pursuant to the announcement of the Company dated 5 November 2024, a copy of the order of the Cayman Court confirming the Capital Reduction and the Share Sub-division and the minutes approved by the Cayman Court containing the particulars required under the Companies Act with respect to the Capital Reduction were filed and duly registered with the Registrar of Companies in the Cayman Islands on 25 October 2024. All the other conditions for the implementation of the Capital Reduction and the Share Sub-division as set out in the Circular have been fulfilled. The Capital Reduction and the Share Sub-division became effective on 6 November 2024.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

(b) Capitalisation Reorganisation and Loan Capitalisation completed in November 2024 – continued

(ii) IAM Loan Capitalisation relating to IAM Debt of approximately HK$123,254,000

On 14 June 2024, the Company and Integrated Asset Management (Asia) Limited ("**IAM**", a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. YAM Tak Cheung, a shareholder of the Company) entered into the loan capitalisation agreement (the "**IAM Loan Capitalisation Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and IAM has conditionally agreed to subscribe for:

(1) an aggregate of 300,000,000 shares at the issue price of HK$0.1 per share (the "**IAM Shares**"), the same of which shall be satisfied by offsetting HK$30,000,000 of the IAM Debt (as defined and described in Note 30); and

(2) an aggregate of 932,541,460 non-voting convertible preference shares of par value of HK$0.0125 each at the issue price of HK$0.1 per non-voting convertible preference shares (the "**IAM CPSs**", together with the IAM Shares, collectively referred to the "**IAM Loan Capitalisation**"), the same of which shall be satisfied by offsetting the remaining balance of the IAM Debt of approximately HK$93,254,000.

Upon completion of the IAM Loan Capitalisation, the IAM Debt (including the accrued interests of the IAM Convertible Bonds held by IAM up to 31 December 2023) shall be deemed to have been fully repaid and the Company shall be released from its obligations under the IAM Debt.

(iii) Quantum Loan Capitalisation relating to Quantum Debt of approximately HK$15,000,000

On 14 June 2024, the Company and Quantum Worldwide Investment Limited ("**Quantum**", a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. YAM Tak Cheung, a shareholder of the Company) entered into the loan capitalisation agreement (the "**Quantum Loan Capitalisation Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and Quantum has conditionally agreed to subscribe for an aggregate of 15,000,000 shares at the issue price of HK$0.1 per share (the "**Quantum Shares**"), the same of which shall be satisfied by offsetting HK$15,000,000 of the Quantum Debt (as defined and described in Note 29(a)) (the "**Quantum Loan Capitalisation**").

Upon completion of the Quantum Loan Capitalisation, the Quantum Debt shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Quantum Debt.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

(b) Capitalisation Reorganisation and Loan Capitalisation completed in November 2024 – continued

(iv) Creative Big Loan Capitalisation relating to Creative Big Debt of approximately HK$54,761,000

On 14 June 2024, the Company and Creative Big Limited ("**Creative Big**", a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. CHIU Sin Nang Kenny) entered into the loan capitalisation agreement (the "**Creative Big Loan Capitalisation Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and Creative Big has conditionally agreed to subscribe for an aggregate of approximately HK$547,601,000 non-voting convertible preference shares of par value of HK$0.0125 each at the issue price of HK$0.1 per non-voting convertible preference shares (the "**Creative Big CPSs**"), the same of which shall be satisfied by offsetting the balance of the Creative Big Debt of approximately HK$54,761,000 (as defined and described in Note 29(b)) (the "**Creative Big Loan Capitalisation**").

Upon completion of the Creative Big Loan Capitalisation, the Creative Big Debt (including the accrued interests of the Creative Big borrowings held by Creative Big up to 31 December 2023) shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Creative Big Debt.

Analysis of subscription price

The subscription price of each of the IAM Shares, Quantum Shares, IAM CPSs and Creative Big CPSs is HK$0.1 per share, which represent:

(i) a discount of approximately 18.7% to the closing price of HK$0.123 per share as quoted on the Stock Exchange on 14 June 2024;

(ii) a discount of approximately 18.7% to the average closing price of approximately HK$0.123 per share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 14 June 2024;

(iii) a discount of approximately 13.0% to the average closing price of approximately HK$0.115 per share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to 14 June 2024;

(iv) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.1% represented by the theoretical diluted price of HK$0.102 per share to the benchmarked price of HK$0.123 per share;

(v) a premium of approximately HK$1.04 over the audited consolidated net liabilities attributable to Shareholders of approximately HK$0.94 per share as at 30 June 2023 (based on audited deficit attributable to owners of the Company of approximately HK$172,733,000 as at 30 June 2023 and 183,693,055 shares in issue as at 14 June 2024); and

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

(b) Capitalisation Reorganisation and Loan Capitalisation completed in November 2024 – continued

(iv) Creative Big Loan Capitalisation relating to Creative Big Debt of approximately HK$54,761,000 – continued

Analysis of subscription price – continued

(vi) a premium of approximately HK$1.06 over the unaudited consolidated net liabilities attributable to Shareholders of approximately HK$0.96 per share as at 31 December 2023 (based on unaudited deficit attributable to owners of the Company of approximately HK$176,324,000 as at 31 December 2023 and 183,693,055 shares in issue as at the date of this report).

The proposed allotment and issue of the IAM Shares, Quantum Shares, IAM CPSs and Creative Big CPSs at the subscription price of HK$0.1 by capitalising the relevant debts pursuant to the terms and conditions of the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the Creative Big Loan Capitalisation Agreement are collectively defined as the "Loan Capitalisation".

The IAM Shares, Quantum Shares, IAM CPSs and Creative Big CPSs have an aggregate nominal value of approximately HK$24,127,000 (after taking into account the effect of the Capital Reorganisation).

Impacts for the Loan Capitalisation

The management of the Company consider that the Loan Capitalisation:

(i) would reduce the Group's debt level and improve the Group's deficit position upon completion of the Loan Capitalisation;

(ii) would improve the Group's liquidity and strengthen the Group's capital position and also would enhance the Group's gearing ratio due to the reduction of debt level; and

(iii) will eliminate the interest burden of the Company from the relevant debts.

It is expected that, subsequent to the completion of the Loan Capitalisation, the Company's capital structure was improved and the Company is in a better position to focus on its business operation and capture future fund raising opportunities.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

(b) Capitalisation Reorganisation and Loan Capitalisation completed in November 2024 – continued

(iv) Creative Big Loan Capitalisation relating to Creative Big Debt of approximately HK$54,761,000 – continued

Completion of the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement in November 2024

Pursuant to the announcement of the Company on 15 November 2024, the Board announced that all of the conditions precedent under the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement have been fulfilled and the completion of the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement took place on 15 November 2024.

Upon the completion of IAM Loan Capitalisation Agreement: (i) an aggregate of 300,000,000 IAM Shares at HK$0.1 per share were allotted and issued to IAM, the subscription price of which was satisfied by offsetting HK$30,000,000 of the IAM Debt; and (ii) an aggregate of 932,541,460 IAM CPSs at HK$0.1 per CPS were allotted and issued to IAM, the subscription price of which was satisfied by offsetting the remaining balance of the IAM Debt of approximately HK$93,254,146. Upon completion of the IAM Loan Capitalisation Agreement, the IAM Debt has been fully repaid and the Company has been released from its obligations under the IAM Debt.

Upon the completion of the Quantum Loan Capitalisation Agreement, an aggregate of 150,000,000 Quantum Shares at HK$0.1 per share were allotted and issued to Quantum, the subscription price of which was satisfied by offsetting the full amount of the Quantum Debt. Upon completion of the Quantum Loan Capitalisation Agreement, the Quantum Debt has been fully repaid and the Company has been released from its obligations under the Quantum Debt.

Completion of the Creative Big Loan Capitalisation Agreement

Pursuant to the announcement of the Company on 15 November 2024, the Board announced that all of the conditions precedent under the Creative Big Loan Capitalisation Agreement have been fulfilled and the completion of the Creative Big Loan Capitalisation Agreement took place on 15 November 2024.

Upon the completion of the Creative Big Loan Capitalisation Agreement, an aggregate of 547,609,590 Creative Big CPSs at HK$0.1 per CPS were allotted and issued to Creative Big, the subscription price of which was satisfied by offsetting the full amount of the Creative Big Debt. Upon the completion of the Creative Big Loan Capitalisation Agreement, the Creative Big Debt has been fully repaid and the Company has been released from its obligations under the Creative Big Debt.

Further details of the above are set out in the announcements of the Company dated 5 July 2024, 11 July 2024, 19 July 2024, 8 August 2024, 4 October 2024, 31 October 2024, 5 November 2024 and 15 November 2024 and the Circular of the Company dated 19 July 2024.

3. APPLICATION OF 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 annual period beginning on 1 July 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of the new and 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.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies – continued

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 4.2 to the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("**MPF**") — Long Service Payment ("**LSP**") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the *Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022* (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "*Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong*" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

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

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("**MPF**") — Long Service Payment ("**LSP**") offsetting mechanism in Hong Kong – continued

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 *Employee Benefits* before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 *Employee Benefits* after the Abolition.

The Directors consider that the changes in the Group's accounting policy in the current year had no material impact on the consolidated financial statements.

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

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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]
HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments (amendments)[4]
HKFRS 18	Presentation and Disclosure in Financial Statements[5]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[5]
HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements — *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)*[6]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after January 1, 2024
3 Effective for annual periods beginning on or after January 1, 2025
4 Effective for annual periods beginning on or after January 1, 2026
5 Effective for annual periods beginning on or after January 1, 2027
6 HK Int 5 has incorporated the references to HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027

The Directors anticipate that the application of all these amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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 accounted for in accordance with HKFRS 16 *Leases*, 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 in HKAS 36 *Impairment of Assets*.

- 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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information

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.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Basis of consolidation – continued

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Business combinations – continued

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 instead of the *Conceptual Framework* to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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 Inventories at the acquisition date (see the accounting policy below);

- 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; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 Leases) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re assessment, the net amount 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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Business combinations – continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

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 or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 Financial Instruments would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

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.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Investments in associates and joint ventures – continued

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.

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 of 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Revenue from contracts with customers

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 a good 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 or 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 good or service.

Contract asset and contract liability

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 *Financial Instruments*. 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 the same contract are accounted for and presented on a net basis.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group as a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group as an agent).

The Group is a principal if it controls the specified good before that good is transferred to a customer.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Revenue from contracts with customers – continued

Principal versus agent – continued

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Further information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 6 to the consolidated financial statements.

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 or arising from business combinations 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 *Leases* at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract 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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Leases – continued

The Group as a lessee – continued

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property, plant and equipment 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.

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 deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Leases – 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 value 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 remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

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

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Foreign currencies – continued

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.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Taxation – continued

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.

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.

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 sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Intangible assets acquired separately

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.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Intangible assets acquired separately – continued

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.

Impairment 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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Employee benefits

Retirement benefit costs

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.

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.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Employee benefits – continued

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

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.

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 *Revenue from Contracts with Customers*. 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 which are derived from the Group's ordinary course of business are presented as other income.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

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.

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.

All other financial assets are subsequently measured at fair value. All of the Group's financial assets are subsequently measured at amortised costs.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

(i) Significant increase in credit risk – continued

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.

(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.

Credit-impaired financial assets

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

- Significant financial difficulty of the issuer of the borrower; or
- A breach of contract, such as a default or past due event; or
- 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; or
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Credit-impaired financial assets – continued

(i) 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, e.g. 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 two years 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 when appropriate. Any recoveries made are recognised in profit or loss.

(ii) 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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial assets – continued

Credit-impaired financial assets – continued

(ii) Measurement and recognition of ECL – continued

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.

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

Classification as debt or equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity – continued

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 day contractual arrangements and the definitions of a financial liability and an equity instrument.

(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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity – continued

Convertible bonds issued by the Company – continued

(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.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Financial instruments – continued

Financial liabilities and equity – continued

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.

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.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – continued

4.2 Material accounting policy information – continued

Related parties

A party is considered to be related to the Group if:

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

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

(2) has significant influence over the Group;

(3) is a member of the key management personnel of the Group or the Group's parent.

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

(1) 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).

(2) 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).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(6) The entity is controlled or jointly controlled by a person identified in (i) above.

(7) A person identified in (i)(1) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a Group of which it is a part, provides key management personnel services to the group or to the Group's parent.

Close members of the family 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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4.2, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern and liquidity

As explained in Note 2(a), the consolidated financial statements have been prepared on a going concern basis and have not included any adjustments that would be required should the Group fail to continue as a going concern since the Directors are satisfied that the liquidity of the Group can be maintained in the coming year after taking into the considerations as detailed in Note 2(a). The Directors also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 30 June 2024.

Key sources of estimation uncertainty

The following is the key assumption 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.

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 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

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.

As at 30 June 2024, the carrying amounts of the Group's trade receivables and other receivables are set out in Note 25 and 26(a), respectively.

6. OPERATING SEGMENTS INFORMATION

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "**CODM**") of the Group, being the executive directors of the Company throughout the year, for the purpose of resource allocation and performance assessment.

The factors used to identify the Group's operating segments, including the basis of organisation, are mainly based on the services provided by the Group's operating divisions.

Prior to 30 June 2024, the Group's operating segments are as follows:

(a) Provision of lottery-related services (the "**Lottery-related Services**")

(b) Provision of internet plus services:

  (i) Solution services: Provision of internet related solution services

(c) Supply chain services: Provision of supply chain management, data analysis and related services and trading of goods through internet platform

(d) Manufacturing and distribution of personal protective equipment: Manufacture and sale of personal protective equipment and consumables and other related goods

During the year ended 30 June 2024, the Group decided to cease and terminate its "Provision of lottery-related services" operating segment and thus, this operating segment was classified as "Discontinued Operation" and further details of financial information of the Discontinued Operation are set out in Note 13.

During the year ended 30 June 2024, the Company established a subsidiary, 江西鷺嶼醫療科技有限公司 (Jiangxi Luyu Medical Technology Co., Ltd, "**Jiangxi Luyu**") which is mainly engaged in the sale of trading of medial and related products in the PRC and thus, the Company include the sale of medical and related products in the Supply Chain Services operating segment for the current year.

6. OPERATING SEGMENTS INFORMATION – continued

During the year ended 30 June 2024, the Group continues to be engaged in the following operating segments (the "**Continuing Operations**")

(a) Provision of Internet plus solution services: Provision of internet related solution services (the "**Internet Plus Solution Services**");

(b) Supply chain services: Provision of supply chain management, data analysis and related services and trading of related goods, and trading of medial and related products (the "**Supply Chain Services**");

(c) Manufacturing and distribution of personal protective equipment: Manufacture and sale of personal protective equipment and consumables and other related goods (the "**Manufacturing and Distribution of Personal Protective Equipment**").

Segment revenues and results

An analysis of the Group's operating segment revenue and segment results is as below:

	Continuing Operations				Discontinued Operation	
	Internet plus solution services HK$'000	Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Sub-total HK$'000	Lottery-related services HK$'000	Consolidated HK$'000
For the year ended 30 June 2023						
Segment revenue						
Reportable segment revenue	—	37,077	9,802	46,879	—	46,879
Elimination of inter-segment revenue	—	—	(4,040)	(4,040)	—	(4,040)
External sales	—	37,077	5,762	42,839	—	42,839
Segment (loss) profit	(342)	2,956	(1,379)	1,235	(558)	677
Unallocated other income, gains and losses, net						106,849
Loss on dilution of interests in associates						(1,131)
Loss on deemed disposal of interest in associates						(19,217)
Fair value change on financial assets at FVTPL						1,815
Other unallocated expenses						(92,015)
Share of results of associates						186
Finance costs						(8,571)
Loss before taxation						(11,407)
Income tax credit						1,307
Loss for the year						(10,100)

6. OPERATING SEGMENTS INFORMATION – continued

Segment revenues and results – continued

	Continuing Operations				Discontinued Operation	
	Internet Plus Solution Services HK$'000	Supply Chain Services HK$'000	Manufacturing and Distribution of Personal Protective Equipment HK$'000	Sub-total HK$'000	Lottery-related services HK$'000	Consolidated HK$'000
For the year ended 30 June 2024						
Segment revenue						
Reportable segment revenue	—	41,277	—	41,277	—	41,277
Elimination of inter-segment revenue	—	—	—	—	—	—
External sales	—	41,277	—	41,277	—	41,277
Segment (loss) profit	(98)	1,431	(39)	1,294	388	1,682
Unallocated other income, gains and losses, net						16,394
Fair value change on financial assets at FVTPL						(2,734)
Other unallocated expenses						(11,580)
Finance costs						(23,706)
Loss before taxation						(19,944)
Income tax expense						(83)
Loss for the year						(20,027)

6. OPERATING SEGMENTS INFORMATION – continued

Segment assets and liabilities

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

	Continuing Operations				Discontinued Operation	
	Internet plus solution services HK$'000	Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Sub-total HK$'000	Lottery-related Services HK$'000	Consolidated HK$'000
As at 30 June 2023						
Assets						
Segment assets	35	9,822	12,689	22,546	83	22,629
Unallocated assets						10,853
Total assets						33,482
Liabilities						
Segment liabilities	586	20,828	15,393	36,807	4,682	41,489
Unallocated liabilities						171,747
Total liabilities						213,236

	Continuing Operations				**Discontinued Operation**	
	Internet Plus Solution Services HK$'000	**Supply Chain Services HK$'000**	**Manufacturing and Distribution of Personal Protective Equipment HK$'000**	**Sub-total HK$'000**	**Lottery-related Services HK$'000**	**Consolidated HK$'000**
As at 30 June 2024						
Assets						
Segment assets	**—**	**38,518**	**—**	**38,518**	**—**	**38,518**
Unallocated assets						**5,972**
Total assets						**44,490**
Liabilities						
Segment liabilities	**—**	**49,826**	**—**	**49,826**	**—**	**49,826**
Unallocated liabilities						**200,263**
Total liabilities						**250,089**

6. OPERATING SEGMENTS INFORMATION – continued

Other segment information

	Continuing Operations				Discontinued Operation		
	Internet plus solution services HK$'000	Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Sub-total HK$'000	Lottery-related Services HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 30 June 2023							
Depreciation of property, plant and equipment	—	—	735	735	—	472	1,207
Depreciation of right-of-use assets	—	—	—	—	—	800	800
Written-off of property, plant and equipment	—	—	1,496	1,496	—	—	1,496
(Renewal of)/impairment loss recognised, net:							
— Trade receivables	—	(879)	—	(879)	—	—	(879)
— Other receivables	31	—	14	45	—	75,616	75,661

	Continuing Operations				**Discontinued Operation**		
	Internet Plus Solution Services HK$'000	**Supply Chain Services HK$'000**	**Manufacturing and Distribution of Personal Protective Equipment HK$'000**	**Sub-total HK$'000**	**Lottery-related Services HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
For the year ended 30 June 2024							
Addition of property, plant and equipment	**—**	**3,328**	**—**	**3,328**	**—**	**—**	**3,328**
Addition of right-of-use assets	**—**	**1,873**	**—**	**1,873**	**—**	**—**	**1,873**
Depreciation of property, plant and equipment	**—**	**202**	**—**	**202**	**—**	**436**	**638**
Depreciation of right-of-use assets	**—**	**740**	**—**	**740**	**—**	**—**	**740**
Written-off of property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**526**	**526**
Impairment loss recognised, net:							
— Trade receivables	**—**	**1,239**	**—**	**1,239**	**—**	**—**	**1,239**
— Other receivables	**—**	**84**	**—**	**84**	**—**	**1,104**	**1,188**
— Deposits paid	**—**	**160**	**—**	**160**	**—**	**—**	**160**

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4.2.

Segment profit represents the profit earned by each segment without allocation of government grant, net foreign exchange difference, central corporate expenses, Directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. OPERATING SEGMENTS INFORMATION – continued

Other segment information – continued

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than partial of property, plant and equipment, financial assets at FVTPL, other receivables, deposits and prepayments and bank and cash balances which were managed in a centralised manner.
- All liabilities are allocated to operating segments other than partial of other borrowings, accruals and other payables and amount due to a shareholder which were managed in a centralised manner.

Geographical information

The Group's operations are mainly located in the PRC and Hong Kong.

The following table sets forth the Group's revenue from customers by geographical location of customers:

	For the year ended 30 June 2023			**For the year ended 30 June 2024**		
	Continuing Operations HK$'000	Discontinued Operation HK$'000	Total HK$'000	**Continuing Operations HK$'000**	**Discontinued Operation HK$'000**	**Total HK$'000**
Revenue from external customers						
— PRC	12,135	—	12,135	**34,569**	**—**	**34,569**
— Hong Kong	30,704	—	30,704	**6,708**	**—**	**6,708**
	42,839	—	42,839	**41,277**	**—**	**41,277**

The following table sets forth non-current assets (excluding financial instruments) by geographical location:

	As at 30 June 2023			**As at 30 June 2024**		
	Continuing Operations HK$'000	Discontinued Operation HK$'000	Total HK$'000	**Continuing Operations HK$'000**	**Discontinued Operation HK$'000**	**Total HK$'000**
Non-current assets (excluding financial instruments)						
— PRC	88	—	88	**3,734**	**—**	**3,734**
— Hong Kong	1,075	—	1,075	**148**	**—**	**148**
	1,163	—	1,163	**3,882**	**—**	**3,882**

6. OPERATING SEGMENTS INFORMATION – continued

Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue of the corresponding year are as follows:

	2024 HK$'000	2023 HK$'000
Customer A#	**6,708**	14,404
Customer B#	**N/A***	7,320
Customer C#	**11,669**	N/A*
Customer D#	**6,166**	N/A*

* The corresponding revenue does not contribute over 10% of the Group's revenue.

Revenue from Supply chain services/Internet plus: Supply chain services operating segment.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

7. REVENUE FROM CONTRACTS WITH CUSTOMERS – continued

Revenue represents income from the sales and trading of goods and the provision of services rendered by the Group, net of returns, discounts allowed or sales taxes:

(a) Disaggregation of revenue from contracts with customers

(i) The Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by categorise of major product lines and business.

	Continuing Operations				Discontinued Operation	
	Internet plus solution services HK$'000	Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Sub-total HK$'000	Lottery-related Services HK$'000	Consolidated HK$'000
For the year ended 30 June 2023						
Revenue from contracts with customers by category within the scope of HKFRS 15						
Trading of goods	—	37,077	—	37,077	—	37,077
Manufacturing and distribution of personal protective equipment	—	—	5,762	5,762	—	5,762
	—	37,077	5,762	42,839	—	42,839

	Continuing Operations				**Discontinued Operation**	
	Internet Plus Solution Services HK$'000	**Supply Chain Services HK$'000**	**Manufacturing and Distribution of Personal Protective Equipment HK$'000**	**Sub-total HK$'000**	**Lottery-related Services HK$'000**	**Consolidated HK$'000**
For the year ended 30 June 2024						
Revenue from contracts with customers by category within the scope of HKFRS 15						
Trading of goods	**—**	**41,277**	**—**	**41,277**	**—**	**41,277**
Manufacturing and distribution of personal protective equipment	**—**	**—**	**—**	**—**	**—**	**—**
	—	**41,277**	**—**	**41,277**	**—**	**41,277**

7. REVENUE FROM CONTRACTS WITH CUSTOMERS – continued

(a) Disaggregation of revenue from contracts with customers – continued

(ii) The Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by timing of revenue recognition.

	Continuing Operations				Discontinued Operation	
	Internet plus solution services HK$'000	Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Sub-total HK$'000	Lottery-related services HK$'000	Consolidated HK$'000
For the year ended 30 June 2023						
Revenue from contracts with customers by category within the scope of HKFRS 15						
Trading of goods						
— Point in time	—	37,077	—	37,077	—	37,077
Manufacturing and distribution of personal protective equipment						
— Point in time	—	—	5,762	5,762	—	5,762
	—	37,077	5,762	42,839	—	42,839

	Continuing Operations				**Discontinued Operation**	
	Internet Plus solution Services HK$'000	**Supply Chain Services HK$'000**	**Manufacturing and Distribution of Personal Protective Equipment HK$'000**	**Sub-total HK$'000**	**Lottery-related Services HK$'000**	**Consolidated HK$'000**
For the year ended 30 June 2024						
Revenue from contracts with customers by category within the scope of HKFRS 15						
Trading of goods						
— Point in time	**—**	**41,277**	**—**	**41,277**	**—**	**41,277**

7. REVENUE FROM CONTRACTS WITH CUSTOMERS – continued

(a) Disaggregation of revenue from contracts with customers – continued

(iii) The Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by geographical markets.

Information about the Group derives revenue from the Group's Continuing Operations and Discontinued Operation regarding the transfer of goods and services by geographical markets is set out in Note 6.

(b) Contract balances

		As at 30 June		As at 1 July
		2024	2023	2022
	Notes	**HK$'000**	HK$'000	HK$'000
Trade receivables		**22,442**	96,704	117,907
Less: Allowance for credit losses		**(2,410)**	(88,609)	(89,488)
	25	**20,032**	8,095	28,419
Contract liabilities	*29*	**2,630**	3,799	2,787

Details of the Group's trade receivables and contract liabilities are set out in respective notes.

(c) Performance obligations for contracts with customers and revenue recognition policies

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, and the Group's performance obligations for contracts with customers and revenue recognition policies are as follows:

(i) Supply chain services and manufacturing and distribution of personal protective equipment

Revenue from contracts with customers represents amounts receivable for goods sold and services provided in the normal course of business and net of discount and is measured at fair value of the consideration received or receivable from the sales of goods and related products with the provision of supply chain management services to customers.

No significant financing component is deemed present as the sales are made with a credit term of 30 to 90 days to its customers, which is consistent with market practice.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS – continued

(c) Performance obligations for contracts with customers and revenue recognition policies – continued

(i) Supply chain services and manufacturing and distribution of personal protective equipment – continued

The Group enters into sales contracts with customers for each transaction. Revenue from the sale of goods and services rendered is recognised based on the price specified in the contracts when the customers obtain the control of the goods and related products underlying the particular performance obligations, being when the goods and related products are delivered to the customers at the designated location in accordance with the contracts with the customers and the titles are passed and services are provided. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and payment by the customers exceeds one year.

A receivable is usually recognised when revenue recognised as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(d) Transaction price allocated to remaining performance obligation

The Group has applied practical expedient in paragraph 121 of HKFRS 15 Revenue from Contracts with Customers, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date due to the majority of the Company's revenue contracts are short-term contracts and have a duration of less than one year, the practical expedient for contracts with durations of one year or less is applied and therefore the effect of the time value of money is not considered.

8. OTHER INCOME, GAINS AND LOSSES, NET

The Group's other income, gains and losses, net from Continuing Operations and Discontinued Operation is as following:

	Notes	**2024** Continuing Operations HK$'000	**2024** Discontinued Operation HK$'000	**2024** Total HK$'000	2023 Continuing Operations HK$'000	2023 Discontinued Operation HK$'000	2023 Total HK$'000
Interest income		**84**	**—**	**84**	2	—	2
Gain on settlement of amount due to a director	*(a)*	**—**	**—**	**—**	12,621	—	12,621
Government subsidies	*(b)*	**—**	**—**	**—**	391	—	391
Compensation income relating to Profit Guarantee	*(c)*	**—**	**—**	**—**	92,838	—	92,838
Gain on disposal of subsidiaries *(Note 37)*		**17,081**	**388**	**17,469**	—	—	—
Written-off of property, plant and equipment		**(526)**	**—**	**(526)**	—	—	—
Others		**1,446**	**—**	**1,446**	997	—	997
		18,085	**388**	**18,473**	106,849	—	106,849

Notes:

(a) Gain on settlement of amount due to a director

As described in Note 38(a)(iii), during the year ended 30 June 2023, a 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. 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 or loss of the Group for the year ended 30 June 2023.

(b) Government subsidies

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

(c) Compensation income relating to the Profit Guarantee

As described in Note 26(a)(ii), during the year ended 30 June 2023, the Group recorded a compensation income of approximately HK$92,838,000 from a shareholder, Sinopharm Traditional Chinese Medicine Overseas Holding Limited in relation to the failure to meet the profit guarantee by the vendor of the acquisition of Hero Global Holdings Limited ("**Hero Global**").

9. IMPAIRMENT LOSS ON TRADE RECEIVABLES AND OTHER ASSETS, NET

The Group's impairment loss on trade receivables and other assets, net from Continuing Operations and Discontinued Operation is as following:

	2024			2023		
	Continuing Operations HK$'000	**Discontinued Operation HK$'000**	**Total HK$'000**	Continuing Operations HK$'000	Discontinued Operation HK$'000	Total HK$'000
(Reversal of) impairment losses recognised net:						
— Trade receivables *(Note 25)*	**1,239**	**—**	**1,239**	(879)	—	(879)
— Other receivables *(Note 26(a)(iii))*	**1,188**	**—**	**1,188**	75,661	—	75,661
— Deposits paid *(Note 26(b))*	**160**	**—**	**160**	—	—	—
	2,587	**—**	**2,587**	74,782	—	74,782

10. FINANCE COSTS

The Group's finance costs from Continuing Operations and Discontinued Operation is as following:

	2024			2023		
	Continuing Operations HK$'000	**Discontinued Operation HK$'000**	**Total HK$'000**	Continuing Operations HK$'000	Discontinued Operation HK$'000	Total HK$'000
Interest on:						
— Convertible bonds *(Note 31)*	**—**	**—**	**—**	7,241	—	7,241
— Other borrowings *(Note 29)*	**3,936**	**—**	**3,936**	1,247	—	1,247
— Lease liabilities *(Note 32)*	**205**	**—**	**205**	83	—	83
— Amount due to a shareholder *(Note 30)*	**19,742**	**—**	**19,742**	—	—	—
— Others	**50**	**—**	**50**	—	—	—
	23,933	**—**	**23,933**	8,571	—	8,571

11. INCOME TAX EXPENSES (CREDIT)

The Group's income tax expenses (credit) from Continuing Operations and Discontinued Operation is as following:

	2024			2023		
	Continuing Operations HK$'000	**Discontinued Operation HK$'000**	**Total HK$'000**	Continuing Operations HK$'000	Discontinued Operation HK$'000	Total HK$'000
Current year:						
— PRC Enterprise Income Tax	**1**	**—**	**1**	—	—	—
Under-provision in prior years						
— Hong Kong Profits Tax	**82**	**—**	**82**	—	—	—
Deferred taxation *(Note 33)*	**—**	**—**	**—**	(1,307)	—	(1,307)
	83	**—**	**83**	(1,307)	—	(1,307)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income in respective jurisdictions.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except for one of the PRC subsidiary which is subject to rate of 5% according to Inclusive Tax Relief Policy for Small Low-profit Enterprises.

No provision for Hong Kong Profits Tax has been provided for the year ended 30 June 2024 and there was no assessable profits incurred by the Group for the year.

11. INCOME TAX EXPENSES (CREDIT) – continued

The tax charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024			2023		
	Continuing Operations HK$'000	**Discontinued Operation HK$'000**	**Total HK$'000**	Continuing Operations HK$'000	Discontinued Operation HK$'000	Total HK$'000
(Loss)/profit before taxation	**(20,332)**	**388**	**(19,944)**	(10,849)	(558)	(11,407)
Tax at the applicable tax rate	**(4,422)**	**64**	**(4,358)**	(1,819)	(140)	(1,959)
Tax effect of income not taxable for tax purposes	**(2,924)**	**(64)**	**(2,988)**	(18,099)	—	(18,099)
Tax effect of expenses not deductible for tax purposes	**6,397**	**—**	**6,397**	18,454	—	18,454
Tax effect of tax losses not recognised	**1,162**	**—**	**1,162**	2,041	140	2,181
Utilisation of tax losses not previously recognised	**(180)**	**—**	**(180)**	(639)	—	(639)
Tax effect of temporary differences not recognised	**(32)**	**—**	**(32)**	(1,245)	—	(1,245)
Under-provision in respect of prior years	**82**	**—**	**82**	—	—	—
Income tax expenses (credit)	**83**	**—**	**83**	(1,307)	—	(1,307)

12. LOSS BEFORE TAXATION

Loss before taxation from Continuing Operations and Discontinued Operation has been arrived at after charging:

	2024 Continuing Operations HK$'000	**2024 Discontinued Operation HK$'000**	**2024 Total HK$'000**	2023 Continuing Operations HK$'000	2023 Discontinued Operation HK$'000	2023 Total HK$'000
Staff costs (including directors' emoluments *(Note 14)*):						
— Directors' fees, staff wages and salaries	**5,156**	**—**	**5,156**	7,404	—	7,404
— Retirement benefits scheme contributions	**290**	**—**	**290**	274	—	274
— Equity-settled share-based payment	**744**	**—**	**744**	1,875	—	1,875
	6,190	**—**	**6,190**	9,553	—	9,553
Depreciation of property, plant and equipment	**638**	**—**	**638**	1,207	—	1,207
Depreciation of right-of-use assets	**740**	**—**	**740**	800	—	800
Auditor's remuneration	**700**	**—**	**700**	800	—	800
Cost of sales and services (including write-down of inventories amounting to approximately HK$346,000 (2023: Nil))	**36,258**	**—**	**36,258**	37,369	—	37,369
Written-off of property, plant and equipment	**526**	**—**	**526**	1,496	—	1,496
Exchange losses, net	**89**	**—**	**89**	—	—	—
Equity-settled share-based payment not included in staff costs	**—**	**—**	**—**	607	—	607
Expenses relating to short-term leases	**255**	**—**	**255**	762	—	762

Note: Depreciation of property, plant and equipment approximately HK$Nil (2023: HK$724,000) and HK$638,000 (2023: HK$483,000) has been included in cost of sales and administrative and operating expenses, respectively.

13. DISCONTINUED OPERATION

On 15 June 2024, the Group entered into an agreement to dispose the entire equity interest in a subsidiary, Cheerfull Group Holdings Limited ("**Cheerfull Holdings**") and its subsidiaries ("**Cheerfull Holdings Group**") to a third party, which were mainly engaged in the provision of lottery-related service (the "**Disposal of the Cheerfull Holdings Group**").

The Disposal of the Cheerfull Holdings Group was completed on 15 June 2024 (the "**Disposal Date**"). Subsequent to the Disposal of the Cheerfull Holdings Group, the Group ceased its provision of lottery-related service operating segment and thus, the Disposal was accounted for a discontinued operation (the "**Discontinued Operation**").

Information about the loss for the year attributable to the Discontinued Operation and the gain on disposal of the Discontinued Operation was set out as below.

The comparative figures in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2023 have been reclassified to conform with the current year presentation in accordance with HKFRS 5 *Non-current assets held for sale and discontinued operations*.

The information relating to the loss for the period from 1 July 2023 to the Disposal Date and the year ended 30 June 2023 from the Discontinued Operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows have been restated to re-present the Disposal of the Discontinued Operation.

	Period from 1 July 2023 to Disposal Date HK$'000	Year ended 30 June 2023 HK$'000
Loss of the Discontinued Operation for the period/year	—	(558)
Gain on Disposal of the Cheerfull Holdings Group *(Note 37)*	388	—
Profit (loss) for the period/year from Discontinued Operation	388	(558)

13. DISCONTINUED OPERATION – continued

The results of the Discontinued Operation for the period from 1 July 2023 to the Disposal Date and the year ended 30 June 2023, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period from 1 July 2023 to Disposal Date HK$'000	Year ended 30 June 2023 HK$'000
Turnover	—	—
Administrative and operating expenses	—	(558)
Loss before tax	—	(558)
Income tax credit for the period/year	—	—
Loss for the period/year	—	(558)

Loss for the period/year from Discontinued Operations includes the following:

	2024 HK$'000	2023 HK$'000
Loss for the period/year from Discontinued Operation includes the following:		
Auditor's remuneration	**—**	—

Cash flows from Discontinued Operation:

	2024 HK$'000	2023 HK$'000
Net cash from operating activities	**—**	(558)
Net cash flow from investing activities	**—**	—
Net cash flow from financing activities	**—**	—

Further information relating to the results of the Discontinued Operation for the period from 1 July 2023 to the Disposal Date and for the year ended 30 June 2023 and the gain on Disposal of the Discontinued Operation, which have been included in the consolidated financial statements are set out in Note 37.

14. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the Chief Executive Officer's emoluments

The remuneration paid or payable to the Directors and Chief Executive Officer of the Company were as follows:

	Fee	Salaries and other benefits	Performance related bonuses	Contributions to retirement benefits scheme	Equity-settled share-based expense	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 30 June 2024						
Executive directors						
Mr. CHAU Wai Wah Fred *(Note (i) below)*	**30**	**63**	**—**	**6**	**—**	**99**
Mr. HO Kam Kin *(Note (ii) below)*	**60**	**1,112**	**—**	**18**	**178**	**1,368**
Ms. KWOK Shuk Yi *(Note (iii) below)*	**60**	**648**	**—**	**18**	**178**	**904**
Non-executive directors						
Dr. CHENG Yanjie	**60**	**—**	**—**	**—**	**18**	**78**
Independent non-executive directors						
Mr. LAU Fai Lawrence	**60**	**—**	**—**	**—**	**18**	**78**
Dr. LIU Ta-pei *(Note (iv) below)*	**5**	**—**	**—**	**—**	**4**	**9**
Mr. Hsu Dong An *(Note (v) below)*	**53**	**—**	**—**	**—**	**—**	**53**
Mr. Heung Pik Lun *(Note (vi) below)*	**48**	**—**	**—**	**—**	**—**	**48**
	376	**1,823**	**—**	**42**	**396**	**2,637**
For the year ended 30 June 2023						
Executive directors						
Mr. CHAU Wai Wah Fred *(Note (i) below)*	75	220	—	11	289	595
Mr. HO Kam Kin *(Note (ii) below)*	49	1,112	—	18	289	1,468
Ms. KWOK Shuk Yi *(Note (iii) below)*	49	648	—	18	289	1,004
Mr. CHAN Ting *(Note (vii) below)*	20	250	—	2	—	272
Mr. LIAO Zhe *(Note (viii) below)*	26	216	—	4	—	246
Mr. CHEUK Ka Chun Kevin *(Note (ix) below)*	26	238	—	5	—	269
Non-executive directors						
Dr. CHENG Yanjie	75	—	—	—	29	104
Madam CHEUNG Kwai Lan *(Note (x) below)*	20	—	—	—	—	20
Independent non-executive directors						
Mr. LAU Fai Lawrence	75	—	—	—	29	104
Dr. LIU Ta-pei *(Note (iv) below)*	75	—	—	—	7	82
Mr. LAM Kit Sun *(Note (xi) below)*	55	—	—	—	29	84
	545	2,684	—	58	961	4,248

14. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS – continued

(a) Directors' and the Chief Executive Officer's emoluments – continued

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. He resigned as executive director with effect from 29 December 2023.

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

(v) Mr. Hsu Dong An was appointed as independent non-executive director of the Company with effect on 15 August 2023.

(vi) Mr. Heung Pik Lun was appointed as independent non-executive director of the Company with effect on 15 September 2023.

(vii) Mr. Chan Ting resigned as executive director of the Company with effect from 1 August 2022.

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

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

(x) Madam Cheung Kwai Lan resigned as non-executive director of the Company with effect from 1 August 2022.

(xi) 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.

The Chief Executive Officer's and executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and its subsidiaries.

14. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS – continued

(b) Five highest paid employees' emoluments

The five highest paid employees of the Group during the year included two (2023: two) directors of the Company of whose remuneration are set out in note 14(a) above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor Chief Executive Officer of the Company are as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries and other benefits	**1,374**	1,566
Performance related bonuses	**—**	—
Retirement benefit scheme contributions	**54**	53
	1,428	1,619

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	2024 **HK$'000**	2023 HK$'000
Nil to HK$1,000,000	**3**	3

During the year ended 30 June 2024 and 30 June 2023, no emoluments were paid by the Group to any of the Directors or the Chief Executive Officer of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director or the Chief Executive Officer or any of the five highest paid employees waived or agreed to waive any remuneration for both years.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 30 June 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share from Continuing Operations and Discontinued Operation attributable to owners of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	2024 **HK$'000**	2023 HK$'000
(Loss) profit for the year attributable to owners of the Company		
— Continuing Operations	**(20,086)**	(10,077)
— Discontinued Operation	**388**	(558)
	(19,698)	(10,635)

Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share:

	2024 **(thousands of shares)**	2023 (thousands of shares)
Issued ordinary shares at 1 July	**4,592,326**	4,537,689
Effect of shares issued for settlement of amount to a shareholder and/or director *(Note 34(b))*	**—**	34,130
Effect of 2023 Share Consolidation *(Note 34(a))*	**(4,408,633)**	(4,388,946)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**183,693**	182,873

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the both years have been adjusted for the 2023 Share Consolidation and details of which are set out in Note 34(a).

The loss per share for the years ended 30 June 2024 and 30 June 2023 are as following:

	2024 **HK Cents**	2023 HK Cents
(Loss) earnings for the year from:		
— Continuing Operations	**(0.11)**	(0.06)
— Discontinued Operation	**0.00**	(0.00)
Loss for the year from Continuing and Discontinued Operation	**(0.11)**	(0.06)

The computation of the 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 2024 and 30 June 2023.

17. 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 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 and at 1 July 2023	1,063	—	6,206	4,004	12,729	24,002
Additions	41	2,303	623	104	257	3,328
Write-off	—	—	(4,086)	—	—	(4,086)
Disposal of subsidiaries	(773)	—	(2,121)	(1,534)	(11,810)	(16,238)
Exchange realignments	(1)	(23)	(5)	(1)	(4)	(34)
At 30 June 2024	**330**	**2,280**	**617**	**2,573**	**1,172**	**6,972**
Accumulated depreciation						
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 realignments	(62)	—	(44)	—	—	(106)
At 30 June 2023 and at 1 July 2023	920	—	5,266	4,004	12,649	22,839
Depreciation charged for the year	35	422	114	19	48	638
Eliminated on written-off	—	—	(3,560)	—	—	(3,560)
Disposal of subsidiaries	(690)	—	(1,707)	(1,534)	(11,755)	(15,686)
Exchange realignments	(1)	(4)	(1)	(1)	(1)	(8)
At 30 June 2024	**264**	**418**	**112**	**2,488**	**941**	**4,223**
Net book value						
At 30 June 2024	**66**	**1,862**	**505**	**85**	**231**	**2,749**
At 30 June 2023	143	—	940	—	80	1,163

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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%

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 30 June 2024	
Carrying amounts	**1,133**
As at 30 June 2023	
Carrying amounts	—
For the year ended 30 June 2024	
Depreciation	**740**
For the year ended 30 June 2023	
Depreciation	800

	2024 HK$'000	2023 HK$'000
Expense relating to short-term leases	**255**	762
Total cash outflow for leases	**222**	1,017
Additions to right-of-use assets	**1,873**	—
Interest on lease liabilities	**205**	83

For the year ended 30 June 2024, the Group leases office and warehouse for its operations. Lease contracts are entered into for fixed terms of 13 to 36 months. Lease terms are negotiated on an individual basis and contained a wide range of different terms and conditions. In determining the lease terms and assessing the length of the non- cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

19. GOODWILL

	2024	2023
	HK$'000	HK$'000
Cost		
At the beginning of the year	**313,289**	313,289
Disposal during the year	**(194,889)**	—
At 30 June 2024	**118,400**	**313,289**
Accumulated impairment		
At the beginning of the year	**313,289**	313,289
Eliminated on disposal during the year	**(194,889)**	—
At the end of the year	**118,400**	**313,289**
Net carrying value	**—**	—

The Group's goodwill is mainly attributable to the following CGUs:

	2024	2023
	HK$'000	HK$'000
Carrying value of the goodwill allocated to the following operating segment		
— Supply Chain Services	**118,400**	118,400
— Internet Plus Solution Services	**—**	61,538
— Lottery-related Services	**—**	133,351
	118,400	313,289
Less: Impairments	**(118,400)**	(313,289)
	—	—

The goodwill is allocated to the cash generating units, namely Supply Chain Services, Internet Plus Solution Services and Lottery-related Services operating segments.

During the year ended 30 June 2024, the Company disposed of subsidiaries which are engaged in the Internet Plus Solution Services and Lottery-related Services operating segments and thus, the related goodwill was transferred to profit or loss upon the disposal of the companies and details of which are set out in Note 37.

The Group recognised full impairment losses in relation to remaining goodwill arising on Supply Chain Services operating segment in prior years.

20. INTANGIBLE ASSETS

	Computer software HK$'000	Service contracts HK$'000	Total HK$'000
Cost			
At 1 July 2022	3,250	19,715	22,965
Expired	—	(19,715)	(19,715)
As at 30 June 2023 and 1 July 2023	3,250	—	3,250
Disposal of Disposal Subsidiaries	(3,250)	—	(3,250)
As at 30 June 2024	**—**	**—**	**—**
Amortisation			
As at 1 July 2022	3,250	18.072	21,322
Expired	—	(18,072)	(18,072)
As at 30 June 2023 and 1 July 2023	3,250	—	3,250
Eliminated on Disposal of Disposed Subsidiaries	(3,250)	—	(3,250)
As at 30 June 2024	**—**	**—**	**—**
Carrying amount			
As at 30 June 2024	**—**	**—**	**—**
As at 30 June 2023	—	—	—

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Computer software	5 years
Service contracts	3–5 years

21. INTERESTS IN ASSOCIATES

	2024 **HK$'000**	2023 HK$'000
Investment in associates under equity method	**—**	—
Movements during the years ended 30 June 2024 and 30 June 2023:		
At 1 July 2023		23,621
Share of results for the year		186
Loss on dilution of interests in associates		(1,131)
Loss on Deemed Disposal of interests in associates		(22,676)
At 30 June 2023, 1 July 2023 and 30 June 2024		—

The amount represented the Company's interests in Ever Development Holdings Limited ("**Ever Development**"), a private limited liabilities company incorporated in the BVI. The company acts as an investment holding company and the subsidiaries of Ever Development are mainly engaged in the provision of Chinese medical consultation and sale of Chinese medical products and personal protective equipment.

As at 1 July 2022, the Company owned 20% equity interest in Ever Development which was previously accounted for as associate companies of the Group as the Directors considered that the Company has have significant influence over the company.

On 24 October 2022, the shareholders of Ever Development, except Sinopharm Tech Corporate Management Limited ("**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% (the "**Deemed Disposal**"). 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 (see Note 23). The loss on dilution of interest in the Ever Development amounted to approximately HK$1,131,000 was charged to profit or loss of the Group for the year ended 30 June 2023.

After accounted for the share of results of the associates of approximately HK$186,000 and loss on dilution of the Group's shareholding in Ever Development from 20% to 19.05% of approximately HK$1,131,000, 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 interest of associates which was charged to profit or loss during the year ended 30 June 2023.

21. INTERESTS IN ASSOCIATES – continued

Share of results of interests in associates, loss on dilution of interests in associates and loss of deemed disposal of interests in associates

During the period from 1 July 2022 and up to 24 October 2022, the date on Deemed Disposal of interests in associates, the Company accounted for its interests in Ever Development as associate companies of the Group. Subsequent to the cessation to be associate companies of the Group, the management of the Company was unable to obtain sufficient financial information of Ever Development during the period from 1 July 2022 up to 24 October 2022, the date of Deemed Disposal of interests in associates to ascertain the financial information of the associate companies for the said period. Based on the financial information available to the management of the Company, the Company recognised the share of results of interests in the associates of approximately HK$186,000, loss on dilution of interests in associates of approximately HK$1,131,000 and loss on Deemed Disposal of interests in associates of HK$19,217,000, which were charged or credit to the profit or loss for the year ended 30 June 2023.

22. INTERESTS IN JOINT VENTURES

	2024 **HK$'000**	2023 HK$'000
Cost of investments in joint ventures	**47,860**	47,860
Share of post-acquisition losses and other comprehensive expense	**(39,457)**	(39,457)
Exchange adjustments	**(440)**	(440)
	7,963	7,963
Amounts due from joint ventures	**6,700**	6,700
Impairment loss recognised	**(14,927)**	(14,927)
Exchange adjustments	**264**	264
	—	—

Details of each of the Group's material joint ventures at the end of the reporting period are as follows:

Name of entity	**Form of business structure**	**Place of establishment and operation**	**Class of capital**	**Percentage of ownership interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activities**
				2024	2023	**2024**	2023	
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	**NA**	49%	**NA**	49%	Inactive
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	**NA**	27%	**NA**	27%	Inactive

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

22. INTERESTS IN JOINT VENTURES – continued

During the year ended 30 June 2024, two indirect wholly-owned subsidiaries of the Company which own the equity interests in China Culture and Chongqing Lightsoft which were under the process of de-registration (the "**De-registration**") and the De-registration were completed in September 2024.

In view of the Group's share of losses of the joint ventures exceeded their interest in the joint ventures and further, the joint ventures were inactive during the years ended 30 June 2023 and 30 June 2024 and thus, the Group discontinued to share of result of the joint venture for the years ended 30 June 2023 and 2024. In addition, the Directors consider that there is no reversal of impairment required for the years ended 30 June 2024 and 30 June 2023.

The joint ventures remained inactive during the years ended 30 June 2023 and 30 June 2024.

In such circumstance, though there has no management accounts of the joint ventures made available to the Group for the year ended 30 June 2024, in view of the completion of the De-registration in September 2024 and these two joint ventures have already ceased their businesses and became inactive in previous years, the Directors consider that the financial position and financial results of the joint ventures are not significant and thus, no financial information of the joint ventures for the year ended 30 June 2024 was disclosed thereof.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **HK$'000**	2023 HK$'000
Unlisted equity investment:		
— Equity investments in Ever Development	**2,540**	5,274

As described in Note 21, during the year ended 30 June 2023, the Company's shareholding in Ever Development was reduced from 20% to 19.05%. As a result, the remaining 19.05% equity interest in Ever Development has therefore been accounted for as a financial asset at FVTPL during the year.

With reference to a valuation conducted by an independent professional valuer, the fair value of the financial assets at FVTPL as at 30 June 2024 is approximately of HK$2,540,000 (2023: HK$5,274,000) and the fair value loss of approximately HK$2,734,000 was charged to the profit or loss for the year (2023: the fair value gain of approximately HK$1,815,000 was credited to the profit or loss for the year).

24. INVENTORIES

	2024 **HK$'000**	2023 HK$'000
Finished goods	**3,537**	855

25. TRADE RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables — contract with customers	**22,442**	96,704
Less: Allowance for credit losses	**(2,410)**	(88,609)
	20,032	8,095

The following is an aged analysis of trade receivables presented based on dates of delivery of goods.

	2024 HK$'000	2023 HK$'000
0 to 30 days	**18,525**	827
31 to 60 days	**—**	5,164
61 to 180 days	**88**	2,232
181 to 365 days	**1,580**	—
Over one year	**2,249**	88,481
	22,442	96,704

In determining the ECL using the provision matrix, it is based on historical default rates taking into consideration both quantitative and qualitative information that is reasonable and supportable including forward-looking information that is available.

For the year ended 30 June 2024, the Group made an allowance of HK$1,239,000 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.

For the year ended 30 June 2023, the Group had made a reversal of impairment allowance of approximately HK$879,000 in respect of trade receivables, as certain amounts of trade receivables were collected during the year ended 30 June 2023.

The Group either demands for full settlement upon delivery of goods or allows credit periods of no longer than 30 to 90 days upon delivery of goods, except that the Group allows credit period of no longer than 180 days upon delivery of goods for certain customers.

The Group does not hold any collateral over these balances.

25. TRADE RECEIVABLES – continued

The movements in the allowance for expected credit losses for trade receivables are as follows:

	2024 **HK$'000**	2023 HK$'000
Balance at beginning of the year	**88,609**	89,488
Eliminated on Disposal of Disposed Subsidiaries	**(13,626)**	—
Write-off	**(73,875)**	—
Impairment losses (reversal of impairment losses) recognised for the year, net *(Note 9)*	**1,239**	(879)
Exchange adjustments	**63**	—
Balance at end of the year	**2,410**	88,609

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

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.

Trade receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2024 **HK$'000**	2023 HK$'000
USD	**—**	—
RMB	**—**	—
HK$	**—**	—

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2024 HK$'000	2023 HK$'000
Other receivables	(a)	**84,533**	117,965
Less: Allowance for credit losses		**(76,009)**	(103,132)
		8,524	14,833
Deposits paid	(b)	**291**	12,979
Less: Allowance for credit losses		**(4)**	(11,852)
		287	1,127
Prepayments	(c)	**3,048**	359
		11,859	16,319

Except for compensation receivable relating to the profit guarantee and detailed of which are set out in Note 26(a)(ii) below, the Group does not hold any collateral over these balances.

Notes:

(a) Other receivables

Included in the Group's other receivables, the Group's other receivables include the following balances:

(i) Amount due from Xueliang Zhang Foundation

As described in Note 38(a)(i), as at 30 June 2023 included in the Group's other receivables was amount due from a related entity, Xueliang Zhang Foundation of approximately HK$2,998,000. The amount was unsecured, interest free and had no fixed repayment terms. The Company's former director, Madam Cheung Kwai Lan, is the member of committee of the related entity.

In view of the long outstanding balance of the amount, during the year ended 30 June 2024, the Directors consider that the Company has very low chance to recover the amount and thus, the amount was fully written off which was charged to the profit or loss for the year.

(ii) Compensation receivable relating to the profit guarantee

As described in Note 38(a)(ii), during the year ended 30 June 2023, the Group recorded a compensation income of approximately HK$92,838,000 from a shareholder, Sinopharm Traditional Chinese Medicine Overseas Holding Limited 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**").

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Notes: – continued

(a) Other receivables – continued

(ii) Compensation receivable relating to the profit guarantee – continued

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, 31 December 2020 and 31 December 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, 31 December 2020 and 31 December 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 the Vendor failed to pay the compensation in cash, the purchaser has the right to sell the locked-up shares as the compensation.

However, Hero Global recorded net profit after taxation of approximately HK$10.5 million and HK$5.9 million for the two years ended 31 December 2019 and 31 December 2020 respectively, and net loss after taxation of approximately HK$2.0 million for the year ended 31 December 2021, which was less than the Profit Guarantee of HK$69 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 for the year. As at 30 June 2023, the market value for the remaining 119,800,000 lock-up shares was approximately HK$1,677,000.

As at 30 June 2023, the market value for the outstanding lock-up shares balance was approximately HK$1,677,000, representing compensation receivable related to the profit guarantee of approximately HK$76,498,000, less the provision of loss allowance of approximately HK$74,821,000 which was recognised and charged to the profit or loss during the year ended 30 June 2023.

During the year ended 30 June 2024, 63,856,000 lock-up shares were sold by the Company and approximately HK$616,000 was received in cash. As a result, the compensation receivables related to the profits guarantee is reduced to approximately HK$75,882,000. As at 30 June 2024, the market value for the remaining 2,244,000 lock-up shares was approximately HK$213,000. In view of the trading of the lock-up shares were suspended by the date the consolidated financial statements were approved, the compensation receivable related to the profit guarantee was fully impaired as the recoverable amount is considered as insignificant and HK$1,061,000 is recognised as provision of loss allowance which was charged to the profit or loss during the year ended 30 June 2024.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Notes: – continued

(a) Other receivables – continued

(iii) Allowance for expected credit losses for other receivables

The movements in the allowance for expected credit losses for other receivables are as follows:

	2024 **HK$'000**	2023 HK$'000
Balance at beginning of the year	**103,132**	27,471
Eliminated on Disposal of Disposed Subsidiaries	**(12,903)**	—
Write-off	**(15,408)**	—
Impairment losses recognised for the year *(Note 9)*	**1,188**	75,661
Balance at end of the year	**76,009**	103,132

(b) Deposits paid

The movements in the allowance for expected credit losses for deposits paid are as follows:

	2024 **HK$'000**	2023 HK$'000
Balance at beginning of the year	**11,852**	11,852
Eliminated on Disposal of Disposed Subsidiaries	**(11,852)**	—
Write-off	**(156)**	—
Impairment losses recognised for the year *(Note 9)*	**160**	—
Balance at end of the year	**4**	11,852

(c) Included in prepayments is the prepayment for inventories of approximately HK$2,836,000 (2023: HK$169,000) as at 30 June 2024.

(d) Others

Other receivables and deposits denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2024 **HK$'000**	2023 HK$'000
USD	**—**	—
RMB	**—**	2,970
HK$	**—**	—

27. BANK BALANCES AND CASH

	2024 HK$'000	2023 HK$'000
Bank balances and cash	**2,640**	1,776

Bank balances and cash denominated in currencies other than the functional currency of the relevant group entities and the Company are set out below:

	2024 HK$'000	2023 HK$'000
HK$	**—**	—
RMB	**—**	1,659
US$	**10**	—

As at 30 June 2024, the Group's bank balances and cash denominated in RMB kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

For the years ended 30 June 2024 and 30 June 2023, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant as the Group only transacts with reputable banks with high credit ratings assigned by international credit rating agencies.

Details of impairment assessment of bank balances for the years ended 30 June 2024 and 30 June 2023 are set out in note 41(b).

28. TRADE PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**32,494**	34,932

28. TRADE PAYABLES – continued

The following is an aged analysis of trade payable presented based on date of goods received, is as follows:

	2024 HK$'000	2023 HK$'000
0 to 30 days	10,801	4,200
31 to 120 days	3,960	—
121 to 180 days	—	1,745
181 to 365 days	—	718
Over one year	17,733	28,269
	32,494	34,932

The credit period ranged from 30 days to 60 days.

Trade payables denominated in currencies other than the functional currency of the relevant group entities are set out below.

	2024 HK$'000	2023 HK$'000
HK$	563	—
RMB	—	4,762

29. OTHER BORROWINGS, ACCRUALS AND OTHER PAYABLES

	Notes	2024 HK$'000	2023 HK$'000
Other borrowings:			
— Quantum borrowings	*(a)*	15,427	—
— Creative Big borrowings	*(b)*	56,506	52,997
		71,933	52,997
Amount due to non-controlling interest	*(c)*	5,544	1,174
Contract liabilities	*(d)*	2,630	3,799
Accrued salaries		1,271	4,501
Other payables and accrued charges		9,290	10,053
		90,668	72,524

29. OTHER BORROWINGS, ACCRUALS AND OTHER PAYABLES – continued

Notes:

(a) Quantum borrowings

Pursuant to a loan agreement (the "**Quantum Loan Agreement**") dated 8 November 2023 entered into between the Company as borrower and Quantum as lender for a term loan facility of HK$20,000,000 to the Company for the purpose of financing the general working capital of the Group. The loan facility is unsecured and has an interest rate of 5% per annum with a term of one year from the date of the Quantum Loan Agreement.

As at 30 June 2024, the Company was indebted to Quantum an aggregate amount of approximately HK$15,427,000, comprising the outstanding principal of HK$15,000,000 (the "**Quantum Debt**") and outstanding interest of approximately HK$427,000.

During the year ended 30 June 2024, the interest expenses of the Quantum borrowings amounted to HK$427,000, which was charged to the profit or loss for the year (see Note 10).

In order to improve the financial position of the Group, on 8 November 2023, the Company entered into a loan facility agreement with Quantum for a term loan facility of HK$20,000,000 to the Company for the purpose of financing the general working capital of the Group. The Company drawn down HK$10,000,000 and HK$5,000,000 of loans from Quantum on 8 November 2023 and 1 February 2023 respectively.

Further, in order to enhance the liquidity of the Group, on 2 December 2024, the Group obtained a letter of undertaking (the "**Letter of Undertaking**") from Quantum that Quantum agreed not to request the Group repay the amount due to them until the Group is in the financial position to do so and to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 30 June 2024.

On 11 December 2024, the Company entered into a loan facility agreement with Quantum (as defined below) for a loan facility of HK$12,000,000 to the Company for the purpose of financing the general working capital of the Group. In December 2024, the Company drawn down of loan amounted to HK$3,000,000 from Quantum.

As described in Note 2(b)(iii), pursuant to the Quantum Loan Capitalisation, the Quantum Debt was settled in November 2024.

(b) Creative Big borrowings

As described in Note 31, Creative Big is the bondholder of the unlisted Creative Big Convertible Bonds with a principal amount of HK$50,000,000 at a coupon of 7% per annum issued by the Company on 30 August 2021.

As described in Note 31, as at 30 June 2023, the outstanding Creative Big borrowings amounted to approximately HK$52,997,000, included (i) the principal amount of HK$50,000,000 which was reclassified from Creative Big Convertible Bonds to "Other borrowing" (see Note 31); (ii) the accrued interest of approximately HK$1,750,000 up to the maturity of the Creative Big Convertible Bonds on 20 February 2023 which was also reclassified to "Other borrowing"; and (iii) Subsequent to the maturity of the Creative Big Convertible Bonds, the Company and Creative Big agreed that the interests in respect of all outstanding principal under the Creative Big Convertible Bonds would be remained at the interest rate of 7% per annum on a simple interest and daily basis and thus, the accrued interest for the period from 21 February 2023 to 30 June 2023 amounted to approximately HK$1,247,000.

In view of the above circumstances, the Creative Big borrowings, including the accrued interests were overdue and would be immediately repayable if and when requested by Creative Big.

As at 31 December 2023, the Company was indebted to Creative Big an aggregate amount of approximately HK$54,761,000 (the "**Creative Big Debt**"), comprising the outstanding principal of HK$50,000,000 and outstanding interest of approximately HK$4,761,000.

As at 30 June 2024, the Company was indebted to Creative Big an aggregate amount of approximately HK$56,506,000, comprising the outstanding principal of HK$50,000,000 and outstanding interest of approximately HK$6,506,000.

29. OTHER BORROWINGS, ACCRUALS AND OTHER PAYABLES – continued

Notes: – continued

(b) Creative Big borrowings – continued

During the year ended 30 June 2024, the interest expenses of the Creative Big borrowings amounted to HK$3,509,000, which was charged to the profit or loss for the year (see Note 10).

As described in Note 2(b)(iv), pursuant to the Creative Big Loan Capitalisation, the Creative Big Debt was settled in November 2024.

(c) Amount due to non-controlling interest

The amount due to non-controlling interest is unsecured, interest free and repayable on demand.

(d) Contract liabilities

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 2024 is expected to be recognised as revenue of the Group for the next financial year.

None of the contract liabilities at 30 June 2023 was recognised as revenue of the Group for the current year and the contract liabilities amounted to approximately HK$2,787,000 at 30 June 2023 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 2024 and 30 June 2023 is within one year. As permitted under HKFRS 15, the transaction price allocated to those contracts is not disclosed.

(e) Others

Other borrowings and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below.

	2024 **HK$'000**	2023 HK$'000
HK$	—	—
RMB	—	7,004

30. AMOUNT DUE TO A SHAREHOLDER

	2024 **HK$'000**	2023 HK$'000
Unsecured amount due to a shareholder	**125,489**	105,747

The amount represents the convertible bonds (the "**IAM Convertible Bonds**") issued to IAM.

The IAM Convertible Bonds carried interest at 10% per annum, that would be convertible into 405,542,986 new shares at the convertible price of HK$0.221 per share.

30. AMOUNT DUE TO A SHAREHOLDER – continued

The IAM Convertible Bonds was matured on 17 January 2022 and the IAM Convertible Bonds was not repaid or converted into shares of the Company upon their maturity on 17 January 2022. In view of this circumstance, the IAM Convertible Bonds, together with the accrued interests would be immediately repayable if and when requested by IAM. In this respect, the total outstanding balance of the IAM Convertible Bonds amounted to approximately HK$105,747,000, comprising the principal amount of approximately HK$89,625,000 and the related accrued interests of approximately HK$16,122,000 (included in accruals and other payables), that was classified as amount due to the shareholder as at 30 June 2022 and 30 June 2023.

As agreed between the Company and IAM, as at 30 June 2022 and 30 June 2023, the amount due to the shareholder was interest-free and repayable on demand.

Pursuant to the IAM Loan Capitalisation Agreement entered into between IAM and the Company, both the Company and IAM agreed that the interests in respect of all outstanding principal under the IAM Convertible Bonds from 18 January 2022 to 31 December 2023 were calculated at the rate of 10.0% per annum on a simple interest and daily basis, thus, the outstanding interests for the period from 18 January 2022 to 31 December 2023 was approximately HK$17,507,000. As a result, as at 31 December 2023, the total amount due to the shareholder, including the accrued interest, amounted to approximately HK$123,254,000 (the "**IAM Debt**").

The Company and IAM further agreed that the interests in respect of all outstanding principal under the IAM Convertible Bonds from 1 January 2024 up to the date of the completion of the IAM Loan Capitalisation was reduced to 5.0% per annum on a simple interest and daily basis.

As at 30 June 2024, the outstanding unsecured amount due to the shareholder amounted to approximately HK$125,489,000, being the outstanding principal and accrued interests under the IAM Convertible Bonds held by IAM up to 30 June 2024.

During the year ended 30 June 2024, the interest expenses of the IAM Convertible Bonds amounted to HK$19,742,000, which was charged to the profit or loss for the year.

Further, in order to enhance the liquidity of the Group, on 2 December 2024, the Group obtained a letter of undertaking (the "**Letter of Undertaking**") from IAM that IAM agreed not to request the Group repay the amount due to them until the Group is in the financial position to do so and to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as and when they fall due in the coming twelve months from 30 June 2024.

As described in Note 2(b)(ii), pursuant to the IAM Loan Capitalisation, the IAM Debt was settled in November 2024.

31. CONVERTIBLE BONDS

	2024 HK$'000	2023 HK$'000
Creative Big Convertible Bonds	—	—

On 30 August 2021, the Company issued the 7% convertible bonds due on 20 February 2023 (the "**Creative Big Convertible Bonds**") with a principal amount of HK$50,000,000, at 2% coupon interest rate to a third party, Expert Global Enterprises Limited, which is a wholly-owned subsidiary of Kingkey Financial International (Holdings) Limited (Stock Code: 1468).

Pursuant to the terms of the agreement for the Creative Big Convertible Bonds, the Creative Big Convertible Bonds, which would be matured on 20 February 2023, would be convertible into 172,413,793 new shares of the Company at the initial conversion price of HK$0.29 per share, subject to adjustment.

The Creative Big Convertible Bonds contained liability and equity components. The effective interest rate of the liability component was 26.03% per annum. The equity component was presented under the equity heading of "Convertible Bonds Reserve".

The fair value of the liability component of the Creative Big Convertible Bonds 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 Creative Big Convertible Bonds liability component was summarised as follows:

	At 30 August 2021 (date of issue)
Principal amount:	HK$50,000,000
Coupon rate:	7% per annum
Maturity date:	20-Feb-23
Conversion price:	HK$0.29
Risk-free rate:	0.10%
Expected volatility:	73.19%
Expected dividend yield:	0%

On 5 December 2022, Expert Global Enterprises Limited transferred the Creative Big Convertible Bonds to Creative Big.

The Creative Big Convertible Bonds were matured on 20 February 2023 and the Creative Big Convertible Bonds were not repaid or converted into shares of the Company upon their maturity on 20 February 2023. In view of this circumstance, the Creative Big Convertible Bonds, together with the accrued interests were overdue and would be immediately repayable if and when requested by Creative Big. In this respect, the total outstanding principal amount of the Creative Big Convertible Bonds of HK$50,000,000 and the related accrued interests of HK$1,750,000 was reclassified to "Other borrowings" under "Other borrowings, accruals and other payables" as at 30 June 2023 (see Note 29).

31. CONVERTIBLE BONDS – continued

During the year ended 30 June 2023, the movements of the Creative Big Convertible Bonds were set out below:

	Creative Big Convertible Bonds liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 July 2022	44,995	8,573	53,568
Reversal of deferred tax liability on recognition of equity component of convertible bonds upon maturity *(Note 33)*	—	1,694	1,694
Imputed interest charge *(Note 10)*	7,241	—	7,241
Interest payable included in accruals and other payables	(2,236)	—	(2,236)
Reclassified to "Other borrowings" under "Other borrowings, accruals and other payables" *(Note 29)*	(50,000)	(10,267)	(60,267)
At 30 June 2023	—	—	—

During the year ended 30 June 2024, the Company did not issue any convertible bonds.

32. LEASE LIABILITIES

	2024 HK$'000	2023 HK$'000
Lease liabilities payable:		
Within one year	**670**	—
More than one year, but not more than two years	**653**	—
	1,323	—
Less: Amount due for settlement within 12 months shown under current liabilities	**(670)**	—
Amount due for settlement after 12 months shown under non-current liabilities	**653**	—

As at 30 June 2024, the weighted average incremental borrowing rates applied to lease liabilities range from 5.9% to 13.2% (2023: Nil).

All the lease obligations are denominated in the relevant group entities' functional currencies.

33. DEFERRED TAXATION

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax liabilities have been offset.

The following are the deferred tax liabilities recognised and movements during the current and prior years:

	Convertible bonds HK$'000
As at 1 July 2022	1,307
Deferred tax credited to profit or loss upon maturity of convertible bonds *(Note 31)*	(1,307)
As at 30 June 2023, 1 July 2023 and 30 June 2024	—

At the end of the reporting period, the Group has unused tax losses of approximately HK$17,086,000 (2023: HK$101,691,000) 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. As at 30 June 2024, none of unused tax losses are losses (2023: HK$41,949,000) that will expire within one to five years from the end of the reporting period. Other losses may be carried forward indefinitely.

34. SHARE CAPITAL

	Number of shares '000	**Share capital** HK$'000
Ordinary shares		
Authorised:		
At 1 July 2022, 30 June 2023 and 1 July 2023, ordinary shares of HK$0.0125 each	16,000,000	200,000
2023 Share Consolidation *(Note (a) below)*	(15,360,000)	—
At 30 June 2024, ordinary shares of HK$0.3125 each	**640,000**	**200,000**
Issued and fully paid:		
At 1 July 2022	4,537,689	56,721
Shares issued for settlement of amounts due to shareholder and/or director *(Note (b) below)*	54,637	683
At 30 June 2023 and 1 July 2023	4,592,326	57,404
2023 Share Consolidation *(Note (a) below)*	(4,408,633)	—
As at 30 June 2024	**183,693**	**57,404**

34. SHARE CAPITAL – continued

Details of the movements of share capital of the Company during the years ended 30 June 2024 and 30 June 2023 are as followings:

(a) 2023 Share Consolidation

Pursuant to the Company's announcement dated 20 July 2023, the Board proposed to implement the share consolidation (the "**2023 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 be consolidated into one (1) consolidated share of par value of HK$0.3125 each. As at 20 July 2023, the authorised share capital of the Company was HK$200,000,000 divided into 16,000,000,000 shares of par value of HK$0.0125 each, and there are 4,592,326,397 existing shares in issue which are fully paid or credited as fully paid.

Upon the completion of the 2023 Share Consolidation, the number of shares in issue was changed from 4,592,326,397 shares to 183,693,055 consolidated shares of par value of HK$0.3125 each in issue which are fully paid or credited as fully paid. The authorised share capital of the Company remains at HK$200,000,000 which are divided into 640,000,000 consolidated shares of par value of HK$0.3125 each.

The 2023 Share Consolidation was approved by the Shareholders of the Company by way of ordinary resolution at the extraordinary general meeting of the Company held on 25 August 2023.

Subsequent to the completion of the Share Consolidation, the consolidated shares shall rank pari passu in all respects with each other.

Further details of the above are set out in the announcements of the Company dated 20 July 2023 and 25 August 2023 and the circular of the Company dated 10 August 2023.

(b) Shares issued on 15 November 2022

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 Note 43. The closing share price of the Company's shares at the date of issue is HK$0.049 per share.

All the new shares shall rank pari passu in all respects with each other in the share capital of the Company.

Other than the above, there were no movements of the Company's share capital for the years ended 30 June 2024 and 30 June 2023.

35. SHARE BASED PAYMENTS TRANSACTIONS

Equity-settled share option scheme of the Company

The Company adopted a share option scheme (the "**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 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 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 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.

35. SHARE BASED PAYMENTS TRANSACTIONS – continued

Equity-settled share option scheme of the Company – 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 2024

Grantee	Grant date	Exercise price per share	Exercisable period	Number of share options: Balance as at 1 July 2023	Adjusted relating to 2023 Share Consolidation *(Note below)*	Lapsed during the year	Balance as at 30 June 2024
		HK$					
Directors	28/12/2022	0.04	01/07/2023 to 30/06/2028	**128,900,000**	**(123,744,000)**	**(1,636,000)**	**3,520,000**
Employees	28/12/2022	0.04	01/07/2023 to 30/06/2028	**131,000,000**	**(125,760,000)**	**(1,720,000)**	**3,520,000**
			Total	**259,900,000**	**(249,504,000)**	**(3,356,000)**	**7,040,000**
Weighted average exercise price				**0.33**	**N/A**	**1.00**	**1.00**

Note: The share options were adjusted as a result of the 2023 Share Consolidation of the Company and details of which are set out in Note 34(a).

Year ended 30 June 2023

Grantee	Grant date	Exercise price per share	Exercisable period	Number of share options: Balance as at 1 July 2022	Granted during the year	Lapsed during the year	Balance as at 30 June 2023
		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

35. SHARE BASED PAYMENTS TRANSACTIONS – continued

Equity-settled share option scheme of the Company – continued

During the year ended 30 June 2023, options were granted by the Company to subscribe for 263,900,000 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 2024, the Group recognized the total expenses of HK$744,000 (2023: HK$2,482,000) in relation to share options granted by the Company.

36. 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.

36. RETIREMENT BENEFITS SCHEMES – continued

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.

Details of retirement benefits scheme contributions made by the Group for the year ended 30 June 2024 are set out in Note 12.

37. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Disposed Subsidiaries

During the year ended 30 June 2024, the Group disposed of the entire equity interests of the following subsidiaries (collective, the "**Disposed Subsidiaries**") (the "**Disposal**") to certain third parties (the "**Disposed Subsidiaries Purchasers**") in enhancing the Group's structure:

	Notes	**Net cash outflows on the Disposal HK$'000**	**Gains (losses) on the Disposal HK$'000**
Disposal of:			
Continuing Operations			
Champion Vision Global Ltd. and its subsidiaries (the "**Champion Vision Group**")	*(i)*	**—**	**9,638**
Shenzhen Guoke Anti-Counterfeit Technology Company Limited and its subsidiaries (the "**Shenzhen Guoke Group**")	*(ii)*	**(517)**	**6,014**
Sinopharm Tech Medical Supplies Limited	*(iii)*	**(8)**	**1,359**
Sinopharm Health (Hainan) Technology Co. Ltd. and its subsidiaries (the "**Sinopharm Health Group**")	*(iv)*	**(166)**	**101**
Qi Wang Limited and its subsidiaries (the "**Qi Wang Group**")	*(v)*	**(132)**	**(31)**
Discontinued Operation			
Cheerfull Holdings Group	*(vi)*	**(792)**	**388**
		(1,615)	**17,469**

37. DISPOSAL OF SUBSIDIARIES – continued

(a) Disposal of Disposed Subsidiaries – continued

(i) Champion Vision Group

During the year ended 30 June 2024, the Group disposed of the entire equity interest in Champion Vision Global Ltd., a Samoa company incorporate with limited liabilities and its subsidiaries (i.e. the "Champion Vision Group") for a total consideration HK$1.

The Champion Vision Group is mainly engaged in the provision of internet plus solution services.

The disposal was completed in May 2024.

(ii) Shenzhen Guoke Group

During the year ended 30 June 2024, the Group disposed of the entire equity interest in Shenzhen Guoke Anti-Counterfeit Technology Company Limited, a PRC company incorporate with limited liabilities and its subsidiaries (i.e. the "Shenzhen Guoke Group") for a total consideration HK$1,000.

The Shenzhen Guoke Group is mainly engaged in the manufacturing and distribution of personal protective equipment.

The disposal was completed in June 2024.

(iii) Sinopharm Tech Medical Supplies Limited

During the year ended 30 June 2024, the Group disposed of the entire equity interest in Sinopharm Tech Medical Supplies Limited, a PRC company incorporate with limited liabilities for a total consideration HK$1.

Sinopharm Tech Medical Supplies Limited is mainly engaged in the manufacturing and distribution of personal protective equipment.

The disposal was completed in October 2023.

(iv) Sinopharm Health Group

During the year ended 30 June 2024, the Group disposed of the entire equity interest in Sinopharm Health (Hainan) Technology Co., Ltd, a PRC company incorporate with limited liabilities and its subsidiaries (i.e. the "Sinopharm Health Group") for a total consideration HK$1.

The Sinopharm Health Group is mainly engaged in the provision of internet plus solution services.

The disposal was completed in June 2024.

37. DISPOSAL OF SUBSIDIARIES – continued

(a) Disposal of Disposed Subsidiaries – continued

(v) Qi Wang Group

During the year ended 30 June 2024, the Group disposed of the entire equity interest in Qi Wang Limited, a BVI company incorporate with limited liabilities and its subsidiaries (i.e. the "Qi Wang Group") for a total consideration HK$1.

The Qi Wang Group is mainly engaged in the real estate development.

The disposal was completed in June 2024.

(vi) Cheerfull Holdings Group

During the year ended 30 June 2024, the Group disposed of the entire equity interest in Cheerfull Group Holdings Limited, a BVI company incorporate with limited liabilities and its subsidiaries (i.e. the "Cheerfull Holdings Group") for a total consideration HK$1.

The Cheerfull Holdings Group is mainly engaged in the lottery-related services business. Subsequent to the disposal of the Cheerful Holdings Group, the Company ceased of its lottery-related services operating segment and details of which are set out in Note 13.

The disposal was completed in June 2024.

(b) Financial information of the Disposed Subsidiaries

Subsequent to the respective dates on the Disposal and loss of control of these Disposed Subsidiaries, the Company surrendered all the books and records of the Disposed Subsidiaries, including but not limited to the management accounts, ledgers and sub-ledgers accounts, vouchers, bank statements, agreements and other documentations to the Disposed Subsidiaries Purchasers and the financial statements of these Disposed Subsidiaries were then derecognised from the consolidation financial statements of the Company with effective from their respective dates on the Disposal of these Disposed Subsidiaries subsequently.

In view of the non-cooperation of the Disposed Subsidiaries Purchasers, the management of the Company was unable to access sufficient books and records of the deconsolidated Disposed Subsidiaries and the books and records which are available and were retained by the Company were not found to be of a sufficient level for the purposes of audit and thus, the management of the Company was unable to have sufficient appropriate books and record to ascertain whether the assets and liabilities of the Disposed Subsidiaries as at 30 June 2023 and their respective dates on the Disposal of the Disposed Subsidiaries and the income and expenses of the Disposed Subsidiaries during the period from 1 July 2022 up to their respective dates on the Disposal of the Disposed Subsidiaries as set out below are fairly stated and properly reflected, despite the fact that the Directors have taken all reasonable steps and have used their best endeavours to resolve the matter.

37. DISPOSAL OF SUBSIDIARIES – continued

(b) Financial information of the Disposed Subsidiaries – continued

Set out below is the information relating to the assets and liabilities of the Disposed Subsidiaries as at 30 June 2023 and their respective dates of the Disposal and the income and expenses of the Disposed Subsidiaries during the period from 1 July 2022 up to their respective dates the Disposal, which is based on the best information available and retained books and records of the Company:

(i) Unaudited assets and liabilities and income and expenses of the Disposed Subsidiaries for the year ended 30 June 2024

An analysis of the gains (losses) on the Disposal of the Disposed Subsidiaries and the net assets (liabilities) of the Disposed Subsidiaries at their respective dates on the Disposal is as following:

	Champion Vision Group HK$'000	Shenzhen Guoke Group HK$'000	Sinopharm Tech Medical Supplies Limited HK$'000	Sinopharm Health Group HK$'000	Qi Wang Group HK$'000	Cheerfull Holdings Group HK$'000	Total HK$'000
Consideration satisfied by:							
— Cash consideration	—*	1	—*	—*	—*	—*	1
Analysis of assets and net liabilities over which control was lost:							
Property, plant and equipment	—	456	9	87	—	—	552
Goodwill	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—
Inventories	—	—	—	—	—	—	—
Other receivables, deposits and prepayments	—	—	—	6	1	—	7
Bank balances and cash	—	518	8	166	132	792	1,616
Trade payables	—	(1,128)	(88)	—	—	(73)	(1,289)
Accruals and other payables	(9,429)	—	(1,288)	(327)	(97)	(685)	(11,826)
Net (liabilities) assets disposed of	(9,429)	(154)	(1,359)	(68)	36	34	(10,940)
Gains (losses) on Disposal of the Disposed Subsidiaries:							
Consideration received and receivables	—*	1	—*	—*	—*	—*	1
Net liabilities (assets) disposed of	9,429	154	1,359	68	(36)	(34)	10,940
Non-controlling interests	(4,885)	3,637	—	(21)	21	—	(1,248)
Reclassification of the cumulative exchange reserve upon Disposal of the Disposed Subsidiaries	4,366	2,950	—	54	(16)	422	7,776
Gains (losses) on Disposals of the Disposed Subsidiaries	8,910	6,742	1,359	101	(31)	388	17,469
An analysis on net inflows (outflows) of bank balances and cash in respect of the Disposal of the Disposed Subsidiaries arising on the Disposal is as follows:							
Cash consideration	—*	1	—*	—*	—*	—*	1
Less: Bank balances and cash disposed of	—	(518)	(8)	(166)	(132)	(792)	(1,616)
Net cash inflows (outflows)	—	(517)	(8)	(166)	(132)	(792)	(1,615)

* Less than HK$1,000.

37. DISPOSAL OF SUBSIDIARIES – continued

(b) Financial information of the Disposed Subsidiaries – continued

(i) Unaudited assets and liabilities and income and expenses of the Disposed Subsidiaries for the year ended 30 June 2024 – continued

An analysis of the income and expenses of the Disposed Subsidiaries during the period from 1 July 2023 up to their respective dates of the Disposal is as following:

	Champion Vision Group HK$'000	Shenzhen Guoke Group HK$'000	Sinopharm Tech Medical Supplies Limited HK$'000	Sinopharm Health Group HK$'000	Qi Wang Group HK$'000	Cheerfull Holdings Group HK$'000	Total HK$'000
Revenue	—	—	—	—	—	—	—
Cost of sales and service	—	—	—	—	—	—	—
Gross (loss) profit	—	—	—	—	—	—	—
Other income, gains and losses, net	—	—	—	—	5	—	5
Selling and distribution expenses	—	—	—	—	—	—	—
Administrative and operating expenses	—	(98)	(39)	—	—	—	(137)
(Loss) profit before taxation	—	(98)	(39)	—	5	—	(132)
Income tax (expenses) credit	—	—	—	—	—	—	—
(Loss) profit during the period from 1 July 2023 up to their respective dates of the Disposal	—	(98)	(39)	—	5	—	(132)

(ii) Unaudited assets and liabilities and income and expenses of the Disposed Subsidiaries as of and for the year ended 30 June 2023

An analysis of the net assets (liabilities) of the Disposed Subsidiaries at 30 June 2023 is as following:

	Champion Vision Group HK$'000	Shenzhen Guoke Group HK$'000	Sinopharm Tech Medical Supplies Limited HK$'000	Sinopharm Health Group HK$'000	Qi Wang Group HK$'000	Cheerfull Holdings Group HK$'000	Total HK$'000
Property, plant and equipment	—	460	9	88	—	—	557
Goodwill	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—
Inventories	—	—	—	—	—	—	—
Other receivables, deposits and prepayments	—	—	—	5	1	—	6
Bank balances and cash	—	521	8	167	132	792	1,620
Trade payables	—	(1,134)	(88)	—	—	(73)	(1,295)
Accruals and other payables	(8,424)	—	(1,288)	(329)	(98)	(685)	(10,824)
	(8,424)	(153)	(1,359)	(69)	35	34	(9,936)
Non-controlling interests	4,885	(3,677)	—	21	(22)	—	1,207
Net (liabilities) assets of the Disposed Subsidiaries as at 30 June 2023	(3,539)	(3,830)	(1,359)	(48)	13	34	(8,729)

37. DISPOSAL OF SUBSIDIARIES – continued

(b) Financial information of the Disposed Subsidiaries – continued

(ii) Unaudited assets and liabilities and income and expenses of the Disposed Subsidiaries as of and for the year ended 30 June 2023 – continued

An analysis of the income and expenses of the Disposed Subsidiaries for the year ended 30 June 2023 is as following:

	Champion Vision Group HK$'000	Shenzhen Guoke Group HK$'000	Sinopharm Tech Medical Supplies Limited HK$'000	Sinopharm Health Group HK$'000	Qi Wang Group HK$'000	Cheerfull Holdings Group HK$'000	Total HK$'000
Revenue	—	—	—	—	—	—	—
Cost of sales and service	—	—	—	—	—	—	—
Gross (loss) profit	—	—	—	—	—	—	—
Other income, gains and losses, net	—	—	(295)	—	—	—	(295)
Selling and distribution expenses	—	—	—	—	—	—	—
Administrative and operating expenses	—	(572)	(5,054)	—	—	(558)	(6,184)
Profit (loss) before taxation	—	(572)	(5,349)	—	—	(558)	(6,479)
Income tax (expenses) credit	—	—	—	—	—	—	—
Loss during the year ended 30 June 2023	—	(572)	(5,349)	—	—	(558)	(6,479)

The management of the Company considers that the above information represents the best information available to the management of the Company, if appropriate.

The Directors consider that, in view of the Disposed Subsidiaries were inactive during the years ended 30 June 2024 and 30 June 2023 and thus, the Disposal Subsidiaries did not generate significant cash inflows or outflows to the Group during the respective finance periods and thus, the Company did not disclose the cash inflows or outflows in the current and period periods.

The Directors also consider that, in view of the Disposal of the Disposed Subsidiaries was completed and the financial statements of the Disposed Subsidiaries were derecognised during the year 30 June 2024 and thus, the Disposal of the Disposal Subsidiaries did not have any significant financial impacts to the consolidated financial position of the Company as at 30 June 2024.

38. RELATED PARTY DISCLOSURES

(a) Related party balances and transaction with related parties

Saved as disclosed elsewhere in these consolidated financial statements and the material transactions and balances disclosed below, the Group did not have any other significant outstanding balances with related parties at the end of the reporting period and significant transactions with related parties during both years:

(i) As described in Note 26(a)(i), as at 30 June 2023, included in the Group's other receivables was amount due from a related entity, Xueliang Zhang Foundation of approximately HK$2,998,000. The amount was unsecured, interest free and had no fixed repayment terms. The Company's former director, Madam Cheung Kwai Lan, is the member of committee of the related entity. In view of the long outstanding balance of the amount, during the year ended 30 June 2024, the Directors consider that the Company has very low chance to recover the amount and thus, the amount was fully written off which was charged to the profit or loss for the year ended 30 June 2024.

(ii) As described in Notes 8(c) and Note 26(a)(ii), during the year ended 30 June 2023, the Group recorded a compensation income of approximately HK$92,838,000 from a shareholder, Sinopharm Traditional Chinese Medicine Overseas Holding Limited in relation to the failure to meet the profit guarantee by the vendor for the acquisition of Hero Global.

(iii) As described in Note 8(a), during the year ended 30 June 2023, a 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. 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 or loss of the Group for the year ended 30 June 2023.

(i) Compensation of key management personnel

The remuneration of the key management personnel, during the year were as follows:

	2023 HK$'000	2022 HK$'000
Short term benefits	3,799	4,863
Performance related bonus	—	—
Post-employment benefits	—	—
	3,799	4,863

39. LITIGATIONS AND CONTINGENT LIABILITIES

Pursuant to the announcement of the Company dated 19 September 2023, 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 Creative Big Convertible Bonds (see Note 31). The High Court has set the hearing date for the Petition on 15 November 2023.

Pursuant to the announcements of the Company dated 15 November 2023, 7 February 2024 and 3 April 2024, the High Court ordered that the hearing of the Petition be adjourned from to 7 February 2024, 3 April 2024 and 8 May 2024, respectively.

Pursuant to the announcement of the Company dated 8 May 2024, the Company have executed and filed a consent summons to the High Court for the withdrawal of the Petition. At the hearing on 8 May 2024, order has been pronounced by the High Court that the Petition be withdrawn.

Details of the above are set out in the announcements of the Company dated 19 September 2023, 15 November 2023, 7 February 2024, 3 April 2024 and 8 May 2024.

As described on Note 2(b)(iv), pursuant to the Creative Big Loan Capitalisation, partial of the borrowings from Creative Big was settled in November 2024.

Other than the above, the Company did not have any significant litigations and contingent liabilities at the end of the reporting periods.

40. 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 31, 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.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets:		
At FVTPL		
— Unlisted equity investment	**2,540**	5,274
At amortised cost		
— Trade receivables	**20,032**	8,095
— Financial assets included in other receivables, deposits and prepayments	**8,811**	15,960
— Bank balances and cash	**2,640**	1,776
	34,023	31,105
Financial liabilities:		
At amortised cost		
— Trade payables	**32,494**	34,932
— Financial liabilities included in other borrowings, accruals and other payables	**88,038**	68,725
— Amount due to a shareholder	**125,489**	105,747
— Lease liabilities	**1,323**	—
	247,344	209,404

The Group's major financial instruments include trade receivables, financial assets included in financial assets at FVTPL, other receivables, deposits, bank balances and cash, trade payables, financial liabilities included in other borrowings, accruals and other payables, amount due to a shareholder and lease liabilities.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from that of the prior year.

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(a) Market risk

Currency risk

Certain trade receivables, financial assets included in financial assets at FVTPL, other receivables, deposits, bank balances and cash, trade payables, financial liabilities included in accruals and other payables, amount due to a shareholder and lease liabilities of the Group are denominated in foreign currencies of the respective group entities which are exposed to foreign currency risk.

The Group currently do 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 carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	2024 HK$'000	2023 HK$'000
Assets		
US$	**10**	—
RMB	**—**	4,629
Liabilities		
US$	**—**	—
RMB	**563**	11,766

Sensitivity analysis

The Group is exposed to foreign currency risk on fluctuation of US$ and RMB for the years ended 30 June 2024 and 30 June 2023.

Since the exchange rate of HK$ is pledged with US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. Therefore, the following sensitivity analysis does not include the effect between US$ and HK$.

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(a) Market risk – continued

Currency risk – continued

Sensitivity analysis – continued

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in foreign currencies of RMB against HK$ as at 30 June 2024. The percentage of the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year-end for a 5% change in foreign currency rates at the year ended. A positive number below indicates an increase in post-tax profit where foreign currencies strengthen 5% against HK$. For a 5% weakening of foreign currencies against HK$, there would be an equal and opposite impact on post tax profit.

	2024 **HK$'000**	2023 HK$'000
Impact on post-tax loss of the Group	**(5)**	(298)

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 amount due to a shareholder and other borrowings are charged at fixed interest rates which expose the Group to fair value interest rate risk. Details of the Group's amount due to a shareholder and other borrowings are set out in Notes 30 and 29 respectively.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables, deposits and bank balances as stated in note 25,26 and 27.

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 minimise 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.

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(b) Credit risk – continued

Trade receivables arising from contracts with customers

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.

The loss allowance for trade receivables was determined as follows:

	Average loss rate	**Trade receivables** HK$'000	**Allowance** HK$'000
As at 30 June 2024 (based on past due date)			
0–30 days	**0.8%**	**18,525**	**147**
31–60 days	**N/A**	**—**	**—**
61–180 days	**0.8%**	**88**	**1**
181–365 days	**0.8%**	**1,580**	**13**
Over 365 days	**100%**	**2,249**	**2,249**
		22,442	**2,410**
As at 30 June 2023 (based on past due date)			
0–30 days	2%	5,991	93
31–60 days	2%	520	8
61–180 days	2%	1,712	27
181–365 days	N/A	—	—
Over 365 days	100%	88,481	88,481
		96,704	88,609

The above expected credit losses also incorporated forward looking information.

The Group has concentration of credit risk as 64.63% (2023: 69.12%) and 99.56% (2023: 100.00%) of the total trade receivables at 30 June 2024 were due from the Group's largest customer and the five largest customers respectively within the supply chain service 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.

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(b) Credit risk – continued

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	Low risk of default and strong capacity	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	Significant increase in credit risk	Lifetime expected losses (not credit-impaired)
Non-performing	High risk of default	Lifetime expected losses (credit-impaired)
Write-off	Interest and/or principal repayments are 365 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 2024 was estimated to be approximately HK$126,000 (2023: HK$103,132,000) under 12 months expected losses method and approximately HK$75,882,000 under lifetime expected losses (2023: Nil). Impairment loss on other receivables amounted to approximately HK$1,188,000 (2023: HK$75,661,000) was charged to profit and loss of the Group in respect of the current year.

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(b) Credit risk – continued

Bank balances

The credit risk for bank balances is considered not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

Deposits (included in other receivables)

For deposits, management of the Group makes periodic as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

(c) Liquidity risk

The Group maintains the cash balance for continuing operations and contingency purposes by using continuity of funding both existing and new sources of financing.

The Group's liquidity management policy involves monitoring liquidity ratios and maintaining debt financing plans. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Having considered the factors and circumstances set out in Note 2(a) to the consolidated financial statements, the directors are satisfied that the Group will have sufficient liquidity to meet its cash flows requirements for the next twelve from the end of the reporting period.

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(c) Liquidity risk – continued

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:

Liquidity tables

As at 30 June 2024

	Weighted average effective interest rate %	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	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities							
Trade payables	NA	32,494	—	—	—	32,494	32,494
Financial liabilities included in other borrowings, accruals and other payables	6.54%	89,645	—	—	—	89,645	88,038
Amount due to a shareholder	10%	127,195	—	—	—	127,195	125,489
Lease liabilities	12.7%	799	700	—	—	1,499	1,323
As at 30 June 2024		250,133	700	—	—	250,833	247,344

As at 30 June 2023

	Weighted average effective interest rate %	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	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities							
Trade payables	NA	34,932	—	—	—	34,932	34,932
Financial liabilities included in other borrowings, accruals and other payables	7%	72,725	—	—	—	72,725	68,725
Amount due to a shareholder	NA	105,747	—	—	—	105,747	105,747
Lease liabilities	NA	—	—	—	—	—	—
As at 30 June 2023		213,404	—	—	—	213,404	209,404

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(d) 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).

Fair value hierarchy

During the years ended 30 June 2024 and 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.

	2024	2023
	HK$'000	HK$'000
Financial assets at FVTPL		
— Level 1	**—**	—
— Level 2	**—**	—
— Level 3	**2,540**	5,274
	2,540	5,274

41. FINANCIAL INSTRUMENTS – continued

Categories of financial instruments – continued

(d) Fair value – continued

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 2024 HK$'000	Fair value at 2023 HK$'000	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity instrument	**2,540**	5,274	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% (2023: 2.5%–6%)	Higher the revenue growth rate would increase the fair value of financial assets
				Discount rate of 15.8% (2023: 14.3%)	Lower the discount rate would increase the fair value of the financial assets
				Discount of lack of marketability ("**DLOM**") of 15.6% (2023: 15.7%)	Lower the DLOM would increase the fair value of the financial assets
				Discount of lack of control ("**DLOC**") of 25.3% (2023: 28.6%)	Lower the DLOC would increase the fair value of the financial assets

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.

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 flow 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$'000	Other payables HK$'000	Amounts due to directors HK$'000	Amounts due to shareholders HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 July 2022	44,995	—	8,490	105,747	934	160,166
Financing cash (outflow) inflow	(3,500)	—	—	—	(1,017)	(4,517)
Finance cost	7,241	—	—	—	83	7,324
Other non-cash changes	(48,736)	52,947	(8,490)	—	—	(4,279)
As at 30 June 2023 and 1 July 2023	—	52,947	—	105,747	—	158,694
Financing cash inflows (outflows)	—	15,000	—	—	—	15,000
Finance cost	—	3,986	—	19,742	205	23,933
Other non-cash changes	—	—	—	—	1,118	1,118
As at 30 June 2024	**—**	**71,933**	**—**	**125,489**	**1,323**	**198,745**

43. MAJOR NON-CASH TRANSACTIONS

Saved as disclosed following and elsewhere in these consolidated financial statements, the Group did not have major non-cash transaction during the year ended 30 June 2024 and 30 June 2023.

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 34(b).

44. FINANCIAL INFORMATION OF THE COMPANY

	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	—	—
Property, plant and equipment	53	1,014
Right-of-use assets	—	—
	53	1,014
CURRENT ASSETS		
Other receivables, deposits and prepayments	3,154	5,004
Bank balances and cash	170	83
	3,324	5,087
CURRENT LIABILITIES		
Accruals and other payables	199,782	164,086
Amounts due to subsidiaries	14,309	21,996
	214,091	186,082
NET CURRENT LIABILITIES	(210,767)	(180,995)
TOTAL ASSETS LESS CURRENT LIABILITIES	(210,714)	(179,981)
NET LIABILITIES	(210,714)	(179,981)
CAPITAL AND RESERVES		
Share capital	57,404	57,404
Reserves	(268,118)	(237,385)
TOTAL CAPITAL DEFICIENCY	(210,714)	(179,981)

44. FINANCIAL INFORMATION OF THE COMPANY – continued

The movements in the Company's reserves are as follows:

	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
As at 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 amount 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	—
As at 30 June 2023 and 1 July 2023	**2,703,996**	**1,484**	**1,739**	**—**	**2,569**	**16,770**	**(2,963,943)**	**(237,385)**
Loss and total comprehensive expenses for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(31,477)**	**(31,477)**
Recognition of equity settled share-based payments	**—**	**—**	**744**	**—**	**—**	**—**	**—**	**744**
Share options lapsed	**—**	**—**	**(601)**	**—**	**—**	**—**	**601**	**—**
As at 30 June 2024	**2,703,996**	**1,484**	**1,882**	**—**	**2,569**	**16,770**	**(2,994,819)**	**(268,118)**

45. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of companies	Place of incorporation	Issued and fully paid share capital	Ownership interest held by the Group (%) 2024	2023	Principal activities	*Note*
Directly owned subsidiary						
China Success Enterprises Limited	BVI	Ordinary shares US$2,000	**100%**	100%	Investment Holding	
STCM	Hong Kong	Ordinary shares HK$20,000,000	**100%**	100%	Investment Holding	
Indirectly owned subsidiary						
Shandong Deji Medical Goods Company Limited ("**Shandong Deji**")	PRC	Registered capital RMB5,000,000	**N/A**	49%	Investment Holding	*1*
Champion Vision	Samoa	Ordinary shares US$100	**N/A**	51%	Investment Holding	
Next Champion Limited	Hong Kong	Ordinary shares HK$1	**100%**	100%	Distribution of personal protective equipment	
Sinopharm Health Cross Border E-Commerce Company Limited	Hong Kong	Ordinary shares HK$100	**51%**	51%	Provision of internet plus solution services	
Sinopharm (Hong Kong) Industrial Co., Limited	Hong Kong	Ordinary shares HK$1,000,001	**100%**	100%	Distribution of personal protective equipment	
Sinopharm Tech Medical Supplies Limited	Hong Kong	Ordinary shares HK$1,000	**N/A**	100%	Manufacturing and distribution of personal protective equipment	
Jovial Sky Limited ("**Jovial Sky**")	BVI	Ordinary shares US$100	**57%**	100%	Investment Holding	
Jiangxi Luyu	PRC	Registered capital RMB10,000,000	**51%**	N/A	Distribution of medical products	*1*

Note:

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

None of the subsidiaries had issued any debt securities during both years and at the end of the reporting period.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

45. PARTICULARS OF SUBSIDIARIES – continued

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

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Jovial Sky		Champion Vision		Shandong Deji	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000** *(Note (1) below)*	2023 HK$'000	**2024 HK$'000** *(Note (2) below)*	2023 HK$'000
Current						
— Current assets	**23,945**	—	**NA**	—	**NA**	287
— Current liabilities	**(25,491)**	—	**NA**	(8,424)	**NA**	—
Total net current assets	**(1,546)**	—	**NA**	(8,424)	**NA**	287
Non-current						
— Non-current assets	**3,728**	—	**NA**	—	**NA**	—
— Non-current Liabilities	**(653)**	—	**NA**	—	**NA**	(1,163)
Total non-current net assets (liabilities)	**3,075**	—	**NA**	—	**NA**	(1,163)
Net assets (liabilities)	**1,529**	—	**NA**	(8,424)	**NA**	(876)
Accumulated non-controlling interests	**792**	—	**NA**	(4,885)	**NA**	(2,553)
Revenue	**34,391**	—	**NA**	—	**NA**	—
Total comprehensive income (expenses)	**1,503**	—	**NA**	—	**NA**	1,007
Profit (loss) allocated to non-controlling interests	**817**	—	**NA**	—	**NA**	—
Cash flows generated from operating activities	**2,728**	—	**—**	—	**—**	—
Cash flows used in investing activities	**(2,691)**	—	**—**	—	**—**	—
Cash flows generated from financing activities	**—**	—	**—**	—	**—**	—
Net increase in cash and cash equivalents	**37**	—	**—**	—	**—**	—

45. PARTICULARS OF SUBSIDIARIES – continued

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

Notes:

1. The Company disposal of the entire equity interest in Champion Vision during the year ended 30 June 2024 and details of which are set out in Note 37.

2. The Company disposal of the entire equity interest in Shandong Deji, a subsidiary of Shenzhen Guoke Group during the year ended 30 June 2024 and details of which are set out in Note 37.

The Directors consider that the non-controlling interests of the other subsidiaries are insignificant to the Group and thus, the financial information of the non-controlling interests of these subsidiaries was not disclosed.

46. EVENTS AFTER THE REPORTING PERIOD

For the year ended 30 June 2023

Save as disclosed elsewhere in the consolidated financial statements, the following events took place subsequent to 30 June 2023:

(a) On 20 July 2023, the Board 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.

As described in Note 34(a), the 2023 Share Consolidation was completed in August 2023.

(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.

As described in Note 39, during the year ended 30 June 2024, the Company have executed and filed a consent summons to the High Court for the withdrawal of the Petition. At the hearing on 8 May 2024, order has been pronounced by the High Court that the petition be withdrawn.

For the year ended 30 June 2024

Saves as disclosed elsewhere in these consolidated financial statements, the Company did not have any significant event subsequent to 30 June 2024.

47. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year presentation.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2024

RESULTS

	For the year ended 30 June				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**41,277**	42,839	40,985	77,813	165,934
Cost of sales and services	**(36,258)**	(37,369)	(35,053)	(56,929)	(121,281)
Gross profit	**5,019**	5,470	5,932	20,884	44,653
Other income and gains	**18,085**	106,849	39,350	4,978	11,223
Impairment loss on receivables and other assets, net	**(2,587)**	(74,782)	(58,554)	(52,949)	(135,686)
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	**(2,734)**	1,815	—	—	—
Loss on settlement of contingent consideration payable	**—**	—	—	(10,796)	—
Selling and distribution expenses	**(495)**	(2,251)	(1,003)	(5,208)	(4,791)
Administrative and operating expenses	**(13,687)**	(19,775)	(41,431)	(57,015)	(63,183)
Finance costs	**(23,933)**	(8,571)	(16,410)	(14,546)	(18,154)
Share of profits/(losses) of associates	**—**	186	(153)	3,588	558
Loss before tax	**(20,332)**	(11,407)	(94,158)	(111,064)	(165,380)
Income tax credit	**(83)**	1,307	387	558	1,390
Loss for the year	**(20,415)**	(10,100)	(93,771)	(111,506)	(163,990)

ASSETS AND LIABILITIES

	30-6-2024	30-6-2023	30-6-2022	30-6-2021	30-6-2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**44,490**	33,482	76,886	135,903	188,173
Total liabilities	**(250,089)**	(213,236)	(250,283)	(276,459)	(261,558)
Net (liabilities)/assets	**(205,599)**	(179,754)	(173,397)	(140,556)	(73,385)
(Capital deficiency)/equity attributable to equity holders of the Company	**(199,480)**	(172,733)	(166,777)	(138,880)	(73,080)
Non-controlling interests	**(6,119)**	(7,021)	(6,620)	(1,676)	(305)
Total (capital deficiency)/equity	**(205,599)**	(179,754)	(173,397)	(140,556)	(73,385)

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$0.3125 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollar, the lawful currency of the United States of America
"Year 2023"	financial year ended 30 June 2023
"Year 2024"	financial year ended 30 June 2024