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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

ANNUAL RESULTS

The board of Directors of the Company (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 30 June 2020 (“**Year 2020**”), together with the comparative audited figures for the preceding financial year (“**Year 2019**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	<i>Notes</i>	Year ended 30-6-2020 HK\$'000	Year ended 30-6-2019 HK\$'000
Revenue	5	165,934	43,503
Cost of sales and services		<u>(121,281)</u>	<u>(19,802)</u>
Gross profit		44,653	23,701
Other income and gains	6	11,223	66,269
Provision for doubtful receivables		(2,628)	(213)
Impairment loss on assets	7	(133,058)	(67,930)
Selling and distribution expenses		(4,791)	—
Administrative and operating expenses		(63,183)	(57,815)
Finance costs	8	(18,154)	(11,950)
Share of profits of associates		<u>558</u>	<u>—</u>
Loss before tax	9	(165,380)	(47,938)
Income tax credit	10	<u>1,390</u>	<u>2,312</u>
Loss for the year		<u>(163,990)</u>	<u>(45,626)</u>
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(161,075)	(46,796)
Non-controlling interests		<u>(2,915)</u>	<u>1,170</u>
		<u>(163,990)</u>	<u>(45,626)</u>

	Year ended 30-6-2020	Year ended 30-6-2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(163,990)	(45,626)
Other comprehensive (expenses)/income for the year, net of tax		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas operations	<u>(547)</u>	<u>2,130</u>
Total comprehensive expenses for the year	<u>(164,537)</u>	<u>(43,496)</u>
Total comprehensive (expenses)/income for the year attributable to:		
Equity holders of the Company	(161,205)	(43,606)
Non-controlling interests	<u>(3,332)</u>	<u>110</u>
	<u>(164,537)</u>	<u>(43,496)</u>
	Year ended 30-6-2020	Year ended 30-6-2019
	<i>HK Cents</i>	<i>HK Cents</i>
Loss per share attributable to equity holders of the Company		
Basic	<u>(3.91)</u>	<u>(1.35)</u>
Diluted	<u>N/A</u>	<u>N/A</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		16,388	1,571
Right-of-use assets		14,742	—
Goodwill	<i>13</i>	46,139	177,554
Intangible assets		41	8,253
Financial assets at fair value through other comprehensive income		—	—
Interests in joint ventures		—	—
Interests in associates		42,075	—
Deposits for acquisition of property, plant and equipment		6,686	—
		126,071	187,378
Current assets			
Inventories		7,459	160
Trade receivables	<i>14</i>	22,376	19,975
Other receivables, deposits and prepayments	<i>15</i>	25,521	14,509
Bank balances and cash		6,746	6,646
		62,102	41,290
Current liabilities			
Trade payables	<i>16</i>	33,607	2,966
Accruals and other payables	<i>17</i>	69,308	49,237
Amounts due to directors		33,318	47,649
Lease liabilities		4,890	—
Obligations under finance leases		—	150
Convertible bonds		89,170	89,345
Derivative financial liabilities		—	10
Unlisted warrants		1,880	—
Other borrowing		15,600	—
Contingent consideration payable		5,343	—
Tax liabilities		682	19
		253,798	189,376
Net current liabilities		(191,696)	(148,086)
Total assets less current liabilities		(65,625)	39,292

	30-6-2020	30-6-2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Obligations under finance leases	—	—
Lease liabilities	7,760	—
Deferred tax liabilities	—	2,053
	<u>7,760</u>	<u>2,053</u>
Net (liabilities)/assets	<u>(73,385)</u>	<u>37,239</u>
Capital and reserves		
Share capital	53,621	51,360
Reserves	(126,701)	(13,624)
(Capital deficiency)/equity attributable to equity holders of the Company	(73,080)	37,736
Non-controlling interests	(305)	(497)
Total (capital deficiency)/equity	<u>(73,385)</u>	<u>37,239</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL

Sinopharm Tech Holdings Limited (“**the Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s registered office is located at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is located at Units 01-03, 25/F., Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong.

In prior years, the Company’s functional currency was Renminbi (“**RMB**”). In view of the Group’s business operations in the People’s Republic of China (“**PRC**”) due to keen competition and significant expansion of the business operations in Hong Kong, of which most of the transactions are denominated in Hong Kong dollar (“**HK\$**”), the directors have determined that the functional currency of the Company to be changed from RMB to HK\$ during the current year. The directors have made an assessment of the impact of the change of the functional currency of the Company and concluded that there was no material effect on the results and financial position of the Group.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, comprising the Company and its subsidiaries, the directors of the Company have given consideration to the future liquidity of the Group in light of the Group’s net current liabilities and net liabilities of HK\$191,696,000 and HK\$73,385,000 at 30 June 2020. As at 30 June 2020, the Group had convertible bonds payable with principal amounts of HK\$89,625,000 (carrying amounts of HK\$89,170,000) to be matured within one year after that date, consideration payable and convertible bond’s interest payables amounted to HK\$22,000,000 and HK\$3,246,000 respectively (included in accruals and other payables) and amounts due to directors amounted to HK\$33,318,000 which are included in current liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

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

- (a) The shareholders and directors of the Company, Madam Cheung Kwai Lan and Mr. Chan Tung Mei, and the director of the Company, Mr. Chan Ting, have agreed to provide adequate funds to the Company to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future, if required. These shareholders or directors have also agreed not to demand for repayment of amounts owed to them by the Group until the Group has adequate working capital for repayment.

- (b) On 4 June 2020, the Group obtained a written consent from the previous owner of the subsidiaries, under which the due date for payment of the consideration payable for acquisition of subsidiaries amounted to HK\$22,000,000, which are included in accruals and other payables (Note 17), was extended to 31 December 2021.
- (c) The holder of the convertible bonds intends to extend the maturity date of the bonds of 17 January 2021 and not to request repayment of the bonds before 17 January 2022.
- (d) The directors will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

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

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

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

New and revised HKFRSs applied in the current year

The Group has applied the following new HKFRSs and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements 2015–2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* (“**HKFRS 16**”) for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

HKFRS16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low value assets.

The Group has elected the practical expedient on transition to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liabilities were measured at their present value discounted using the incremental borrowing rates of the relevant group entities at the date of initial application. And the right-of-use assets were measured, by applying HKFRS 16.C8(b)(i) transition, at their carrying amounts as if the standard applied since the commencement date but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment if whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. applied a single discount rate to a portfolio of lease with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the Group is 8%.

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 30 June 2019	1,983
Less: Adjustment on recognition of lease liabilities	(83)
Less: Recognition exemption — short-term lease	(1,441)
	<hr/>
	459
Add: Obligations under finance leases recognised at 30 June 2019 (Note below)	150
	<hr/>
Lease liabilities as at 1 July 2019	609
	<hr/>
Analysed as	
Current	442
Non-current	167
	<hr/>
	609
	<hr/> <hr/>

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	459
Amounts included in property, plant and equipment under HKAS 17	
— Assets previously under finance leases (Note below)	<u>355</u>
Right-of-use assets as at 1 July 2019	<u><u>814</u></u>

Note: In relation to assets previously held under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 July 2019 amounted to HK\$355,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases amounted to HK\$150,000 at 1 July 2019 to lease liabilities.

As a lessor

Lessor accounting under HKFRS 16 is substantially, unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 does not have an impact for leases where the Group is the lessor.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 July 2019 HK\$'000
Non-current assets			
Property, plant and equipment	1,571	(355)	1,216
Right-of-use assets	<u>—</u>	<u>814</u>	<u>814</u>
Current liabilities			
Lease liabilities	—	442	442
Obligations under finance leases	<u>150</u>	<u>(150)</u>	<u>—</u>
Non-current liabilities			
Lease liabilities	<u>—</u>	<u>167</u>	<u>167</u>

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

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁵
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact of the amounts reported and disclosures made in the Group's consolidated financial statements.

4. SEGMENT INFORMATION

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

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

During the year, the Group commenced the business of manufacture and distribution of personal protective equipment, which is considered a new operating segment of the Group.

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

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

Year ended 30-6-2020

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Reportable segment revenue	10,563	—	128,780	85,332	—	224,675
Elimination of inter-segment revenue	(5,536)	—	—	(53,205)	—	(58,741)
Sales to external customers	<u>5,027</u>	<u>—</u>	<u>128,780</u>	<u>32,127</u>	<u>—</u>	<u>165,934</u>
Segment gross profit	<u>1,226</u>	<u>—</u>	<u>27,550</u>	<u>15,877</u>	<u>—</u>	<u>44,653</u>
Segment (loss)/profit before other income and gains and impairment of assets	(6,654)	(6,359)	19,531	13,882	(8)	20,392
Impairment of goodwill	(4,495)	(42,354)	(84,566)	—	—	(131,415)
Impairment of intangible assets	—	(1,643)	—	—	—	(1,643)
Segment (loss)/profit	<u>(11,149)</u>	<u>(50,356)</u>	<u>(65,035)</u>	<u>13,882</u>	<u>(8)</u>	<u>(112,666)</u>
Other unallocated income						392
Gain on amendment of terms of convertible bonds						2,722
Gain on change in fair value of derivative financial liabilities						10
Gain on change in fair value of unlisted warrants						6,120
Other unallocated expenses						(46,826)
Share of profits of associates						558
Finance costs						<u>(15,690)</u>
Loss before tax						(165,380)
Income tax credit						<u>1,390</u>
Loss for the year						<u>(163,990)</u>

Year ended 30-6-2019

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:						
Reportable segment revenue	20,980	8,995	13,424	—	361	43,760
Elimination of inter- segment revenue	(257)	—	—	—	—	(257)
Sales to external customers	<u>20,723</u>	<u>8,995</u>	<u>13,424</u>	<u>—</u>	<u>361</u>	<u>43,503</u>
Segment gross profit	<u>14,468</u>	<u>7,969</u>	<u>1,041</u>	<u>—</u>	<u>223</u>	<u>23,701</u>
Segment profit/(loss) before other income and gains and impairment of assets	2,121	(399)	487	—	(805)	1,404
Write back of consideration payable for acquisition of subsidiaries	—	43,000	—	—	—	43,000
Fair value gain on investment in associates	—	17,375	—	—	—	17,375
Impairment of goodwill	(45,946)	(19,184)	—	—	—	(65,130)
Impairment of intangible assets	(2,800)	—	—	—	—	(2,800)
Segment (loss)/profit	<u>(46,625)</u>	<u>40,792</u>	<u>487</u>	<u>—</u>	<u>(805)</u>	<u>(6,151)</u>
Other unallocated income						39
Gain on change in fair value of derivative financial liabilities						5,082
Other unallocated expenses						(34,958)
Finance costs						<u>(11,950)</u>
Loss before tax						(47,938)
Income tax credit						<u>2,312</u>
Loss for the year						<u>(45,626)</u>

(b) Segment assets and liabilities

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

30-6-2020

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets						
Segment assets	13,858	4,117	52,737	62,637	89	133,438
Unallocated assets						<u>54,735</u>
Total assets						<u><u>188,173</u></u>
Liabilities						
Segment liabilities	5,376	34,969	48,424	29,038	29	117,836
Unallocated liabilities						<u>143,722</u>
Total liabilities						<u><u>261,558</u></u>

30-6-2019

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Other services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets						
Segment assets	27,132	58,916	128,584	—	112	214,744
Unallocated assets						<u>13,924</u>
Total assets						<u><u>228,668</u></u>
Liabilities						
Segment liabilities	2,133	40,363	2,176	—	46	44,718
Unallocated liabilities						<u>146,711</u>
Total liabilities						<u><u>191,429</u></u>

(c) Other segment information

Year ended 30-6-2020

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Other services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit/loss or segment assets/ liabilities							
Additions to property, plant and equipment	—	—	—	16,563	123	—	16,686
Depreciation of property, plant and equipment	310	36	—	413	8	357	1,124
Depreciation of right-of-use assets	253	—	—	1,177	—	121	1,551
Impairment loss on goodwill	4,495	42,354	84,566	—	—	—	131,415
Impairment loss on intangible assets	—	1,643	—	—	—	—	1,643
Loss on disposal of property, plant and equipment	29	157	—	—	9	162	357
Provision for doubtful trade receivables	—	2,628	—	—	—	—	2,628
Write off of:							
— inventories	—	—	—	—	—	—	—
— amount due from a related company	—	—	—	—	—	—	—
Amortisation of intangible assets	—	6,572	—	—	—	22	6,594

Year ended 30-6-2019

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Other services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit/loss or segment assets/ liabilities							
Additions to property, plant and equipment	—	—	—	—	—	—	—
Depreciation of property, plant and equipment	1,387	94	—	—	67	159	1,707
Impairment loss on goodwill	45,946	19,184	—	—	—	—	65,130
Impairment loss on intangible assets	2,800	—	—	—	—	—	2,800
Loss on disposal of property, plant and equipment	—	—	—	—	474	—	474
Provision for doubtful trade receivables	213	—	—	—	—	—	213
Write off of:							
— inventories	—	—	—	—	66	—	66
— amount due from a related company	—	—	—	—	24	—	24
Amortisation of intangible assets	<u>2,801</u>	<u>6,572</u>	<u>—</u>	<u>—</u>	<u>22</u>	<u>—</u>	<u>9,395</u>

(d) **Geographical information**

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

	Revenue from external customers	
	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
PRC	10,792	30,080
Hong Kong	155,142	13,423
	165,934	43,503

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

	Non-current assets		Additions to property, plant and equipment	
	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
PRC	18,095	68,390	5,391	—
Hong Kong	107,976	118,988	11,295	—
	126,071	187,378	16,686	—

Revenue from major products and services

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

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Lottery-related services	5,027	20,723
Internet plus services (solution)	—	8,995
Internet plus services (supply chain)	128,780	13,424
Manufacturing and distribution of personal protective equipment	32,127	—
Other services	—	361
	165,934	43,503

(e) **Information about major customers**

Revenue from customers for the year ended 30 June 2020 contributing over 10% of the total revenue of the Group is as follows:

	Year ended 30-6-2020 HK\$'000	Year ended 30-6-2019 HK\$'000
Customer A — Provision of internet plus services (supply chain)	70,819	13,423
Customer B — Provision of lottery-related services	N/A	10,086
Customer C — Provision of internet plus services (solution)	N/A	7,355
Customer D — Provision of lottery-related services	N/A	4,289

Revenue from customer B, customer C and customer D for the year ended 30 June 2020 did not contribute 10% or more to the Group's revenue for that year.

5. REVENUE

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

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

	Year ended 30-6-2020 HK\$'000	Year ended 30-6-2019 HK\$'000
Point in time		
Internet plus services (supply chain)		
— Trading of goods	113,405	13,424
Manufacturing and distribution of personal protective equipment	32,127	—
	145,532	13,424
Over time		
Lottery-related service	5,027	20,723
Internet plus services (supply chain)		
— Provision of services	15,375	—
Internet plus services (solution)	—	8,995
Other services	—	361
	20,402	30,079
Total	165,934	43,503

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

6. OTHER INCOME AND GAINS

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Interest income	4	15
Gain on amendment of terms of convertible bonds	2,722	—
Gain on change in fair value of derivative financial liabilities	10	5,082
Gain on change in fair value of unlisted warrants	6,120	—
Write back of consideration payable for acquisition of subsidiaries	—	43,000
Exchange gains	468	—
Gain on change in fair value of investment in associates	—	17,375
Gain on liquidation of subsidiaries	—	495
Government subsidies*	1,872	—
Others	27	302
	<u>11,223</u>	<u>66,269</u>

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

7. IMPAIRMENT LOSS ON ASSETS

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Impairment loss on:		
— goodwill (<i>Note 13</i>)	131,415	65,130
— intangible assets	1,643	2,800
	<u>133,058</u>	<u>67,930</u>

8. FINANCE COSTS

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Interest on:		
— finance leases	—	8
— convertible bonds	15,667	11,942
— other borrowing	2,090	—
— lease liabilities	397	—
	<u>18,154</u>	<u>11,950</u>

9. LOSS BEFORE TAX

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
— Directors' fees, wages and salaries	30,508	26,283
— Retirement benefits scheme contributions	993	1,304
— Equity-settled share-based payment	2,166	—
	<u>33,667</u>	<u>27,587</u>
Total staff costs		
Cost of services	4,292	7,282
Cost of inventories sold	116,989	12,520
Auditors' remuneration	895	771
Depreciation of property, plant and equipment:		
— Owned assets	1,124	1,543
— Assets held under finance leases	—	164
Depreciation of right-of-use assets	1,551	—
Amortisation of intangible assets	6,594	9,395
Loss on disposal of property, plant and equipment	357	474
Minimum lease payments under operating leases:		
— Land and buildings	—	3,779
— Office equipment	—	86
Provision for doubtful trade receivables (<i>Note 14</i>)	2,628	213
Write-off of assets included in administrative and operating expenses:		
— amount due from a related company	—	24
— inventories	—	66
Exchange losses, net	—	3,817
Equity-settled share-based payment not included in staff costs	<u>6,099</u>	<u>—</u>

10. INCOME TAX CREDIT

The amount of income tax credit to the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Current year		
— Hong Kong Profits Tax	(663)	(19)
— PRC income tax	—	—
	<u>(663)</u>	<u>(19)</u>
(Under)/over provision in prior years		
— Hong Kong Profits Tax	—	(691)
— PRC income tax	—	1,378
	<u>—</u>	<u>1,378</u>
Current tax (expense)/credit	(663)	668
Deferred tax credit	<u>2,053</u>	<u>1,644</u>
Income tax credit for the year	<u><u>1,390</u></u>	<u><u>2,312</u></u>

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

The Group's PRC subsidiaries are subjected to PRC Enterprise Income Tax at the statutory rate of 25% (year ended 30-6-2019: 25%).

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

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Loss before tax	<u>(165,380)</u>	<u>(47,938)</u>
Tax at the applicable tax rate	(27,844)	(11,323)
Tax effect of expenses that are not deductible for tax purposes	26,497	16,873
Tax effect of income that is not taxable for tax purposes	(2,692)	(10,868)
Tax effect of tax losses not recognised	4,778	3,754
Utilisation of tax losses not previously recognised	(1,299)	—
Tax concession	(165)	—
Tax effect of temporary differences not recognised	(727)	—
Over provision in previous years	—	(687)
Others	<u>62</u>	<u>(61)</u>
Income tax credit	<u>(1,390)</u>	<u>(2,312)</u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2020, nor has any dividend been proposed since the end of the reporting date (Year ended 30-6-2019: Nil).

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

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

	Year ended 30-6-2020 <i>HK\$'000</i>	Year ended 30-6-2019 <i>HK\$'000</i>
Loss for the year for the purpose of basic loss per share		
Loss for the year attributable to the equity holders of the Company	<u>(161,075)</u>	<u>(46,796)</u>
	Year ended 30-6-2020 <i>'000</i>	Year ended 30-6-2019 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>4,118,739</u>	<u>3,457,101</u>

No diluted loss per share for both of the years presented is shown as the exercise of the outstanding convertible bonds, share options and unlisted warrants issued by the Company would result in anti-dilutive of the loss per share of the Company.

13. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 July 2018	194,889
Arose from acquisition of subsidiaries	<u>118,400</u>
At 30 June 2019, 1 July 2019 and 30 June 2020	<u>313,289</u>
IMPAIRMENT	
At 1 July 2018	70,605
Impairment loss recognised for the year (<i>Note 7</i>)	<u>65,130</u>
At 30 June 2019 and 1 July 2019	135,735
Impairment loss recognised for the year (<i>Note 7</i>)	<u>131,415</u>
At 30 June 2020	<u>267,150</u>
CARRYING AMOUNTS	
At 30 June 2020	<u>46,139</u>
At 30 June 2019	<u>177,554</u>

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

	30-6-2020	30-6-2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lottery-related services	12,305	16,800
Internet plus solution services	—	42,354
Internet plus supply chain services	<u>33,834</u>	<u>118,400</u>
	<u>46,139</u>	<u>177,554</u>

Lottery-related services

The recoverable amount of the CGU has been determined based on value in use calculation using the future cash flow projection of the CGU, by reference to the valuation performed by an independent valuer. Revenue of the CGU adopted for the preparation of the cash flow projection is forecasted to be increased by 5% to 6% per annum for the first four years (30-6-2019: 13% to 14%) and 5% per annum for the fifth year (30-6-2019: 7% per annum), and cash flow projection of the CGU beyond the five-year period has been extrapolated using a steady of 3% (30-6-2019: 3%) per annum growth rate which is expected to be the long-term growth rate of lottery business in the PRC. The key assumptions for the value in use calculation are discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Discount rate adopted for the cash flow projection is 18.7% (30-6-2019: 18.8%). The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation by reference to past performance and industry trend.

Management of the Group believe that any reasonably possible change in the key assumptions would not cause the carrying amount of the CGU of lottery-related services to significantly exceed its recoverable amount.

Based on the value in use of the CGUs of lottery-related services which is estimated to be carrying amount HK\$12,305,000 (30-6-2019: HK\$16,800,000), impairment loss amounting to HK\$4,495,000 (year ended 30-6-2019: HK\$45,946,000) is recognised on the relevant goodwill in respect of the current year, which arose from the expected decline of the Group's lottery-related business due to keen competition.

Internet plus solution services

As a result of the pandemic of Coronavirus Disease 2019 occurred in the PRC (including Hong Kong) and other countries during the current year, no revenue was derived from the Group's business of internet plus solution services for the year. Under these circumstances, the management is of the view that it is highly uncertain whether the Group's operations of internet plus solution services will be profitable in the foreseeable future, accordingly, consider it appropriate to recognise impairment loss amounted to HK\$42,354,000 (2019: HK\$19,184,000) and HK\$1,643,000 (2019: HK\$Nil) on the goodwill allocated to this cash-generating unit and the related intangible assets respectively.

Internet-plus supply chain services

The recoverable amount of this group of CGU has been determined based on a value in use calculation using the future cash flow projection of the CGU, by reference to the valuation performed by an independent valuer. The revenue of the CGU for future years adopted for the preparation of the cash flow projection is forecasted based on the terms of the service agreement entered into by the Group and the customer.

The key assumptions for the value in use calculation are discount rates, growth rates and expected changes to selling prices and direct cost. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in market.

Discount rates adopted for the cash flow projection are 12.01%. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the forecasted period have been based on management expectation.

Management of the Group believe that any reasonably possible change in the key assumptions would not cause the carrying amount of the CGU of internet plus supply chain services to exceeds its recoverable amount.

Based on the value in use of the CGU of internet-plus supply chain services which is estimated to be HK\$48,558,000, impairment loss amounted to HK\$84,566,000 in respect of the current year (year ended 30-6-2019: HK\$Nil) was recognised on the relevant goodwill attributable to this group of CGUs. Management of the Group is of the view that the impairment of goodwill was recognised in line with the expected decline in revenue and operating profit from supplying of goods through internet as a result of the expiry of the provision of well-known internet platform to the Group during the current year.

14. TRADE RECEIVABLES

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
Trade receivables	93,027	88,183
Less: Impairment	(70,651)	(68,208)
	<u>22,376</u>	<u>19,975</u>
Trade receivables, net of impairment	<u>22,376</u>	<u>19,975</u>

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

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
0 to 30 days	2,456	16,270
31 to 60 days	330	1,073
61 to 180 days	190	2,752
181 to 365 days	16,507	—
Over one year	73,544	68,088
	<u>93,027</u>	<u>88,183</u>

The trade receivables with the carrying amount of HK\$2,456,000 (30-6-2019: HK\$16,270,000) are neither past due nor impaired at the end of the reporting period.

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

For the year ended 30 June 2020, the Group made an allowance of HK\$2,628,000 (Year ended 30-6-2019: HK\$213,000) in respect of trade receivables, which were past due at the reporting date with long age and slow repayments from the respective customers since the due date.

Movements in the impairment of trade receivables are as follows:

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
Balance at the beginning of the year	68,208	69,020
Charge for the year	2,628	213
Exchange realignment	<u>(185)</u>	<u>(1,025)</u>
Balance at the end of the year	<u><u>70,651</u></u>	<u><u>68,208</u></u>

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

Included in the Group's trade receivables are receivables with the aggregate carrying amount of HK\$3,374,000 (30-6-2019: HK\$3,642,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
0 to 30 days	284	807
31 to 60 days	284	2,743
61 to 180 days	284	—
181 to 365 days	850	—
Over one year	<u>1,672</u>	<u>92</u>
	<u><u>3,374</u></u>	<u><u>3,642</u></u>

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
Other receivables	28,012	26,602
Less: Impairment	<u>(16,236)</u>	<u>(16,420)</u>
Other receivables, net of impairment	<u>11,776</u>	<u>10,182</u>
Deposits for purchase of goods for resale	5,790	—
Other deposits paid	16,844	15,608
Less: Impairment	<u>(11,852)</u>	<u>(11,852)</u>
Deposits paid, net of impairment	<u>10,782</u>	<u>3,756</u>
Prepayments	<u>2,963</u>	<u>571</u>
	<u>25,521</u>	<u>14,509</u>

Movements in impairment of other receivables are as follows:

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
Balance at the beginning of the year	16,420	17,265
Exchange realignment	<u>(184)</u>	<u>(845)</u>
Balance at the end of the year	<u>16,236</u>	<u>16,420</u>

Included in other receivables, less impairment, are the consideration receivable for the disposal of subsidiaries and the amount due from a related company amounting to HK\$2,500,000 (30-6-2019: HK\$2,500,000) and HK\$2,808,000 (30-6-2019: HK\$2,866,000) respectively, which is unsecured, interest free and repayable on demand.

Movements in impairment of deposits paid are as follows:

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
Balance at beginning of the year	11,852	12,668
Exchange realignment	<u>—</u>	<u>(816)</u>
Balance at end of the year	<u>11,852</u>	<u>11,852</u>

16. TRADE PAYABLES

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

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
0 to 30 days	9,617	2,898
31 to 120 days	23,568	—
121 to 180 days	403	—
181 to 365 days	—	—
Over one year	19	68
	<u>33,607</u>	<u>2,966</u>

17. ACCRUALS AND OTHER PAYABLES

	30-6-2020 <i>HK\$'000</i>	30-6-2019 <i>HK\$'000</i>
Consideration for acquisition of subsidiaries payable (<i>Note a</i>)	22,000	22,000
Amount due to non-controlling interest (<i>Note b</i>)	13,397	15,334
Interest on convertible bonds payable	3,246	3,246
Accrued salaries	7,860	3,411
Contract liabilities (<i>Note c</i>)	12,677	—
Sundry payables and accrued charges	10,128	5,246
	<u>69,308</u>	<u>49,237</u>

Notes:

- (a) The consideration for acquisition of subsidiaries payable is unsecured and interest free.

During the prior year ended 30 June 2019, the Group reached an agreement with the vendor under the acquisition which took place in September 2017, under which the consideration payable was revised from HK\$65,000,000 to HK\$22,000,000 with no change in other terms regarding the acquisition. Accordingly, the reduction in consideration for acquisition amounted to HK\$43,000,000 was written back in profit or loss in respect of the prior year and included in other income and gains (Note 6). During the current year, the due date for the settlement of the consideration payable was further extended to 31 December 2021.

- (b) The amount due to non-controlling interest is unsecured, interest free and repayable on demand.
- (c) Contract liabilities represent advance payments received from customers for sale of goods. When the customer initially purchases the goods, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer. The contract liabilities at 30 June 2020 is expected to be recognised as revenue of the Group for the next financial year.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Business Review

During the period under review, the Group has achieved significant development and breakthrough. After proactive deployment in the medical sector in the beginning of 2019, the Group noticed the mismatch of demand and supply in the mask market in the beginning of 2020. With the apparent of a structural transformation as well as regionalization of demand and supply in the mask industry, the Group responded to such special circumstances and was committed to mask manufacturing business, thereby satisfying market demand and exploring a new business segment in an adverse environment. With bold and determined mindset and highly efficient resources deployment, the Group achieved smooth operation of our own manufacturing system of medical products in solely a few months and realized mass production. The Group entered into the market with brand names “Sinopharm Tech SPT Mask”, and we swiftly captured market demand and built up our brand recognition in a short period of time, hence capturing the market share of local medical products industry.

Significant Achievement in Medical Sector

On 10 May 2019, the structure of the Group’s Shareholders has been changed and Sinopharm Traditional Chinese Medicine Overseas Holdings Limited (“**Sinopharm Overseas**”) under Sinopharm Traditional Chinese Medicine Co. Ltd (“**Sino-TCM**”) became the strategic Shareholder of the Company and the Company changed the name to Sinopharm Tech Holdings Limited. The introduction of new strategic Shareholder and assumed office of Dr. CHENG Yanjie, director and consultant of Sino-TCM helped expanding resources including medical resources and medical business network. He also gave assistance and instruction actively to the Group in the respect of national medical policies guidance, medical industry trend, medical business operational logics and strategies.

During the period under review, the unexpected outbreak of COVID-19 stimulated the progress of exploring business opportunities in the medical industry. When COVID-19 initially appeared, the Group had already established cooperation with Zhuhai Huafa in relation to emergency medical supplies, and the two parties have subsequently established long-term strategic cooperation relationships through strategic cooperation framework agreement. Leveraging on medical and commercial network and Internet Plus platform of the Group and the advantages of being a reputable state-owned enterprise and possessing ample capital of Zhuhai Huafa, both parties have commenced comprehensive, multi-dimensional and broad spectrum cooperation in respect of medical supplies procurement and health industry chain, etc. From January to February 2020, the Group supplied disposable medical masks, protective clothing and hazmat suits, and other medical supplies to Chinese local government, governmental organizations and state-owned enterprises via the procurement cooperation with Zhuhai Huafa. The Group subsequently acquired production equipment from Zhuhai Huafa for our own factories. During the

process, the mask manufacturing operation team and equipment manufacturing staff maintained effective interaction. The Group and Zhuhai Huafa maintained close communication and shared operating experience on the operation of the machines it provided, and jointly optimized and upgraded the systems and components from time to time to ensure the smooth operation of our equipment. During the period under review, the Group provided “Internet Plus Supply Chain” service to Zhuhai Huafa and JD.Com International Limited, an internet giant, contributing greatly to the revenue of HK\$128.8 million as well as the segment profit before other income and gain and before asset impairment of HK\$19.5 million for the Group’s “Internet Plus Supply Chain” business segment.

During the period under review, participation in the operation of medical products industry has broadened the Group’s medical and commercial networks, hence the Group has established the target of building our own medical products manufacturing system. From February to March 2020, the Group has successively set up two joint ventures in Shandong Province and Jilin Province. Among them, Shandong Deji Medical Goods Company Limited has a management team with over 10-year abundant experiences in operating mask factories and masters the resources of core material suppliers that subsequently provides strong assistance and assurance of raw material for the Group’s broadening production line deployment, while flexible deployment of manpower and technical supports and resources replenishment can be achieved among the factories in Mainland and Hong Kong. In February 2020, in synchronization with the development progress of the Mainland joint ventures, the Group commenced the construction of our first cleanroom for masks production in Hong Kong. In April 2020, two production lines were approved for the application of “Local Mask Production Subsidy Scheme” and entered into a one-year purchase contract with the government of Hong Kong Special Administrative Region (the “**Government**”) in May. Within 12 months from July 2020 the Group will supply up to 48 million masks to the Government. During the process, the Group is honored to receive the guidance and support from the Government and relevant departments. Upon the construction of the first factory, the Group has accumulated local practical experience and established our technical team for the simultaneous construction of our second and third factories, and the establishment of various mask production cleanrooms were smoothly conducted.

As of the date of this announcement, the Group has already built a total of eight cleanrooms in Mainland and Hong Kong with over twenty mask production lines within just half of a year, thereby achieving economies of scale via mass production. The Group also supplied personal protective equipment to Hong Kong governmental organizations including the Government, Hospital Authority and Social Welfare Department for assisting the Hong Kong government in terms of disease prevention and control measures. The Group has been proactively exploring sales channels and owns a self-operated online store as well as Facebook platform. By authorizing Kenford and Lung Fung Group as our offline mask retail stores, the Group expanded the direct sales channel with corporate customers. The above operation generated revenue of HK\$32.1 million as well as segment profit before other income and gain and before asset impairment of HK\$19.0 million, respectively during the period under review. Meanwhile, the Group and Tencent Holdings Limited has defined strategic cooperation relationship in relation to purchase and service sector of medical supplies, which further expanded the Group's medical material sales channels. Cooperating with well-known ventures can enrich the high-level strategic business network of the Group and set the foundation for the development of branding.

Anchoring on the manufacturing of medical products, the Group has proactively deployed in the personal protective equipment sector. In stringent adherence to quality during our business development, apart from mask manufacturing business, the Group also established a mask testing laboratory. After the period under review, the Group has signed a management contract with Intertek Testing Services Hong Kong Limited (“**Intertek Hong Kong**”) to establish a long term business relationship, with the aims of setting up and operating a face masks testing laboratory in the name of Intertek Hong Kong. This Hong Kong-based Testing Laboratory will provide the American Society for Testing and Materials ASTM F2100 standard and European Committee for Standardization EN 14683 standard testing services. As part of this Cooperation, this Testing Laboratory will be operated independently by Intertek Hong Kong, and it will be fully responsible for the design, setup, accreditation, operation management and maintenance of the Testing Laboratory. The Cooperation with an international professional testing team not only allows our Testing Laboratory to obtain world-class testing professional experience and technical know-how, this will also speed up the time for providing accredited testing services to the public. In addition to providing quality testing and technical support for the Group, this Testing Laboratory will also provide world-class testing services to other Hong Kong mask & personal protection equipment manufacturers, thus working with the industry to improve product quality and be the quality gatekeeper for Hong Kong citizens. The Group believes that mass production and stringent quality requirements are the keys for the Group's brand building, capturing of market share and realizing long-term development.

Through equity acquisition, the Group became a shareholder of Kenford, one of the largest modern Chinese medicine clinical chain groups in Hong Kong, which owns the uncovered physical medical platform in the Group's business structure. Hence, the acquisition has established a long-term, stable and close cooperation between the Group and Kenford with strategic meaning. With 21 modern Chinese medicine clinics in Hong Kong, Kenford possesses extensive offline operation experience and precisely targets at market demand in terms of store location selection, focus of consultation business and products development, thereby achieving smooth operation and profitability. Business under Kenford is rooted in Hong Kong community, including Chinese medicine consultation business, self-developed and sales of health products and the provision of health check service to citizens. Leveraging on strong customer loyalty, comprehensive service portfolio and physical network with coverage of basic level community in Hong Kong, Kenford opens up more possibilities in terms of the Group's business segment, and also secures stable revenue for offline business. In 2020, the Group utilized Kenford's physical stores as the offline distribution points of our self-produced masks, while Kenford also launched self-developed anti-epidemic products to the market to join hands in combat of the virus. Apart from that, the Group and Kenford also commenced cooperation with Beijing Guorun Jiuhe Health Technology Co., Ltd. ("**Guorun Jiuhe**") regarding jointly building a comprehensive body constitution health solution using the traditional Chinese medicine and an online A.I. based treatment assistant system for the purpose of enhancing consumers' health experience.

Technological Presentation of Anti-Counterfeiting Lottery and Multi-Applications of "Internet Plus"

During the period under review, the Group has entered into strategic cooperation framework agreement with Beijing Cai-Yan Technology Co., Ltd. ("**CY Technology**"), pursuant to which, both parties extensively applied anti-counterfeiting devices for product packaging and online anti-counterfeiting information verification platform into the market. Such act hopes to offer comprehensive solutions to the immature anti-counterfeiting industry in China, aiming to cover insufficiencies of the prevailing technology in the market with scientific, highly efficient and unique anti-counterfeiting traceability solutions. Subsequent to the period under review, anti-counterfeiting devices for product packaging (patent number: ZL 201921449828.X) ("**Anti-counterfeiting Traceability**") and its accessories and components as well as anti-counterfeiting devices for packaging (patent number: ZL 2019 2 1579150.7) ("**Anti-counterfeiting Device(s)**") have obtained the patent certification of the National Intellectual Property Administration. Upon obtaining the authorization to use the two aforesaid patents, the Group and CY Technology exerted efforts on creating an integrated anti-counterfeiting solution with "anti-counterfeiting" and "marketing" functions, which is characterized for encouraging consumers to take the initiatives in verification and formulating a habit of verification among consumers. Marketing and promotion functions of online anti-counterfeiting information platform drives product sales and also boosts the demand for

Anti-counterfeiting Devices among merchants. The demand closed-loop effect helps to drive market demand for anti-counterfeit comprehensive solution. The Group will promote the solutions to different industries to achieve market penetration.

Outlook

During the year under review, the Group captured special opportunity by prompt decision-making, and proactively explored local medical supplies sector in Hong Kong, in particular the manufacture of personal protective equipment, as a pioneer. The manufacture and sale of personal protective equipment has become a new profitable segment of the Company. Through the cooperation with governmental departments and large corporations, the Group secures a stable channel with sizable demand and the sales network was rapidly established. Subsequent to the period under review, the Group has entered into product sales agreements with a branch of PetroChina Company Limited (the “**PetroChina Branch**”) and TEDA Filters Co., Ltd. (“**TEDA Filters**”) to secure quality and stable source of meltdown fabric. Stable raw material supply formulates a strong support and guarantee the Group’s high-end mask products of various models and quality grades. In the future, the Group will put our established commercial network into full play and together with our mass production to acquire larger market share, build up our brand image and establish our presence in the market in long run.

In view of the emergence of Hong Kong personal protective equipment industry, to alleviate industry difficulties of the shortage of respective professionals and lack of technological support, the Group, FHKI and VTC co-organized the “Smart Manufacturing Training Programme for PPE Industry”. Attendees learn about the respective theories and practices to effectively secure the efficiency and quality of the production process. From a long-term development perspective, cooperation among the Group, the Government, official associations and industry peers will drive the market into a more mature stage. Well-developed industry norms and product quality assurance help Hong Kong personal protection industry to establish a good image, while enhance international confidence and attract foreign consumers.

After the period under review, two patents have been granted on the anti-counterfeiting devices for product packaging that has been applied in the anti-counterfeit comprehensive solution, and it is a suitable time for its market launch and application. The Group will set up a large-scale technology applications R&D and marketing team to provide strong support to the lottery/anti-counterfeiting business segment from the front line to the back end. Our target users are those large-scale enterprises in the high value-added tobacco, alcohol and medicine industries with relatively strong consumer demand, high spending amount, and high anti-counterfeiting requirements, and we will promote the full commercialization of anti-counterfeit comprehensive solution.

Looking back this year, the Group has explored the values for the existing businesses and created new opportunities through setting up a new business segment. We look forward that we could maintain our dominance and expand revenue stream in the medical supplies sector, while capture the tremendous room of development in the lottery/anti-counterfeiting sector in the future, thereby bringing fruitful return to our Shareholders.

Extracts from Independent Auditor’s Report

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 30 June 2020.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group sustained net current liabilities and net liabilities amounted to approximately HK\$191,696,000 and HK\$73,385,000 respectively as at 30 June 2020 and the Group incurred a loss of approximately HK\$163,990,000 for the year then ended. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. Our opinion is not modified in respect of this matter.

Financial Review

During the year ended 30 June 2020, the Group recorded revenue of HK\$165.9 million, representing an increase of 281% over the revenue of HK\$43.5 million for the same period in 2019, while gross profit for the period of HK\$44.7 million represented an increase of 88% over gross profit of HK\$23.7 million in the corresponding period in 2019. Revenue substantially increased as the result of the company drive the new business on manufacturing and distribution of personal protective equipment and high demand on the supply chain services for medical devices and supplies. Increase in gross profit was due to the contribution from new business growth momentum.

The Group recorded a loss attributable to equity holders of HK\$161.1 million for the year under review, representing an increase of 244% over the loss attributable to the equity holders for the same period in 2019 (2019: HK\$46.8 million). The major reasons for the increase of the loss attributable to equity holders are mainly due to the effects of additional operating costs and expenses incurred to strengthen the Group's operation for new business needs and impairment losses on goodwill were made for the Year 2020 as compared with the Year 2019.

Segmental Information

Lottery-related services business remains smooth during the reporting period. During the reporting period, the revenue of the Lottery-related services recorded HK\$5.0 million, representing a decrease of 76% over the same period of the last financial year. The gross profit recorded HK\$1.2 million with the margin of 24% for the reporting period comparing with 70% for the same period of the last financial year. Details of further development of lottery-related services business are stated in the outlook of the "Business Review".

Internet plus services business recorded steady growth as the result of high demand on the supply chain services for medical devices and supplies during the second half of the reporting period. In the Internet Plus services business, the revenue of solutions services and supply chain services recorded HK\$Nil million and HK\$128.8 million respectively, representing an increase of over 8.6 times in total revenue over the same period of the last financial year. The gross profit recorded HK\$27.6 million with the margin of 21% for the reporting period comparing with 40% for the same period of the last financial year. Details of the further development of internet plus services business are stated in the outlook of the "Business Review".

In the second half of the reporting period, the Group developed new business segment on the manufacturing and distribution of personal protective equipment. During the reporting period, the revenue of the personal protective equipment recorded HK\$32.1 million and the gross profit recorded HK\$15.9 million with the margin of 49%. It is expected that the revenue generated from personal protective equipment would be one of the engine for business growth in the forthcoming years. Details of further development of personal protective equipment business are stated in the outlook of the "Business Review".

Goodwill and Intangible Assets

During the reporting period, goodwill amounting to approximately HK\$131.4 million (2019: HK\$65.1 million) were determined to be impaired, in which approximately HK\$4.5 million (2019: HK\$45.9 million), HK\$84.6 million (2019: Nil) and HK\$42.3 million (2019: HK\$19.2 million) were attributable to lottery related services cash generating unit, internet plus supply chain services cash generating unit and internet plus solution services cash generating unit respectively. In addition, intangible assets of approximately HK\$1.6 million (2019: HK\$2.8 million) were determined to be impaired, in which was attributable to the Group's internet plus services contract. The recoverable amount of the cash generating units is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and a long-term average growth rate. The recoverable amount of the cash generating units was with reference to the calculations performed by an independent appraisal valuer, ROMA Appraisals Limited. Details of the relevant assumptions and impairment assessment on goodwill of the Group is set out in Note 13 to the Consolidated Financial Statements of this announcement.

The Directors considered that the goodwill attributable to the lottery related services cash generating unit was impaired as the traditional lottery segment believed to reach certain market saturation. There will be business contraction on lottery business and the revenue of lottery related services will decline in the upcoming financial budgets. The Directors considered that the goodwill attributable to the internet plus supply chain services cash generating unit was impaired as the suspension part of the internet plus supply chain business. The Directors considered that the goodwill attributable to the internet plus solutions services cash generating unit was impaired as the budgeted revenue of the cash generating units for the acquisition of subsidiaries will decline as such services agreement will not be renewed.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2020, the Group's bank balances and cash amounted to HK\$6.7 million (2019: HK\$6.6 million) which were mainly held in HK\$ and RMB. Current assets amounted to HK\$62.1 million (2019: HK\$41.3 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK\$253.8 million (2019: HK\$189.4 million), mainly comprising of trade payables, accruals and other payables, amounts due to directors, convertible bonds, unlisted warrants, other borrowing and contingent consideration payable. As at 30 June 2020, the gearing ratio of the Group was 55% on the basis of the Group's total interest-bearing borrowings divided by total assets (2019: 39%).

Commitments

The Group had capital commitments of HK\$1.5 million and operating lease commitments of HK\$Nil from operations as at 30 June 2020 (30 June 2019: capital commitments of HK\$Nil and operating lease commitments of HK\$2.0 million respectively).

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 2020 (30 June 2019: Nil). No assets of the Group was pledged as securities to any third parties as at 30 June 2020 (30 June 2019: Nil).

Capital Structure

During the reporting period, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to holders of the Company, comprising issued share capital and reserves. As at 30 June 2020, the total number of issued share capital of the Company was 4,289,724,633 Shares.

On 11 June 2020, the Company allotted and issued a total of 180,869,565 consideration shares at the issue price of HK\$0.23 per consideration share under general mandate.

Convertible Bonds

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

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

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

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

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

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

As at 30 June 2020, no CBs has been converted into Shares by the bondholder or redeemed by the Company.

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

During the Year 2020, the Group carried out the acquisition of associate as follows:

Termination of the Previous Agreement in relation to the Acquisition of 25% of the Equity Interests in the Target Company and Discloseable Transaction in relation to the Acquisition of 40% of the Equity Interests in the Target Company involving Issue of the Consideration Shares under General Mandate

The Termination

On 12 December 2019 (after trading hours), Ms. Choi Man Yun, Marian (“**Ms. Choi**”), Ms. Kong Lai Ying (“**Ms. Kong**”), Mr. Lau Chi Wing James (“**Mr. Lau**”) and Mr. Cheung Wan Yu (“**Mr. Cheung**”) (collectively the “**Vendors**”) and Sinopharm Tech Corporate Management Limited (formerly known as China Vanguard Corporate Management Limited) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, entered into a deed of termination (the “**Deed of Termination**”), pursuant to which they have mutually agreed that with effect from the date of the Deed of Termination, the sale and purchase agreement dated 5 June 2019 entered into between the Vendors and the Purchaser (the “**Previous Agreement**”) shall be terminated, and the parties shall be released and discharged from their respective duties, responsibilities and obligations under the Previous Agreement.

The Acquisition

On 12 December 2019 (after trading hours), the Purchaser and the Vendors entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the sale shares (the “**Sale Shares**”) in Ever Development Holdings Limited (the “**Target Company**”), which represents 40% of the equity interests in the Target Company, for a consideration of HK\$41.6 million (the “**Consideration**”). The Consideration will be settled by the allotment and issue of 180,869,565 ordinary shares of HK\$0.0125 each in the share capital of the Company (the “**Consideration Share(s)**”) by the Company to the Vendors under the general mandate at the issue price of HK\$0.23 per Consideration Share (the “**Acquisition**”) within 30 trading days following the completion of the Acquisition which shall take place within 15 business days following the fulfilment of all the conditions precedent. The Target Company provides one-stop comprehensive medical and health services.

The Vendors undertake to the Company that, within 3 months from the date of the allotment and issue of the Consideration Shares to the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreement, the Vendors shall not sell, dispose of (including creating encumbrance thereon) or agree to sell or dispose of any Consideration Share. The Consideration Shares shall be kept in the custody of the Purchaser and shall be released to the Vendors upon expiry of the lock-up period.

Pursuant to the Sale and Purchase Agreement, the Vendors will guarantee and undertake to the Purchaser that the audited net profit after taxation of each year ending 31 December 2020 and 31 December 2021 shall not be less than HK\$13,000,000 or the audited net profit after taxation shall in aggregate be not less than HK\$26,000,000 for the two years ending 31 December 2021 (the “**Profit Guarantee**”). If the Vendors cannot achieve the Profit Guarantee, the Vendors agreed to make a compensation to the Purchaser by cash payment. The maximum compensation obligation of each Vendor shall be equivalent to HK\$24,960,000, multiplied by the original shareholding of such Vendor in the Target Company as at 12 December 2019 and immediately before the completion of the Acquisition (the “**Original Shareholding**”).

If the Target Company achieves an audited net profit after taxation of HK\$15,000,000 or above for the year ending 31 December 2020, the Purchaser will grant a performance award, to be settled by the allotment and issue of additional consideration shares by the Company, to the Vendors. Such award is an one-off award, and each of the Vendors shall receive his or her award in proportion to their respective Original Shareholding. The maximum number of the additional consideration shares to be allotted and issued to the Vendors is 55,652,174 Shares (the “**Additional Consideration Shares**”), thus the maximum number of the Consideration Shares and the Additional Consideration Shares the Vendors can acquire under the Sale and Purchase Agreement is 236,521,739 in aggregate.

All the conditions precedent under the Sale and Purchase Agreement have been fulfilled, and the completion of the sale and purchase of the Sale Shares took place on 3 June 2020. On 11 June 2020, an aggregate of 180,869,565 Consideration Shares was allotted and issued to the Vendors at the issue price of HK\$0.23 per Consideration Share under the general mandate in accordance with the Sale and Purchase Agreement. In proportion to the number of the Sale Shares transferred by each of the Vendors to the Purchaser, 120,278,261 Shares, 34,365,217 Shares, 17,182,609 Shares and 9,043,478 Shares were respectively allotted and issued to Ms. Choi, Ms. Kong, Mr. Lau and Mr. Cheung as full settlement of the Consideration.

Details for the above transaction were disclosed in the Company's announcements dated 12 December 2019, 3 June 2020 and 11 June 2020.

Save as disclosed above, the Group did not make any significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

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

Employees and Remuneration Policies

As at 30 June 2020, the Group had 213 (2019: 59) 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\$23 million (2019: HK\$17 million).

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

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 30 June 2020 (2019: Nil).

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

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

CONNECTED TRANSACTION INVOLVING ALLOTMENT AND ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 2 April 2020, the Company and Mr. CHAN Ting (the “**Subscriber II**”) entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber II has conditionally agreed to subscribe for, 800,000,000 new Shares (the “**Subscription Share(s)**”) at the subscription price of HK\$0.20 per Subscription Share under specific mandate (the “**Subscription**”).

The Directors were of the view that the Subscription represented an opportunity for the Company to raise capital for the development and expansion of the existing lottery-related, internet plus services and mask production business of the Group and to capture potential investment opportunities when such opportunities arise.

The aggregate nominal value of the 800,000,000 Subscription Shares was HK\$10,000,000. The closing price per Share as quoted on the Stock Exchange on 2 April 2020, being the date of the Subscription Agreement, was HK\$0.228.

The gross proceeds and the net proceeds (after deducting professional fees and other related expenses) from the Subscription will be HK\$160.0 million and approximately HK\$159.7 million respectively. On such basis, the net price of each Subscription Share is approximately HK\$0.20. It was intended that the net proceeds from the Subscription will be utilised as follows: (i) 45% of the net proceeds, i.e. approximately HK\$72.0 million, for the development and expansion of the existing lottery-related and internet plus services business; (ii) 30% of the net proceeds, i.e. approximately HK\$48.0 million, for the development and expansion of the existing mask production business of the Group; (iii) 15% of the net proceeds, i.e. approximately HK\$24.0 million, for repayment of debt; and (iv) 10% of the net proceeds, i.e. the remaining balance of approximately HK\$15.7 million, for general working capital of the Group.

As at the date of the Subscription Agreement, as the Subscriber II was an executive Director and the chief executive officer of the Company and a director of Best Frontier Investments Limited, the Subscriber II was a connected person of the Company under the GEM Listing Rules. Therefore, the entering into of the Subscription Agreement and the transactions contemplated thereunder constituted a connected transaction for the Company and was subject to independent Shareholders’ approval under Chapter 20 of the GEM Listing Rules. The 800,000,000 Subscription Shares represent approximately 15.72% of the issued share capital of the Company immediately upon completion of the Subscription (assuming there is no change to the issued share capital of the Company from the 16 June 2020 and prior to completion of the Subscription) as enlarged by the Subscription.

The Subscription Agreement and the transactions contemplated thereunder were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 8 July 2020. Pursuant to the Subscription Agreement, completion of the Subscription is conditional upon and subject to all the conditions precedent being fulfilled or waived on or before 30 June 2020 (the “**Long Stop Date**”). On 16 June 2020, the parties to the Subscription Agreement entered into the supplemental agreement to extend the Long Stop Date to 31 July 2020 (or such later date as the parties may agree in writing). On 31 July 2020, the parties to the Subscription Agreement entered into the second supplemental agreement to further extend the Long Stop Date to 28 August 2020 (or such later date as the parties may agree in writing). On 28 August 2020, the parties to the Subscription Agreement entered into the third supplemental agreement to further extend the Long Stop Date to 30 September 2020 (or such later date as the parties may agree in writing). Save as aforesaid, all other terms and conditions of the Subscription Agreement shall remain unchanged.

Details of the above connected transaction were disclosed in the Company’s announcements dated 2 April 2020, 16 June 2020, 31 July 2020 and 28 August 2020 and the Company’s circular dated 19 June 2020. Up to the date of this announcement, the conditions precedent for completion of the Subscription have not been fully fulfilled. Therefore, the Subscription may or may not proceed.

EVENTS AFTER REPORTING PERIOD

There has been no important event affecting the Group since the end of the year ended 30 June 2020.

CORPORATE GOVERNANCE

Corporate Governance Practice

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) during the year ended 30 June 2020, except for the following deviations which are summarized below:

Code Provision A.4.1

One of the non-executive Directors of the Company (the “**NED**”) and the independent non-executive Directors of the Company (the “**INED(s)**”) were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the Articles of Association. The Company does not consider that fixed terms on the Directors’ services are appropriate given that the Directors ought to be committed to representing the long-term interests of the Shareholders. The retirement and re-election requirements of the NED and INEDs have given the rights to the Shareholders to consider and approve the continuation of the NED’s and INEDs’ offices.

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

Directors' Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding Directors' securities transaction in respect of the Shares. Having made specific enquiries, the Company has confirmed with all the Directors that they have complied with the required standards as set out in the Code of Conduct throughout the year ended 30 June 2020.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three INEDs, namely, Mr. LAU Fai Lawrence (appointed on 23 January 2020), Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred (appointed on 20 November 2019). Mr. TO Yan Ming Edmond passed away on 28 August 2019 while Mr. YANG Qing Cai retired on 20 November 2019. Mr. LAU was appointed as the chairperson of the Audit Committee. The major duties and functions of the Audit Committee are (i) to review the financial information of the Company; (ii) to review the accounting policies, financial position and results, financial reporting system, and risk management and internal control systems of the Group; (iii) to oversee the relationship between the Company and the external auditors; and (iv) to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditors as well as their term of appointment. During the year ended 30 June 2020, the Audit Committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to consider the re-appointment of auditors of the Company; and (iii) to review the audited annual results and unaudited quarterly and interim results.

The audited consolidated results of the Group for the year ended 30 June 2020 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.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on the preliminary announcement.

By order of the Board
Sinopharm Tech Holdings Limited
國藥科技股份有限公司

CHAN Ting

Executive Director and Chief Executive Officer

Hong Kong, 29 September 2020

As at the date of this announcement, the Board comprises Madam CHEUNG Kwai Lan, Mr. CHAN Ting as executive Directors, Mr. CHAN Tung Mei and Dr. CHENG Yanjie as non-executive Directors and Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred as independent non-executive Directors.

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