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 2021

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 2021 ("**Year 2021**"), together with the comparative audited figures for the preceding financial year ("**Year 2020**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	**Year ended 30-6-2021 *HK$'000***	Year ended 30-6-2020 *HK$'000*
Revenue	*5*	**77,813**	165,934
Cost of sales and services		**(56,929)**	(121,281)
Gross profit		**20,884**	44,653
Other income and gains	*6*	**4,978**	11,223
Impairment loss on doubtful receivables		**(12,856)**	(2,628)
Impairment loss on assets	*7*	**(33,834)**	(133,058)
Loss on settlement of contingent consideration payable		**(10,796)**	—
Selling and distribution expenses		**(5,208)**	(4,791)
Administrative and operating expenses		**(63,274)**	(63,183)
Finance costs	*8*	**(14,546)**	(18,154)
Share of profits of associates		**3,588**	558
Loss before tax	*9*	**(111,064)**	(165,380)
Income tax credit	*10*	**558**	1,390
Loss for the year		**(110,506)**	(163,990)
Loss for the year attributable to:			
Equity holders of the Company		**(106,340)**	(161,075)
Non-controlling interests		**(4,166)**	(2,915)
		(110,506)	(163,990)

	Notes	Year ended 30-6-2021 HK$'000	Year ended 30-6-2020 HK$'000
Loss for the year		**(110,506)**	(163,990)
Other comprehensive income/(expenses) for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of overseas operations		**167**	(547)
Total comprehensive expenses for the year		**(110,339)**	(164,537)
Total comprehensive expenses for the year attributable to:			
Equity holders of the Company		**(106,566)**	(161,205)
Non-controlling interests		**(3,773)**	(3,332)
		(110,339)	(164,537)

	Notes	Year ended 30-6-2021 HK Cents	Year ended 30-6-2020 HK Cents
Loss per share attributable to equity holders of the Company	*12*		
Basic		**(2.47)**	(3.91)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30-6-2021 HK$'000	30-6-2020 HK$'000
Non-current assets			
Property, plant and equipment		**17,116**	16,388
Right-of-use assets		**9,519**	14,742
Goodwill	*13*	**12,305**	46,139
Intangible assets		**27**	41
Financial assets at fair value through other comprehensive income		**—**	—
Interests in joint ventures		**—**	—
Interests in associates		**45,663**	42,075
Deposits for acquisition of property, plant and equipment		**1,630**	6,686
		86,260	126,071
Current assets			
Inventories		**4,745**	7,459
Trade receivables	*14*	**14,314**	22,376
Other receivables, deposits and prepayments	*15*	**23,102**	25,521
Bank balances and cash		**7,482**	6,746
		49,643	62,102
Current liabilities			
Trade payables	*16*	**41,513**	33,607
Accruals and other payables	*17*	**59,352**	53,710
Amounts due to directors		**54,318**	33,318
Amounts due to related parties		**13,119**	15,598
Lease liabilities		**4,150**	4,890
Convertible bonds		**87,041**	89,170
Derivative financial liabilities		**—**	—
Unlisted warrants		**—**	1,880
Other borrowing		**13,260**	15,600
Contingent consideration payable		**—**	5,343
Tax liabilities		**124**	682
		272,877	253,798
Net current liabilities		**(223,234)**	(191,696)
Total assets less current liabilities		**(136,974)**	(65,625)

	Notes	**30-6-2021**	30-6-2020
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities		**3,582**	7,760
Deferred tax liabilities		**—**	—
		3,582	7,760
Net liabilities		**(140,556)**	(73,385)
Capital and reserves			
Share capital		**55,050**	53,621
Reserves		**(193,930)**	(126,701)
Capital deficiency attributable to equity holders of the Company		**(138,880)**	(73,080)
Non-controlling interests		**(1,676)**	(305)
Total capital deficiency		**(140,556)**	(73,385)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, comprising the Company and its subsidiaries, the directors of the Company have given consideration to the future liquidity of the Group in light of the Group's net current liabilities and net liabilities of HK$223,234,000 and HK$140,556,000 respectively at 30 June 2021. As at 30 June 2021, the Group had convertible bonds payable with principal amounts of HK$89,625,000 (carrying amounts of HK$87,041,000) 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$11,231,000 respectively (included in accruals and other payables), amounts due to directors amounted to HK$54,318,000, amounts due to related parties amounted to HK$13,119,000 and other borrowing amounted to HK$13,260,000 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 directors and the beneficial shareholders of the Company, Madam Cheung Kwai Lan, and Mr. Chan Ting, have agreed to provide financial support to extent of HK$60,000,000 to the Company, if required, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

(b) The Group owed Mr. Chan Ting and Madam Cheung Kwai Lan, amounted to HK$7,449,000 and HK$40,553,000 respectively as at 30 June 2021. In the event that the settlement of the outstanding balances due to them is not materialised, Mr. Chan Ting and Madam Cheung Kwai Lan have agreed not to demand for repayment of the all of amounts due to them by the Group until the Group has adequate working capital for repayment. In addition, Mr. Chan Ting and Madam Cheung Kwai Lan have also agreed that in the event that the settlement of the outstanding balance is materialised, they will not demand for repayment the remaining balances of the amounts due to them by the Group until the Group has adequate working capital for repayment.

(c) On 30 August 2021, the convertible bonds in the aggregate principal amount of HK$50,000,000 (the "**First Convertible Bonds**") were issued to the First Subscriber (the "**Subscription**") as all the conditions precedent as set out in the First Subscription Agreement have been fulfilled. Management of the Company is of the view that it is probable that completion of the issue of the convertible bonds with the principal amount of HK$50,000,000 under the Second Subscription Agreement will take place on or before 19 October 2021.

(d) On 14 September 2021, 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 further extended to 31 December 2022.

(e) The holder of the convertible bonds extended the maturity date of the bonds to 17 January 2022 and not to request repayment of the bonds before 17 January 2023.

(f) The directors will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while business usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processed and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets under acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The application of the amendments had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

4. SEGMENT INFORMATION

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

(a) Provision of lottery-related services

(b) Provision of internet plus services

- Solution services: Provision of internet related solution services
- Supply chain services: Provision of supply chain management, data analysis and related services and trading of goods through internet platform

(c) Manufacturing and distribution of personal protective equipment: Manufacture and sale of personal protective equipment and consumables

(d) Other services

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

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

Year ended 30 June 2021

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

Year ended 30 June 2020

	Lottery-related services HK$'000	Internet plus Solution services HK$'000	Internet plus Supply chain services HK$'000	Manufacturing and distribution of personal protective equipment HK$'000	Other services HK$'000	Total HK$'000
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	5,027	—	128,780	32,127	—	165,934
Segment gross profit	1,226	—	27,550	15,877	—	44,653
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	(11,149)	(50,356)	(65,035)	13,882	(8)	(112,666)
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						(15,690)
Loss before tax						(165,380)
Income tax credit						1,390
Loss for the year						(163,990)

(b) Segment assets and liabilities

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

At 30 June 2021

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

At 30 June 2020

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

(c) Other segment information

In respect of year ended 30 June 2021

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

In respect of year ended 30 June 2020

	Lottery-related services HK$'000	Internet plus		Manufacturing and distribution of personal protective equipment HK$'000	Other services HK$'000	Unallocated HK$'000	Total HK$'000
		Solution services HK$'000	Supply chain services HK$'000				
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
Impairment loss on doubtful trade receivables	—	2,628	—	—	—	—	2,628
Amortisation of intangible assets	—	6,572	—	—	—	22	6,594

(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 30-6-2021	Year ended 30-6-2020
	HK$'000	*HK$'000*
PRC	**1,936**	10,792
Hong Kong	**75,877**	155,142
	77,813	165,934

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**	
	30-6-2021	30-6-2020	**30-6-2021**	30-6-2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**20,457**	18,095	**249**	5,391
Hong Kong	**65,803**	107,976	**9,865**	11,295
	86,260	126,071	**10,114**	16,686

Revenue from major products and services

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

	Year ended 30-6-2021	Year ended 30-6-2020
	HK$'000	*HK$'000*
Lottery-related services	**1,936**	5,027
Internet plus services (solution)	**—**	—
Internet plus services (supply chain)	**12,445**	128,780
Manufacturing and distribution of personal protective equipment	**63,432**	32,127
Other services	**—**	—
	77,813	165,934

(e) Information about major customers

Revenue from customers for the year ended 30 June 2021 contributing over 10% of the total revenue of the Group is as follows:

	Year ended 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Customer A — Provision of internet plus services (supply chain)	**N/A**	70,819
Customer B — Provision of manufacturing and distribution protective equipment	**43,564**	N/A

Revenue from customer A for the year ended 30 June 2021 did not contribute 10% or more to the Group's revenue for the year. Revenue from customer B 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 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Point in time		
Internet plus services (supply chain)		
— Trading of goods	**12,445**	113,405
Manufacturing and distribution of personal protective equipment	**63,432**	32,127
	75,877	145,532
Over time		
Lottery-related services	**1,936**	5,027
Internet plus services (supply chain)		
— Provision of services	**—**	15,375
	1,936	20,402
Total	**77,813**	165,934

Based on the historical pattern, the directors of the Company are of the opinion that the income from lottery related services, internet plus services supply chain 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 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Interest income	**1**	4
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
Gain on lapse of unlisted warrants	**1,880**	—
Exchange gains, net	**—**	468
Gain on disposal of right-of-use assets	**129**	—
Gain on deregistration of subsidiaries	**244**	—
Government subsidies*	**1,809**	1,872
Packing income	**340**	—
Others	**575**	27
	4,978	11,223

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

7. IMPAIRMENT LOSS ON ASSETS

	Year ended 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Impairment loss on:		
— goodwill *(Note 13)*	**33,834**	131,415
— intangible assets	**—**	1,643
	33,834	133,058

8. FINANCE COSTS

	Year ended 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Interest on:		
— convertible bonds	**10,313**	15,667
— other borrowing	**2,791**	2,090
— lease liabilities	**1,442**	397
	14,546	18,154

9. LOSS BEFORE TAX

	Year ended 30-6-2021 *HK$'000*	Year ended 30-6-2020 *HK$'000*
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
— Directors' fees, wages and salaries	**24,982**	30,508
— Retirement benefits scheme contributions	**877**	993
— Equity-settled share-based payment	**1,875**	2,166
Total staff costs	**27,734**	33,667
Cost of services	**1,790**	4,292
Cost of inventories sold	**55,139**	116,989
Auditors' remuneration	**850**	895
Depreciation of property, plant and equipment	**5,311**	1,124
Depreciation of right-of-use assets	**5,127**	1,551
Amortisation of intangible assets	**16**	6,594
Loss on disposal of property, plant and equipment	**26**	357
Loss on amendment of terms of convertible bonds	**50**	—
Loss on settlement of contingent consideration payable	**10,796**	—
Expenses relating to short-term leases	**3,890**	—
Impairment loss on receivables:		
— trade receivables *(Note 14)*	**8,074**	2,628
— other receivables *(Note 15)*	**4,782**	—
Write off of asset included in administrative and operating expenses:		
— property, plant and equipment	**4,601**	—
— inventories	**1,658**	—
Exchange losses, net	**167**	—
Equity-settled share-based payment not included in staff costs	**2,421**	6,099

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 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Current year		
— Hong Kong Profits Tax	**—**	(663)
Over provision in prior years		
— Hong Kong Profits Tax	**558**	—
Current tax credit/(expense)	**558**	(663)
Deferred tax credit	**—**	2,053
Income tax credit for the year	**558**	1,390

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 June 2020: 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 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Loss before tax	**(111,064)**	(165,380)
Tax at the applicable tax rate	**(19,755)**	(27,844)
Tax effect of expenses that are not deductible for tax purposes	**19,066**	26,497
Tax effect of income that is not taxable for tax purposes	**(4,128)**	(2,692)
Tax effect of tax losses not recognised	**5,799**	4,778
Utilisation of tax losses not previously recognised	**(123)**	(1,299)
Tax concession	**—**	(165)
Tax effect of temporary differences not recognised	**(859)**	(727)
Over provision in previous years	**(558)**	—
Others	**—**	62
Income tax credit	**(558)**	(1,390)

11. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2021, nor has any dividend been proposed since the end of the reporting date (Year ended 30 June 2020: 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 30-6-2021 ***HK$'000***	Year ended 30-6-2020 *HK$'000*
Loss for the year for the purpose of basic loss per share		
Loss for the year attributable to the equity holders of the Company	**(106,340)**	(161,075)

	Year ended 30-6-2021 ***'000***	Year ended 30-6-2020 *'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,299,491**	4,118,739

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

	HK$'000
COST	
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	313,289
ACCUMULATED IMPAIRMENT	
At 1 July 2019	135,735
Impairment loss recognised for the year *(Note 7)*	131,415
At 30 June 2020 and 1 July 2020	267,150
Impairment loss recognised for the year *(Note 7)*	33,834
At 30 June 2021	**300,984**
CARRYING AMOUNTS	
At 30 June 2021	**12,305**
At 30 June 2020	46,139

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

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Lottery-related services	**12,305**	12,305
Internet plus solution services	**—**	—
Internet plus supply chain services	**—**	33,834
	12,305	46,139

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

	Year ended	Year ended
	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Impairment loss recognised on goodwill allocated to:		
— Lottery-related services	**—**	4,495
— Internet plus solution services	**—**	42,354
— Internet plus supply chain services	**33,834**	84,566
	33,834	131,415

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% per annum (30 June 2020: increased by 5% to 6% for the first four years and 5% per annum for the fifth year), and cash flow projection of the CGU beyond the five-year period has been extrapolated using a steady of 2% (30 June 2020: 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 17.0% (30 June 2020: 18.7%). 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.

No impairment loss was recognised on goodwill in respect of the current year. For the prior year ended 30 June 2020, based on the value in use of the CGUs of lottery-related services which was estimated to be carrying amount of HK$12,305,000 at 30 June 2020, impairment loss amounting to HK$4,495,000 was recognised on the relevant goodwill in respect of the prior 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 prior year ended 30 June 2020, no revenue was derived from the Group's business of internet plus solution services for that year. Under those circumstances, the management was of the view that it was highly uncertain whether the Group's operations of internet plus solution services would be profitable in the foreseeable future, accordingly, considered it appropriate to recognise impairment losses amounted to HK$42,354,000 and HK$1,643,000 (Note 13) on the goodwill allocated to this cash-generating unit and the related intangible assets respectively in profit or loss in respect of the prior year ended 30 June 2020.

Internet plus supply chain services

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

For the prior year ended 30 June 2020, the impairment assessment of the goodwill allocated to the group of CGU regarding internet plus supply chain services was summarised as follows:

— The recoverable amount of this group of CGU had 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 was 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 estimated discount rates using pre-tax rates that reflected current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs were based on past practices and expectations of future changes in market.

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

— Management of the Group believed 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 was estimated to be HK$33,834,000, impairment loss amounted to HK$84,566,000 was recognised on the relevant goodwill attributable to this group of CGUs. Management of the Group was 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 prior year.

14. TRADE RECEIVABLES

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Trade receivables	**93,767**	93,027
Less: Impairment	**(79,453)**	(70,651)
Trade receivables, net of impairment	**14,314**	22,376

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:

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
0 to 30 days	**4,468**	2,456
31 to 60 days	**822**	330
61 to 180 days	**34**	190
181 to 365 days	**594**	16,507
Over one year	**87,849**	73,544
	93,767	93,027

The trade receivables with the carrying amount of HK$4,468,000 (30 June 2020: HK$2,456,000) 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 2021, the Group made an allowance of HK$8,074,000 (30 June 2020: HK$2,628,000) 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:

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Balance at the beginning of the year	**70,651**	68,208
Charge for the year *(Note 9)*	**8,074**	2,628
Exchange realignment	**728**	(185)
Balance at the end of the year	**79,453**	70,651

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$1,672,000 (30 June 2020: HK$3,374,000) 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:

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
0 to 30 days	**850**	284
31 to 60 days	**822**	284
61 to 180 days	**—**	284
181 to 365 days	**—**	850
Over one year	**—**	1,672
	1,672	3,374

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Other receivables	**33,748**	28,012
Less: Impairment	**(21,494)**	(16,236)
Other receivables, net of impairment	**12,254**	11,776
Deposits for purchase of goods for resale	**5,790**	5,790
Other deposits paid	**15,295**	16,844
Less: Impairment	**(11,852)**	(11,852)
Deposits paid, net of impairment	**9,233**	10,782
Prepayments	**1,615**	2,963
	23,102	25,521

Movements in impairment of other receivables are as follows:

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Balance at the beginning of the year	**16,236**	16,420
Charge for the year *(Note 9)*	**4,782**	—
Exchange realignment	**476**	(184)
Balance at the end of the year	**21,494**	16,236

Included in other receivables, less impairment, are the amount due from a related party and consideration receivable for the disposal of subsidiaries to HK$3,078,000 (30 June 2020: HK$2,808,000) and Nil (30 June 2020: HK$2,500,000) respectively, which is unsecured, interest free and repayable on demand. Impairment loss on consideration receivable for the disposal of subsidiaries amounted to HK$2,500,000 was recognised in profit or loss in respect of the current year (Year ended 30 June 2020: Nil).

Movements in impairment of deposits paid are as follows:

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Balance at beginning and end of the year	**11,852**	11,852

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:

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
0 to 30 days	**67**	9,617
31 to 120 days	**12,601**	23,568
121 to 180 days	**20,637**	403
181 to 365 days	**481**	—
Over one year	**7,727**	19
	41,513	33,607

17. ACCRUALS AND OTHER PAYABLES

	30-6-2021	30-6-2020
	HK$'000	*HK$'000*
Consideration for acquisition of subsidiaries payable *(Note a)*	**22,000**	22,000
Amount due to non-controlling interest *(Note b)*	**1,307**	1,192
Amounts due to third parties *(Note c)*	**1,905**	—
Interest on convertible bonds payable	**11,231**	3,246
Contract liabilities *(Note d)*	**7,308**	12,677
Accrued salaries	**3,920**	7,860
Other accrued charges	**11,681**	6,735
	59,352	53,710

Notes:

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

During the prior year ended 30 June 2020, the due date for the settlement of the consideration payable amounted to HK$22,000,000 was further extended to 31 December 2021. On 14 September 2021, the Group obtained a written consent from the previous owner of the subsidiaries, that the due date for settlement of the amendment of the consideration payable was further extended to 31 December 2022.

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

(c) The amounts due to third parties are unsecured, interest free and repayable on demand.

(d) Contract liabilities represent advance payments received from customers for sale of goods. When the customer initially purchases the goods, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer. The contract liabilities at 30 June 2021 is expected to be recognised as revenue of the Group for the next financial year. The contract liabilities at 30 June 2020 amounted to HK$6,353,000 was recognised as revenue of the Group for the current year.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Business Review

The pandemic has disrupted the normal growth of the global economy and affected a wide range of businesses. The Group reviewed and optimized its business structure from time to time to minimize the negative impact on revenue due to the pandemic and reasonably allocated resources to maximize profitability and explored business opportunities amidst the difficulties.

Anti-counterfeiting Business

For the anti-counterfeiting business, the Group is carrying out marketing on Guoke Anti-counterfeiting Innovative Products in the PRC and exploring business opportunities from its application in the retail consumer goods. As there is a huge demand from the public for consumer goods with effective anti-counterfeiting features and from corporate users for anti-counterfeiting products, the Group leverages its unique anti-counterfeiting products to help enhance the level of the anti-counterfeiting effectiveness for existing consumer goods so as to capture market share. Commercial contracts have been signed with corporate users in various industries, which is expected to bring huge growth potential for the Group in the coming future.

Guoke Anti-counterfeiting Innovative Products Features

Guoke Anti-counterfeiting Innovative Products of the Group are applicable to consumer goods in various industries, such as agricultural products, tea leaves, cosmetics, tobacco, alcohol and medicines. The four main features of Guoke Anti-counterfeiting Innovative Products are "anti-counterfeiting", "credibility", "marketing" and "social responsibility", while anti-counterfeiting packaging and online anti-counterfeiting information verification platform are its core, with "Trio Code" ("三碼合一") technology indicates a more robust anti-counterfeiting security performance. Guoke Anti-counterfeiting Innovative Products are not only an anti-counterfeiting product, but also an excellent linkage between brand owners and consumers as well as an innovative means for brand owners to maintain and market to their customers. The stickiness of customers will sustainably be maintained after the purchase. The unique elements of Guoke Anti-counterfeiting Innovative Products and the redemption settings encourage consumers to take the initiative in verification and form a habit of verification to protect their own rights. The stimulating effect of the marketing function on sales volume, resulting in a win-win situation for both brand owners and consumers.

Patents in Guoke Anti-counterfeiting Innovative Products

During the year under review, the Group obtained rights of use on two patents from Ficus, the patent holder, for anti-counterfeiting packaging device for products and anti-counterfeiting packaging device for adhesive parts (collectively, the "**Patented Technologies**"). After the period under review, the Group also signed licensing and master service agreement with Ficus and were legally granted the right to use and sell Guoke Anti-counterfeiting Innovative Products with Patented Technologies in PRC. The Group also received professional support from Ficus for the entire design, production and customization process of Guoke Anti-counterfeiting Innovative Products, thus the Group owns a comprehensive resource pool. In 2021, Patented Technologies were awarded with the Gold Award in publicity, printing and packaging category in International Exhibition of Inventions Geneva, the world's largest innovation exhibition. The Group is confident in commercializing the Patented Technologies authorizations in boosting revenue, and the legal protection enables the Group to develop more freely in the anti-counterfeiting market.

The Group's anti-counterfeiting business team has completely established the entire chain from obtaining Patent Technologies authorization, linkage between various suppliers in the production process, exploring potential customers to the launch of finished products. The task of building and maintenance of the back-end of information technology platform of Guoke Anti-counterfeiting Innovative Products will be carried out continuously, and the core technology platform will further strengthen the protection of the product. The Group has completed the closed loop of the overall business model, and the orders on-hand of Guoke Anti-counterfeiting Innovative Products have achieved breakthrough, while commercial contracts have already been signed with corporate users from three industries, namely tea leaves, natural food and cosmetics e-commerce platform as of the reporting period, thus realizing the application in multiple industries and regions. The contracted corporate users were situated in the eastern and western sides of the PRC and our products are expected to spread across various provinces. With the nationwide circulation of consumer goods spreading their influence in more places, while the customization service makes Guoke Anti-counterfeiting Innovative Products up for the challenges in terms of different situations.

The Group has made strategic adjustments to our management to assemble our advantages. The Board appointed Mr. LIAO as an executive director and the chief operating officer of the Company and Mr. CHEUK as an executive director of the Company. Mr. LIAO has served for a company under Tencent Holdings Limited, having more than 10 years of extensive experience in the Internet industry, e-commerce and payment business projects, while Mr. CHEUK has more than 10 years of experience in the lottery industry and technological innovation and application. The Group believes that the valuable experience from Mr. LIAO and Mr. CHEUK can be leveraged with the Group's business experience and innovation in order to create a market-adaptive, efficient and feasible business model for the Group's anti-counterfeiting business.

"Internet Plus" Business

The Group's "Internet Plus" business segment aims to provide efficient and convenient solutions for different industries, such as interactive marketing solutions that can be effectively adapted to fit different scenarios. Under the impact of the pandemic, the ecosystem of e-commerce has changed and the "Internet Plus" supply chain business faced turmoil. The Group leverages its accumulated business experience for flexible deployment to adapt itself to the new norm, and establishes the momentum and direction for business development therefrom.

Personal Protective Equipment Business

In 2020, the Group has devoted resources in helping to resolve the shortage of personal protective equipment in Hong Kong with the target of high standard in placed the product quality and safety as priority and formulated a highly efficient, mature and stable production chain within one year, and quickly established a personal protective equipment business unit from scratch. Two of the production lines of the Group were approved for funding under the "Local Mask Production Subsidy Scheme", which have successfully fulfilled the government procurement orders of 48 million medical masks. In addition to selling to official organizations and corporate customers, the medical masks, which are available in a number of colours and patterns and in compliance with different specification standards, have also been sold to the retail market to contribute revenue to the Group.

During the year under review, the Group supported the re-industrialization in Hong Kong. In September 2020, the Group signed a memorandum of understanding with the Federation of Hong Kong Industries ("**FHKI**") and the Vocational Training Council ("**VTC**") to jointly organize the "Smart Manufacturing Training Programme for Personal Protection Equipment Industry" programme (the "**SMT Programme**"). Through the collaboration with industry leaders, the Group will be able to contribute its exploration experience to the industry.

Kenford Medical Group Company Limited ("**Kenford**"), an associate of the Group, currently operates 20 Chinese medicine chain clinics in Hong Kong, providing one-stop modern Chinese medicine services. During the period under review, Kenford operated steadily and contributed profit of approximately HK$3.6 million to the Group.

Future Outlook

The Group's anti-counterfeiting business has tremendous growth potential in PRC and the Group will systematically promote multi-region business expansion, strengthen its marketing capabilities and expand its customer network to promptly capture market share of the industries that has market potential, and improve the revenue of the business segment. Under the pandemic, there will be risk of fluctuation in the cost of raw materials. The Group will control costs from the origin. The marketing team will strategically select targeted industries to capture a high amount of new orders to contribute a continuous source of income to the Group, leading to a higher level of profitability as a result.

According to the Qianzhan Industry Institute (前瞻產業研究院), the market size of China's anti-counterfeiting industry reached US$26 billion in 2020, of which the market size of "Internet +" anti-counterfeiting industry was US$13.4 billion with a growth rate as high as 54% within 2 years. In such a rapidly developing industry, it is expected that Guoke Anti-counterfeiting Innovative Products will provide the industry with new insights, enhance the industry to the next level, resolve issues such as lack of uniqueness, credibility, traceability, and has the possibility of forming new industry standards that can help companies gain trust from consumers and stay ahead of the competition in the market.

For the personal protective equipment business, the Group will be more prudent and will review the business operation, cash flow levels and achievement of profitability targets constantly and plan its production operations in a flexible manner. The management believes that, after the consolidation period in the local mask industry in Hong Kong, the Group shall still be able to maximize revenue with its high-quality medical mask products and flexible management practices.

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 2021.

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 2021, 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$223,234,000 and HK$140,556,000 respectively as at 30 June 2021 and the Group incurred a loss of approximately HK$110,506,000 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 2021, the Group recorded revenue of HK$77.8 million, representing an decrease of 53% over the revenue of HK$165.9 million for the same period in 2020, while gross profit for the period of HK$20.9 million represented an decrease of 53% over gross profit of HK$44.7 million in the corresponding period in 2020. Decrease in revenue as the result of changes in the e-commerce ecosystem under the impact of the pandemic and one of services contract with online platform has not been renewed for rendering Internet plus supply chain services and the Management Service Agreement which providing business management and consulting services to Sino-TCM was suspended. Decrease in gross profit was due to the same reasons as decrease in revenue.

The Group recorded a loss attributable to equity holders of HK$106.3 million for the year under review, representing an decrease of 34% over the loss attributable to the equity holders for the same period in 2020 (2020: HK$161.1 million). The major reasons for the decrease of the loss attributable to equity holders mainly due to the effects of less impairment losses on goodwill were made for the Year 2021 as compared with the Year 2020 and contribution from the share of profit of associates.

Segmental Information

Lottery-related services business remains smooth during the reporting period. During the reporting period, the revenue of the Lottery-related services recorded HK$1.9 million, representing a decrease of 62% over the revenue of HK$5.0 million for the same period of the last financial year. The gross profit recorded HK$0.2 million with the margin of 8% for the reporting period comparing with 24% for the same period of the last financial year. Details of further development of lottery-related services business are stated in the "Business Review" of this announcement.

Internet plus services business recorded a decrease in overall revenue as the result of no renewal of online platform services contract and suspension of Management Service Agreement with Sino-TCM. In the Internet Plus services business, the revenue of solutions services and supply chain services recorded HK$Nil million and HK$12.4 million respectively, representing an decrease of 90% in total revenue over the same period of the last financial year. The gross profit recorded HK$7.4 million with the margin of 59% for the reporting period comparing with 21% for the same period of the last financial year. Details of the further development of internet plus services business are stated in the "Business Review" of this announcement.

In 2020, 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$63.4 million, representing a increase of 97% over the same period of the last financial year. The gross profit recorded HK$13.4 million with the margin of 21% for the reporting period comparing with 49% for the same period of the last financial year. Details of further development of personal protective equipment business are stated in the "Business Review" of this announcement.

Goodwill and Intangible Assets

During the reporting period, goodwill amounting to approximately HK$33.8 million (2020: HK$131.4 million) were determined to be impaired, in which approximately HK$Nil million (2020: HK$4.5 million), HK$Nil million (2020: HK$42.3 million) and HK$33.8 million (2020: HK$84.6 million) were attributable to lottery related services cash generating unit, internet plus solution services cash generating unit and internet plus supply chain services cash generating unit respectively. In addition, intangible assets of approximately HK$Nil million (2020: HK$1.6 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 are set out in Note 13 to the Consolidated Financial Statements of this announcement.

The Directors considered that the goodwill attributable to the lottery related services cash generating unit was impaired in last financial year in 2020 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 solutions services cash generating unit was impaired in last financial year in 2020 as the budgeted revenue of the cash generating units for the acquisition of subsidiaries will decline as such services agreement will not be renewed. The Directors considered that the goodwill attributable to the internet plus supply chain services cash generating unit was impaired for the year ended 30 June 2021 as the suspension part of the internet plus supply chain business contract and Management Service Agreement with Sino-TCM.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2021, the Group's bank balances and cash amounted to HK$7.5 million (2020: HK$6.7 million) which were mainly held in HK$ and RMB. Current assets amounted to HK$49.6 million (2020: HK$62.1 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK$272.9 million (2020: HK$253.8 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 2021, the gearing ratio of the Group was 74% on the basis of the Group's total interest-bearing borrowings divided by total assets (2020: 55%).

Commitments

The Group had capital commitments of HK$Nil million from operations as at 30 June 2021 (30 June 2020: capital commitments of HK$1.5 million).

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 2021 (30 June 2020: Nil). No assets of the Group was pledged as securities to any third parties as at 30 June 2021 (30 June 2020: 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 2021, the total number of issued share capital of the Company was 4,403,983,734 Shares.

On 29 April 2021, the Company allotted and issued a total number of 55,652,174 additional consideration shares at the issue price of HK$0.23 per additional consideration share under general mandate granted to the Directors at the annual general meeting of the Company held on 20 November 2020 (the "**General Mandate**"). On 30 June 2021, the Company allotted and issued a total number of 58,606,927 loan capitalisation shares at the issue price of HK$0.26 per loan capitalisation share under the General Mandate.

Convertible Bonds

Convertible Bonds due on 17 January 2022

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

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

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

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

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

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

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

As at 30 June 2021, 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 2021, the Group carried out the acquisition of associate as follows:

Discloseable and Connected Transaction in relation to the Acquisition of 25% of the Equity Interests in the Target Company involving Issue of the Consideration Shares under Specific Mandate

On 17 February 2021 (after trading hours), China Success Enterprises Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and Sharp Associate Limited (the "**Vendor**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the sale shares (the "**Sale Shares**"), which represented 25% of the entire issued share capital of Rich General Limited (the "**Target Company**") upon completion of the reorganisation of 深圳細葉榕科技控股有限公司 Shenzhen Xiyerong Technology Holdings Ltd. (the "**SZCo**") (the "**Acquisition**").

The consideration (the "**Consideration**") for the Sale Shares would be HK$200 million, which should be settled by the Purchaser procuring the Company to allot and issue a maximum of 714,285,714 ordinary shares (the "**Consideration Share(s)**") of HK$0.0125 each in the share capital of the Company to the Vendor (or its nominee(s)) at the price of HK$0.28 per Consideration Share in three tranches when meeting the guaranteed profit targets.

The Acquisition presents the Group a timely opportunity to maximize its market share in the field of anti-counterfeiting in the PRC utilizing the legal protection of the patents registered and held by the SZCo, being (i) Anti-counterfeit Packaging Device for Products (商品防偽用包裝裝置) (registration numbers: ZL 2019 2 1449828. X and 3229334 in the PRC and Japan, respectively) and Anti-counterfeit Packaging Device for Adhesive Parts (粘附件及其組件、防偽用包裝裝置) (registration numbers: ZL 2019 2 1579150. 7 and 3229631 in the PRC and Japan, respectively). The settlement of the Consideration for the Acquisition was linked with the financial performance of the Target Company and its subsidiaries whereby payment of the Consideration would be made against the achievement of the applicable guarantee profit over the course of 3 years. The Group had no cash outlay for payment of the Consideration as payment was entirely by allotment and issuance of Consideration Shares. Pursuant to the Sale and Purchase Agreement, the Purchaser was entitled to exercise a right to purchase part or all of the remaining issued shares of the Target Company within three years following completion of the Acquisition (the "**Completion**").

As at the date of the Sale and Purchase Agreement, the Vendor was beneficially owned as to 75% by Ms. Woo, Theresa who is in turn the spouse of Mr. Chan Ting, an executive Director, the chairperson of the Board and the chief executive officer of the Company, and accordingly was a connected person of the Company. As such, the entering into of the Sale and Purchase Agreement constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and the transactions contemplated thereunder (including the granting of the specific mandate) were subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Consideration Shares represent approximately 14.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, subject to the Completion and assuming that there will be no other changes in the issued share capital of the Company.

On the same date, being 17 February 2021 (after trading hours), 深圳國科防偽科技有限公司 (transliterated as Shenzhen Guoke Anti-Counterfeit Technology Company Limited), an indirect wholly-owned subsidiary of the Company, and SZCo entered into a licensing and master service agreement (the "**CCT Agreement**"). Completion of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement and the effectiveness of the CCT Agreement were inter-conditional upon each other.

As the conditions precedent set out in the Sale and Purchase Agreement and the CCT Agreement were not fully fulfilled (or as the case may be, waived) on or before the long stop date on 30 June 2021, the transactions contemplated under each of the Sale and Purchase Agreement and the CCT Agreement have lapsed and would not proceed.

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 2021, the Group had 73 (2020: 213) 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$22 million (2020: HK$23 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 2021 (2020: 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**"), who was a connected person of the Company under the GEM Listing Rules, entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber 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.

As the conditions precedent set out in the Subscription Agreement were not fully fulfilled on or before the extended long stop date on 31 October 2020, on 30 October 2020, the Subscriber and the Company mutually agreed to enter into a termination agreement to terminate the Subscription Agreement, which was supplemented by the supplemental agreement, the second supplemental agreement, the third supplemental agreement and the fourth supplemental agreement to extend the long stop dates. The rights and obligations of the parties hereto shall cease and determine and thereafter none of the parties shall have any claim against the other. The Board was of the view that the termination of the Subscription Agreement will not have any material adverse effect on the financial position and business operations of the Group.

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

On 8 June 2021 (after trading hours), the Company and each of Mr. CHAN Ting (the "**First Subscriber**"), Madam CHEUNG Kwai Lan (the "**Second Subscriber**") and Ms. NG Pik Yin (the "**Third Subscriber**") (the "**Subscriber(s)**"), each a connected person, entered into a loan capitalisation agreement (the three agreements are referred to as the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement, collectively the Loan Capitalisation Agreements and each a Loan Capitalisation Agreement) pursuant to which they conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 133,705,046 Shares (the "**Loan Capitalisation Shares**") (the First Subscriber: 23,076,923 Loan Capitalisation Shares; the Second Subscriber: 89,166,585 Loan Capitalisation Shares; the Third Subscriber: 21,461,538 Loan Capitalisation Shares) at the subscription price of HKD0.26 each (the "**LC Subscription Price**") under the general mandate (the "**General Mandate**") granted to the Directors at the annual general meeting of the Company held on 20 November 2020. The subscription amount payable by the First Subscriber, the Second Subscriber and the Third Subscriber under the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement respectively shall be satisfied by capitalising the outstanding principal amount under the loans owing by the Company to the respective Subscribers (the "**Loan Capitalisation**").

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

The aggregate nominal value of the 133,705,046 Loan Capitalisation Shares is HKD1,671,313.08. The net issue price, after deduction of relevant expenses, is estimated to be approximately HK$0.26 per Loan Capitalisation Share. The closing price per Share as quoted on the Stock Exchange on 8 June 2021, being the date of the Loan Capitalisation Agreements was HK$0.26.

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

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

Details of the above connected transactions were disclosed in the Company's announcements dated 8 June 2021, 24 June 2021 and 17 September 2021 and the circular dated 23 September 2021, convening an extraordinary general meeting on 11 October 2021 to approve the above connected transactions. Up to the date of this announcement, the conditions precedent for completion of the Loan Capitalisation under the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement respectively have not been fully fulfilled. Therefore, the Loan Capitalisation may or may not proceed.

LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 8 June 2021 (after trading hours), the Company and each of Mr. CHAN Man Leung (the "**Fourth Subscriber**") and Mr. ZHANG Xiao Feng (the "**Fifth Subscriber**") (the "**Subscriber(s)**") entered into a loan capitalisation agreement (the two agreements are referred to as the Fourth Loan Capitalisation Agreement and the Fifth Loan Capitalisation Agreement, collectively the Loan Capitalisation Agreements and each a Loan Capitalisation Agreement) pursuant to which they conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 58,606,927 Shares (the "**Loan Capitalisation Shares**") (the Fourth Subscriber: 6,653,846 Loan Capitalisation Shares; the Fifth Subscriber: 51,953,081 Loan Capitalisation Shares) at the LC Subscription Price under the General Mandate. The subscription amount payable by the Fourth Subscriber and the Fifth Subscriber under the Fourth Loan Capitalisation Agreement and the Fifth Loan Capitalisation Agreement respectively shall be satisfied by capitalising the outstanding principal amount under the loans owing by the Company to the respective Subscribers (the "**Loan Capitalisation**").

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

The aggregate nominal value of the 58,606,927 Loan Capitalisation Shares is HKD732,586.59. The net issue price, after deduction of relevant expenses, is estimated to be approximately HK$0.26 per Loan Capitalisation Share. The closing price per Share as quoted on the Stock Exchange on 8 June 2021, being the date of the Loan Capitalisation Agreements was HK$0.26.

The Fourth Subscriber and the Fifth Subscriber are not connected persons and not any of the associates of the connected persons of the Company. Therefore, the Fourth Loan Capitalisation Agreement and the Fifth Loan Capitalisation Agreement are not subject to the independent shareholders' approval at the extraordinary general meeting.

Details of the above transactions were disclosed in the Company's announcements dated 8 June 2021 and 24 June 2021.

On 30 June 2021, the Company allotted and issued a total number of 58,606,927 Loan Capitalisation Shares at the LC Subscription Price of HK$0.26 per Loan Capitalisation Share to the Fourth Subscriber and the Fifth Subscriber under the General Mandate pursuant to the Fourth Loan Capitalisation Agreement and the Fifth Loan Capitalisation Agreement respectively. The net proceeds of approximately HK$15.2 million has been utilized as intended.

EVENTS AFTER REPORTING PERIOD

Continuing Connected Transactions in Relation to the Licensing and Master Service Agreement

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

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

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

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

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

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

Details of the CCT II were disclosed in the announcement of the Company dated 5 July 2021.

Issue of Convertible Bonds

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

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

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

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

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

All the conditions precedent as set out in the First Subscription Agreement have been fulfilled and the completion took place on 30 August 2021. Upon the completion, the convertible bonds in the aggregate principal amount of HK$50,000,000 (the "**First Convertible Bonds**") were issued to the First Subscriber (the "**First Subscription**"). The net proceeds from the First Subscription, after deduction of expenses, was approximately HK$50,000,000.

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

As at the date of this announcement, the conditions precedent for completion of the Second Subscription Agreement have not been fully fulfilled. Therefore, the subscription contemplated under the Second Subscription Agreement may or may not proceed. As at the date of this announcement, no First Convertible Bonds has been converted into the Shares by the First Subscriber or redeemed by the Company.

Save as disclosed above, there has been no important event affecting the Group since the end of the year ended 30 June 2021.

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 2021, except for the following deviations which are summarized below:

Code Provision A.2.1

From 1 July 2020 to 6 January 2021, the roles of the chairperson and chief executive officer were separate and not performed by the same individual. The chairperson of the Company is responsible for overseeing the functions of the Board and formulating the overall strategies and policies of the Company. The chief executive officer of the Company is responsible for the day-to-day management of the business of the Group, implementing major strategies, making day-to-day decisions and the overall coordination of business operations. From 7 January 2021, the roles of the chairperson and chief executive officer have not been separate and have not been exercised by different individuals. The responsibilities of both roles are same as mentioned above. The Board considers that vesting the roles of chairperson and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive officer when necessary.

Code Provision A.4.1

The non-executive Directors of the Company (the "**NED(s)**") 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 NEDs and INEDs have given the rights to the Shareholders to consider and approve the continuation of the NEDs' 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 2021.

AUDIT COMMITTEE

For the year and up to the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprised three INEDs, namely, Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred. Mr. LAU has been appointed as the chairperson of the Audit Committee. The major duties and functions of the Audit Committee are (i) to review the financial information of the Company; (ii) to review the accounting policies, financial position and results, financial reporting system, and risk management and internal control systems of the Group; (iii) to oversee the relationship between the Company and the external auditors and (iv) to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditors as well as their term of appointment. During the year ended 30 June 2021, the Audit Committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to consider the re-appointment of auditors of the Company; and (iii) to review the audited annual results and unaudited quarterly and interim results.

The Group's audited consolidated results for the year ended 30 June 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2021 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
Chairperson

Hong Kong, 29 September 2021

As at the date of this announcement, the Board comprises Mr. CHAN Ting, Mr. LIAO Zhe and Mr. CHEUK Ka Chun Kevin as executive Directors, Madam CHEUNG Kwai Lan 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.