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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Reference is made to the annual report (the “**Annual Report**”) of Sinopharm Tech Holdings Limited (the “**Company**”) for the year ended 30 June 2021 (the “**Relevant Period**”). Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the Company would like to provide the Shareholders and the potential investors of the Company with further information on the impairment loss on goodwill and the share award scheme for the Relevant Period.

IMPAIRMENT LOSS ON GOODWILL

Value of inputs, basis and key assumptions

Internet plus supply chain services CGU

For the Internet plus supply chain services CGU, as a result of the pandemic of Coronavirus Disease 2019, business development of Sinopharm Traditional Chinese Medicine Co., Ltd (“**Sino-TCM**”) has been practically suspended and has also caused the provision of Internet plus supply chain services to Sino-TCM being suspended. The Company is of the view that the recoverable amount of the CGU is minimal with HK\$Nil amount on the cash flow projections and considers it appropriate to recognize the remaining balance of the goodwill allocated to this group of CGU amounted to HK\$33,834,000 in profit or loss of the Group for the Relevant Period.

Lottery-related services CGU

As disclosed in Note 21 to the consolidated financial statements on page 134 of the Annual Report, the value of inputs, together with the basis and key assumptions for valuation, are as follows:

	2021	2020
Gross profit margin	26%	27%
Average growth rate	5%	5%
Long-term growth rate	2%	3%
Discount rate	17.0%	18.7%

In this relation, the independent appraisal valuer, ROMA Appraisals Limited adopted a normal debt-to-equity ratio from comparable companies for the long-term valuation, and the Directors considered that a prudent gross profit margin and average growth rate should be adopted to reflect the actual market trend. As at 30 June 2021, the Group assessed the recoverable amount of the lottery-related services CGU with reference to the VIU (as defined below) calculation based on cash flow projection of the Group. The calculation uses cash flow projection based on the financial budgets approved by the Directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 2% long-term growth rate. Such growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The Directors determined the budgeted gross profit margin and growth rate based on the past performance and the anticipated market development. Whereas the discount rate used is pre-tax and reflects specific risks relating to the lottery-related services CGU. In this relation, the Company adopted the weighted average cost of capital as the discount rate with reference to the yield rate of the 10-year China government bond, the market premium in China stock market and the public financial information of several market comparables engaged in similar business in the PRC.

Underlying reason(s) for any significant change(s) in the value of inputs, basis and key assumptions

As disclosed in Management Discussion and Analysis on page 8 of the Annual Report, the underlying reasons for the change in the value of inputs, basis and key assumptions used in the valuation for the impairment loss on Internet plus supply chain services CGU for the Relevant Period as compared with that of the year ended 30 June 2020 is the suspension of the Management Service Agreement with Sino-TCM. As a result of the pandemic of Coronavirus Disease 2019, business development of Sino-TCM has been practically suspended and has also caused the provision of Internet plus supply chain services to Sino-TCM being suspended. Therefore, the revenue generated from the Management Service Agreement is HK\$Nil for the year ended 30 June 2021 and the cash flow projection is HK\$Nil for the Internet plus supply chain services CGU.

There are no any significant changes in the value of the inputs or assumptions used in the valuation for the lottery-related services CGU for the Relevant Period as compared with that of the year ended 30 June 2020.

Reason(s) for adopting the Valu-In-Use (“VIU”) method

The Company has adopted the VIU method for determining the recoverable amount of the CGUs. The VIU calculation is based on the estimated future cash flows expected to be derived from the asset or CGU discounted to its present value that reflects current market assessments of the time value of money and the risks specific to the asset or CGU taking into consideration of the financial budgets approved by the Directors, which, as the Directors considers, is the most suitable method for the assessment on the recoverable amount of the CGUs. There are no subsequent changes in the valuation method used.

SHARE AWARD SCHEME

In addition to the information disclosed in Note 46 to the consolidated financial statements on page 161 of the Annual Report, the Company has not adopted a new share award scheme after the expiry of the old scheme adopted on 24 January 2005 and valid for 10 years.

The above additional information does not affect other information contained in the Annual Report. Save as disclosed in this announcement, all other information contained in the Annual Report remained unchanged.

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

Hong Kong, 18 January 2022

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

This announcement will remain on the “Latest Listed Company Information” page of the 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.