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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 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 (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.*

RESULTS

The board of Directors of the Company (the “**Board**”) announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 31 December 2021 (the “**Period 2021**”), together with the selected comparative unaudited figures for the corresponding period in 2020 (the “**Period 2020**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2021

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	3	10,051	9,146	11,730	55,200
Costs of sales and services		(7,820)	(2,313)	(9,137)	(35,648)
Gross profit		2,231	6,833	2,593	19,552
Other income and gains	3	6,495	600	15,265	2,065
Selling and distribution expenses		(456)	(135)	(620)	(4,666)
Administrative and operating expenses		(11,019)	(14,194)	(24,791)	(25,444)
Share of profits of associates		3,185	2,115	3,247	3,881
Operating profit/(loss)		436	(4,781)	(4,306)	(4,612)
Finance costs	4	(4,439)	(5,351)	(9,071)	(10,015)
Loss before tax	5	(4,003)	(10,132)	(13,377)	(14,627)
Income tax credit	6	—	127	—	—
Loss for the period		(4,003)	(10,005)	(13,377)	(14,627)
Loss for the period attributable to:					
Equity holders of the Company		(4,108)	(9,505)	(13,503)	(14,140)
Non-controlling interests		105	(500)	126	(487)
		(4,003)	(10,005)	(13,377)	(14,627)

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		31 December		31 December	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive (expenses)/ income for the period, net of tax:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of financial statements of overseas operations		<u>281</u>	<u>(843)</u>	<u>43</u>	<u>244</u>
Total comprehensive expenses for the period		<u>(3,722)</u>	<u>(10,848)</u>	<u>(13,334)</u>	<u>(14,383)</u>
Total comprehensive expenses for the period attributable to:					
Equity holders of the Company		<u>(3,974)</u>	<u>(10,640)</u>	<u>(13,607)</u>	<u>(14,253)</u>
Non-controlling interests		<u>252</u>	<u>(208)</u>	<u>273</u>	<u>(130)</u>
		<u>(3,722)</u>	<u>(10,848)</u>	<u>(13,334)</u>	<u>(14,383)</u>
Loss per share attributable to equity holders of the Company					
Basic	7	<u>(HK0.09 cents)</u>	<u>(HK0.22 cents)</u>	<u>(HK0.30 cents)</u>	<u>(HK0.33 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		(Unaudited) 31 December 2021	(Audited) 30 June 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		10,466	17,116
Right-of-use assets		3,920	9,519
Goodwill		12,305	12,305
Intangible assets		321	27
Interests in joint ventures		—	—
Interests in associates		48,910	45,663
Deposits for acquisition of property, plant and equipment		—	1,630
		75,922	86,260
Current assets			
Inventories		5,203	4,745
Trade and other receivables and prepayments	9	59,303	37,416
Bank balances and cash		4,015	7,482
		68,521	49,643
Current liabilities			
Trade payables, accruals and other payables	10	100,301	113,984
Amount due to directors		23,478	54,318
Lease liabilities		1,197	4,150
Convertible bonds	11	89,469	87,041
Other borrowing		—	13,260
Tax liabilities		124	124
		214,569	272,877
Net current liabilities		(146,048)	(223,234)
Total assets less current liabilities		(70,126)	(136,974)

		(Unaudited)	(Audited)
		31 December	30 June
		2021	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Convertible bonds	<i>11</i>	50,253	—
Lease liabilities		478	3,582
		<u>50,731</u>	<u>3,582</u>
Net liabilities		<u>(120,857)</u>	<u>(140,556)</u>
Capital and reserves			
Share capital		56,721	55,050
Reserves		(177,463)	(193,930)
Capital deficiency attributable to equity holders of the Company		(120,742)	(138,880)
Non-controlling interests		(115)	(1,676)
Total capital deficiency		<u>(120,857)</u>	<u>(140,556)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

Except as described below, the principal accounting policies and methods of computation used in the preparation of the unaudited interim consolidated financial statements for the six months ended 31 December 2021 are consistent with the financial statements of the Group for the year ended 30 June 2021.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting period beginning on 1 July 2021. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective.

2. SEGMENT INFORMATION

(a) Segment revenue and results

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

Six months ended 31 December 2021 (Unaudited)

	Internet plus			Manufacturing and distribution of personal protective equipment	Others	Total
	Lottery- related services <i>HK\$'000</i>	Solution services <i>(Note)</i> <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:						
Sales to external customers	832	363	6,090	4,445	—	11,730
Segment results	(136)	(26)	(515)	(731)	—	(1,408)
Unallocated income						15,160
Share of profits of associates						3,247
Unallocated expenses						(21,846)
Finance costs						(8,530)
Loss before tax						(13,377)
Income tax credit						—
Loss for the period						(13,377)
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation and amortization	9	—	—	191	—	200

Six months ended 31 December 2020 (Unaudited)

	Internet plus			Manufacturing and distribution of personal protective equipment	Others	Total
	Lottery- related services	Solution services	Supply chain services			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:						
Sales to external customers	2,476	—	22,768	29,956	—	55,200
Segment results	(533)	(112)	(2,324)	7,097	—	4,128
Unallocated income						762
Share of profits of associates						3,881
Unallocated expenses						(14,955)
Finance costs						(8,443)
Loss before tax						(14,627)
Income tax credit						—
Loss for the period						(14,627)
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation and amortization	137	—	3	896	551	1,587

(b) Segment assets and liabilities

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

As at 31 December 2021 (Unaudited)

		Internet plus		Manufacturing and distribution of		
	Lottery- related services <i>HK\$'000</i>	Solution services <i>(Note)</i> <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	personal protective equipment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets						
Segment assets	4,095	19,347	7,882	45,483	—	76,807
Unallocated assets						<u>67,636</u>
Total assets						<u><u>144,443</u></u>
Liabilities						
Segment liabilities	5,865	23,490	40,323	2,991	—	72,669
Unallocated liabilities						<u>192,631</u>
Total liabilities						<u><u>265,300</u></u>

As at 30 June 2021 (Audited)

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

Note: Including the anti-counterfeiting solution services provided for the Period 2021

3. REVENUE AND OTHER INCOME AND GAINS

The principal activities of the Group are provision of (i) lottery-related services, (ii) internet plus services (solution (*Note a*) 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:

	(Unaudited)	
	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Point in time		
Internet plus services (supply chain)		
— Trading of goods	6,090	22,768
Manufacturing and distribution of personal protective equipment	4,445	29,956
	<u>10,535</u>	<u>52,724</u>
Over time		
Lottery-related services	832	2,476
Internet plus services (solution) (<i>Note a</i>)	363	—
	<u>1,195</u>	<u>2,476</u>
	<u>11,730</u>	<u>55,200</u>
Other income		
Interest income	3	—
Government subsidies	—	1,450
Gain on disposal of subsidiaries	8,680	—
Gain on settlement of loans by shares issued (<i>Note b</i>)	6,418	—
Others	164	615
	<u>15,265</u>	<u>2,065</u>

Notes:

- (a) Including the anti-counterfeiting solution services provided for the Period 2021
- (b) On 8 June 2021, the Company entered into an agreement with connected persons of the Company, pursuant to which the total outstanding balance of HK\$34,763,312 due by the Company to connected persons was settled which was satisfied by 133,705,046 new ordinary shares issued by the Company on 20 October 2021. The fair value of the shares at the date of issue was estimated to be HK\$28,345,470 by reference to the closing share price of the Company's shares at that date. The gain on settlement, which represents the difference between the outstanding balance settled and the fair value of the new ordinary shares issued, amounted to HK\$6,417,842 which was charged to profit or loss in Period 2021.

4. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
— Convertible bonds	8,431	8,345
— Other loans	519	1,415
— Finance lease payment	121	255
	<u>9,071</u>	<u>10,015</u>

5. LOSS BEFORE TAX

	(Unaudited)	
	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax has been arrived at after charging/(crediting):		
Cost of services	6,216	1,284
Cost of inventories sold	2,921	34,364
Equity-settled share-based payments	3,394	2,676
Depreciation of property, plant and equipment	668	1,587
Amortization of intangible assets	—	11
Exchange losses, net	7	28
	<u>7</u>	<u>28</u>

6. INCOME TAX CREDIT

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

	(Unaudited)	
	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current year		
— Hong Kong profits tax	—	—
Deferred tax credit	—	—
	<u>—</u>	<u>—</u>
Income tax (expense)/credit for the period	<u>—</u>	<u>—</u>

For the six months ended 31 December 2021 and 31 December 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

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

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

Loss

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to the equity holders of the Company	<u>(4,108)</u>	<u>(9,505)</u>	<u>(13,503)</u>	<u>(14,140)</u>

Number of shares

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2021	2020	2021	2020
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>4,403,984</u>	<u>4,289,725</u>	<u>4,457,030</u>	<u>4,289,725</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>4,403,984</u>	<u>4,289,725</u>	<u>4,457,030</u>	<u>4,289,725</u>

For the three months and six months ended 31 December 2021, outstanding share options and convertible bonds of the Company are anti-dilutive (Three months and six months ended 31 December 2020: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (Three months and six months ended 31 December 2020: decrease in loss per share).

8. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited) 31 December 2021 <i>HK\$'000</i>	(Audited) 30 June 2021 <i>HK\$'000</i>
Trade receivables	104,711	93,767
Other receivables and prepayments	<u>63,641</u>	<u>56,448</u>
	168,352	150,215
Less: Allowances for doubtful receivables	<u>(109,049)</u>	<u>(112,799)</u>
	<u><u>59,303</u></u>	<u><u>37,416</u></u>

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 180 days of issuance.

The following is an aged analysis of trade receivables at the end of the reporting period:

	(Unaudited) 31 December 2021 <i>HK\$'000</i>	(Audited) 30 June 2021 <i>HK\$'000</i>
0 to 30 days	3,725	4,468
31 to 60 days	3,020	822
61 to 180 days	71	34
181 to 365 days	—	594
Over one year	<u>97,895</u>	<u>87,849</u>
	<u><u>104,711</u></u>	<u><u>93,767</u></u>

10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	(Unaudited) 31 December 2021 <i>HK\$'000</i>	(Audited) 30 June 2021 <i>HK\$'000</i>
Trade payables	39,797	41,513
Accruals and other payables	<u>60,504</u>	<u>72,471</u>
	<u><u>100,301</u></u>	<u><u>113,984</u></u>

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:

	(Unaudited) 31 December 2021 <i>HK\$'000</i>	(Audited) 30 June 2021 <i>HK\$'000</i>
0–30 days	3,329	67
31–120 days	2,800	12,601
121–180 days	18	20,637
181–365 days	7,280	481
Over one year	26,370	7,727
	<u>39,797</u>	<u>41,513</u>

11. CONVERTIBLE BONDS

	(Unaudited) 31 December 2021 <i>HK\$'000</i>	(Audited) 30 June 2021 <i>HK\$'000</i>
Convertible bonds I ^{(Note (i))} :		
— Liability component	89,469	87,041
— Derivative conversion option component	—	—
	<u>89,469</u>	<u>87,041</u>
Convertible bonds II ^{(Note (ii))} :		
— Liability component	50,253	—
— Derivative conversion option component	—	—
	<u>50,253</u>	<u>—</u>
Convertible bonds (I & II):		
— Liability component	139,722	87,041
— Derivative conversion option component	—	—
	<u>139,722</u>	<u>87,041</u>
Classified under current liabilities:		
— Convertible bonds	89,469	87,041
— Derivative financial liabilities	—	—
	<u>89,469</u>	<u>87,041</u>

Notes:

(i) Convertible Bonds I

On 17 January 2014, the Company issued the convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000, which was interest bearing at a rate of 2% per annum, as a general working capital and repayment of borrowings (the “CBs”). The CBs were convertible into ordinary shares of the Company with a conversion price of HK\$2.39 per share. As a result of the share subdivision implemented on 17 December 2014, the number of the shares to be issued upon full conversion of the CBs was adjusted to 150,000,000 shares at the conversion price of HK\$0.598 per share.

The CBs contain liability and equity components. The effective interest rate of the liability component was 13.89% per annum. The equity component is presented under the equity heading of “convertible bonds reserve”.

The fair value of the liability component of the CBs at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

On 18 January 2017, the Company entered into an amendment agreement with the bondholder to amend certain terms and conditions of the CBs. The conversion price was amended from HK\$0.598 per share to HK\$0.359 per share and it could be converted into for the maximum of 249,651,810 shares. The maturity date was extended to 17 July 2017 and a further six months extension to 17 January 2018 upon a written consent from the bondholder. The interest rate was 8% per annum and paid semi-annually from the date of the amendment agreement.

On 18 January 2018, the Company entered into a second amendment agreement with the bondholder, under which the maturity date of the CBs was extended to 17 July 2018 and a further six months extension to 17 January 2019 upon a written consent from the bondholder. Interest was payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

On 17 January 2019, the Company entered into a third amendment agreement with the bondholder, under which the maturity date of the CBs was extended to 17 July 2019 and a further six months extension to 17 January 2020 upon a written consent from the bondholder. Interest was payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

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 Integrated Asset 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, under which the maturity date of the CBs was extended to 17 July 2020 and a further six months extension to 17 January 2021 upon a written consent from the bondholder. Interest is payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

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. Its conversion price shall be amended from HK\$0.34 to HK\$0.221 per conversion share (subject to adjustment), which 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 amendment agreement and transactions contemplated thereunder are subject to the approval of the independent shareholders at the extraordinary general meeting to be held by the Company, and the Stock Exchange approving the Fifth Amendments and the listing of conversion shares arising from the CBs on the Stock Exchange.

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarized as follows:

(a) Principal amount:	HK\$89,625,000
(b) Coupon rate:	8% per annum
(c) Maturity date:	17 January 2021
(d) Adjusted conversion price:	HK\$0.34
(e) Risk-free rate:	1.814%
(f) Expected volatility:	70.13%
(g) Expected dividend yield:	0%

(ii) Convertible Bonds II

On 30 August 2021, the Company issued unlisted convertible bonds to the bondholder due on 21 February 2023 with a principal amount of HK\$50,000,000 at a rate of 7% per annum with interest payable semi-annually in arrears (the “**CBs II**”) for the development and promotion of anti-counterfeiting business of the Group; repayment of loans and other payables; and operating cost and general working capital of the Company. A maximum number of 172,413,793 Shares would be issued by the Company upon full conversion of the CBs II at the initial conversion price of HK\$0.29 per conversion share into fully-paid ordinary shares of the Company.

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarized as follows:

(a) Principal amount:	HK\$50,000,000
(b) Coupon rate:	7% per annum
(c) Maturity date:	21 February 2023
(d) Conversion price:	HK\$0.29
(e) Risk-free rate:	0.096%
(f) Expected volatility:	73.19%
(g) Expected dividend yield:	0%

12. EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any material event affecting the Group since the end of the Period 2021 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The principal activities of the Group are provision of (i) lottery-related services; (ii) Internet Plus services (solution (*Note*) and supply chain); (iii) manufacturing and distribution of personal protective equipment; and (iv) other services.

For the Period 2021, the Group recorded unaudited consolidated revenue of HK\$11.7 million, decreased by 78% against the Period 2020 of HK\$55.2 million. The gross profit ratio decreased to about 22% as compared with 35% for the Period 2020. For the Period 2021, the Group recorded a net loss attributable to the equity holders of HK\$13.5 million, which decreased by 5% from HK\$14.1 million for Period 2020. Loss attributable to equity holders was HK\$4.1 million from the second quarter of the Period 2021, which decreased by 57% from HK\$9.5 million for the Period 2020. Selling and distribution expenses and administrative expenses in the Period 2021 amounted to HK\$25.4 million, which decreased by 16% as compared to HK\$30.1 million in the Period 2020.

SEGMENTAL INFORMATION

Lottery-related services business recorded HK\$0.8 million, representing an decrease of 66% over the same period in 2020. The gross profit recorded HK\$0.7 million with the margin of 92% for the reporting period comparing with 48% for the same period in 2020.

In the Internet Plus services business, the revenue of solutions services and supply chain services recorded HK\$0.4 million and HK\$6.1 million respectively, representing a decrease of 71% over the same period in 2020. The gross profit recorded HK\$0.3 million with the margin of 5% for the reporting period comparing with 22% for the same period in 2020.

Manufacturing and distribution of personal protective equipment business recorded HK\$4.4 million, representing a decrease of 85% over the same period in 2020. The gross profit recorded HK\$1.5 million with the margin of 34% during the reporting period comparing with 45% for the same period in 2020.

Note: Including the anti-counterfeiting solution services provided for the Period 2021

BUSINESS REVIEW

During the period under review, the anti-counterfeiting business of the Group has been progressing smoothly. The products have been delivered and the business has been expanded. The Group successively entered into commercial contracts with a number of corporate users on the provision of Guoke innovative anti-counterfeiting products (“**Guoke Innovative Anti-counterfeiting Products**”), and the cumulative quantity of the commercial contracts exceeded 25 million units per year on average, with the delivery of the first batch of products bringing in revenue of HK\$0.4 million. As the epidemic condition of Covid-19 remains volatile, the personal protective equipment business still made contribution to the revenue of the Group which was driven by a continuous demand for personal protective equipment in the market.

Internet Plus Business

The first batch of Guoke Innovative Anti-counterfeiting Products was delivered in Gansu Province, establishing another milestone for the anti-counterfeiting business. The delivery signifies that the anti-counterfeiting products of the Group have been formally implemented in the market, and the Group recorded revenue of HK\$0.4 million. As such, the Group’s anti-counterfeiting business has completely established a thorough business flow from sales, production to delivery. Following the accumulation of market recognition of Guoke Innovative Anti-counterfeiting Products along with its delivery, the comprehensive and virtuous promotion cycle for Guoke Innovative Anti-counterfeiting Products will bring a sustainable growth for the anti-counterfeiting business of the Group.

Regarding the progress of sales expansion, the Group has entered into commercial contracts with Qinghai Yuteng Trading Co., Ltd. (青海御騰商貿有限責任公司), the general distributor of Anheuser-Busch InBev SA/NV (百威英博啤酒集團) for Qinghai province, Guizhou SME Chamber of Commerce (貴州省中小微企業商會), Qinghai Qinghai-Tibet Bees Thoroughbred Plant (青海青藏蜜蜂良種養殖場), Longnan Biyuchun Trading Co., Ltd. (隴南碧峪春商貿有限責任公司), Xinguo (Shanghai) Information Technology Co., Ltd. (新果(上海)信息科技有限責任公司) and Wenshan Houhong Trading Co., Ltd. (文山厚鴻貿易有限公司) etc. during the period under review, and the cumulative quantity of the commercial contracts for Guoke Innovative Anti-counterfeiting Products exceeded 25 million units per year on average. As of today, the corporate users who entered into commercial contracts with the Group have expanded to seven industries, extending from tea leaves, natural food, cosmetics e-commerce platform as of the last financial year to health food, beer, fruit distribution and health supplements. The geographical coverage of the contracted users included five municipality or provinces of Gansu, Zhejiang, Qinghai, Shanghai and Yunnan. The increase of business not only benefitted from the development of business relationship with users from new industries, but also from the continuous exploration of demand from the industries where our existing corporate users were engaged into.

The Group's strategy to implement commercialization of anti-counterfeiting products across different industries and regions is beginning to bear fruit. In view of the replicable business model nature of Guoke Innovative Anti-counterfeiting Products, the Group is confident in continuing to apply and expand the coverage of Guoke Innovative Anti-counterfeiting Products into various consumer product markets. With rich and increasing experience in working with customers from various industries, the Group can categorize the characteristics of the needs of each industry and the pattern of the cooperation models, which lays a solid foundation for achieving commercialization across industries and regions and strengthens our market position.

Guoke Innovative Anti-counterfeiting Products are patent-protected and have four main features, namely, "anti-counterfeit", "credibility", "marketability" and "social responsibility", and adopt a comprehensive chain of anti-counterfeit system which forms the core of Guoke Innovative Anti-counterfeiting Products together with anti-counterfeit packaging and online anti-counterfeit verification platform. Guoke Innovative Anti-counterfeiting Products can also have various functions and properties depending on different application scenarios, redefining the traditional anti-counterfeit technology and attracting consumers to actively participate in the authentication of products. Through the "Trio Code in One" (三碼合一) entrance, consumers could easily enter the online anti-counterfeit verification platform, forming a closed loop of functions, such as authentication of products and interactive marketing, thus creating a unique marketing angle.

Guoke Innovative Anti-counterfeiting Products enable the fulfilment of Corporate Social Responsibility ("CSR"). The Group, through Guoke Innovative Anti-counterfeiting Products, is providing its customers with the tools to achieve a greater level of CSR. Guoke Innovative Anti-counterfeiting Products internalize two of the most important elements of CSR, namely consumer protection and contribution to social welfare and sports development funds. By leveraging the capabilities of the Guoke Innovative Anti-counterfeiting Products regarding brand protection and brand endorsement, it is expected to support the sustainable development of the brand, invigorate the industries with high-quality development and promote rural vitalization. By using Guoke Innovative Anti-counterfeiting Products, the corporate users will be able to achieve CSR in an effective way. The wide and extensive application of Guoke Innovative Anti-counterfeiting Products in consumer products will take attainment of CSR to a new level. The Group will also be able to achieve and enhance the Group's participation in CSR through supplying Guoke Innovative Anti-counterfeiting Products.

Personal Protective Equipment Business

During the period under review, there is still room for growth with the introduction of new customers. However, as the Group has fulfilled the one-year procurement order of 48 million medical masks under the Local Mask Production Subsidy Scheme launched by the Hong Kong Special Administrative Region Government in the last financial year, personal protective equipment business recorded a temporary decrease in overall revenue during the period under review as a result of this one-off impact.

Lottery-related Business

During the period under review, the Group offered maintenance service for lottery system to customers. At the moment, the traditional lottery business is suffering from contraction.

Future Outlook

The anti-counterfeiting business is the main development direction of the Group. During the period under review, this business made a number of critical progresses, and its products are being sold in western China and the coastal region of Eastern China. Going forward, the Group will further leverage on its existing sales resources, consolidate the customer resources, and leverage the synergy brought by working with cooperation partners, in order to expand its sales network and capture more revenue.

The Group will continue to deploy its existing operating strategy on the personal protective equipment business, focus on cost control, and develop a corresponding promotion plan with an optimistic and prudent attitude under the current stable status of sales.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2021, the Group's bank balances and cash amounted to HK\$4.0 million (30 June 2021: HK\$7.5 million) which were mainly held in HK\$ and RMB. Current assets amounted to HK\$68.5 million (30 June 2021: HK\$49.6 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK\$214.6 million (30 June 2021: HK\$272.9 million), mainly comprising of trade payables, accruals and other payables, amounts due to directors, convertible bonds and other borrowing. As at 31 December 2021, the gearing ratio of the Group was 96% on the basis of the Group's total interest-bearing borrowings divided by total assets (30 June 2021: 74%).

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 31 December 2021, the total number of issued shares of the Company was 4,537,688,780 ordinary shares of HK\$0.0125 each (the "Shares(s)").

On 20 October 2021, the Company allotted and issued a total number of 133,705,046 loan capitalisation shares at the issue price of HK\$0.26 per loan capitalisation share under the general mandate granted to the Directors at the annual general meeting of the Company held on 20 November 2020.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 31 December 2021, the Group did not make any significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures.

FOREIGN EXCHANGE EXPOSURE

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars (“**HK\$**”), Renminbi (“**RMB**”) or United States dollars (“**US\$**”). The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB, HK\$ and US\$ borrowings. As the exchange rate of RMB against HK\$ is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the period. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US\$ and HK\$ exchange rate movement.

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**”) convertible into 172,413,793 Conversion Shares due on 21 February 2023 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. The net proceeds has been applied as to (i) approximately HK\$6.4 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\$15 million for the repayment of loans and other payables; and (iii) the remaining of the net proceeds in the approximate amount of HK\$28.6 million for the operating cost and general working capital of the Company.

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 the conditions precedent for completion of the Second Subscription Agreement have not been fully fulfilled (or as the case may be, waived) on or before the long stop date on 19 October 2021, the subscription of the convertible bonds contemplated under the Second Subscription Agreement have lapsed, determined and been of no further effect. No party shall be liable to the other save and except antecedent breach committed before the termination of the Second Subscription Agreement. Details of the above transactions were disclosed in the announcement of the Company dated 19 October 2021. As at the date of this interim result announcement, no First Convertible Bonds has been converted into the Shares by the First Subscriber or redeemed by the Company.

EVENT AFTER THE REPORTING PERIOD

There has been no important event affecting the Group since the end of the six months ended 31 December 2021.

GENERAL INFORMATION

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

During the six months ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES TO THREE CONNECTED PERSONS UNDER GENERAL MANDATE

As disclosed on P.33 in the annual report 2021, 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 HK\$0.26 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**”).

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, including independent Shareholders' approval 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.

On 11 October 2021, the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement and the subscription contemplated respectively thereunder were approved by the independent Shareholders in the extraordinary general meeting of the Company. Furthermore, all other conditions precedent for completion of the Loan Capitalisation have been fully fulfilled.

On 20 October 2021, the Company allotted and issued a total number of 133,705,046 Loan Capitalisation Shares at the LC Subscription Price of HK\$0.26 per Loan Capitalisation Share to the First Subscriber, the Second Subscriber and the Third Subscriber under the General Mandate pursuant to the First Loan Capitalisation Agreement, the Second Loan Capitalisation Agreement and the Third Loan Capitalisation Agreement respectively. The net proceeds of approximately HK\$34.8 million has been utilized as intended.

Details of the above connected transactions were disclosed in the Company's announcements dated 8 June 2021, 24 June 2021, 17 September 2021, 11 October 2021 and 20 October 2021 and the circular dated 23 September 2021.

COMPETING INTERESTS

As at 31 December 2021, none of the Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 to the GEM Listing Rules (the "**CG Code**") during the six months ended 31 December 2021, except for the following deviation which are summarized below:

Code Provision A.2.1

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. For the six months ended 31 December 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.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding the Directors’ securities transaction in the Shares. Having made specific enquires, the Company has confirmed with all Directors that they have complied with the required standard as set out in the Code of Conduct throughout the period under review.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules and the CG Code. The Audit Committee comprises three INEDs, namely Mr. LAU Fai Lawrence, Dr. LIU Taipei and Mr. CHAU Wai Wah Fred. Mr. LAU Fai Lawrence has been appointed as the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to review the Company’s annual report and accounts, interim report and quarterly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company’s financial reporting, risk management and internal control systems.

The Group's unaudited results for the six months ended 31 December 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

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

Hong Kong, 14 February 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 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.