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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2020**

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Sinopharm Tech Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 September 2020 (the “**Period 2020**”), together with the comparative unaudited figures for the corresponding period in 2019 (the “**Period 2019**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		(Unaudited)	
		Three months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	46,054	50,549
Costs of sales and services		<u>(33,335)</u>	<u>(36,896)</u>
Gross profit		12,719	13,653
Other income and gains		1,465	643
Selling and distribution expenses		(4,531)	(1,592)
Administrative and operating expenses		(11,250)	(12,991)
Share of profits of associates		<u>1,766</u>	<u>—</u>
Operating profit/(loss)		169	(287)
Finance costs		<u>(4,664)</u>	<u>(3,558)</u>
Loss before tax	3	(4,495)	(3,845)
Income tax expense	4	<u>(127)</u>	<u>(807)</u>
Loss for the period		<u><u>(4,622)</u></u>	<u><u>(4,652)</u></u>
Loss for the period attributable to:			
Equity holders of the Company		(4,635)	(4,130)
Non-controlling interests		<u>13</u>	<u>(522)</u>
		<u><u>(4,622)</u></u>	<u><u>(4,652)</u></u>

		(Unaudited)	
		Three months ended	
		30 September	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income/(loss)			
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>1,087</u>	<u>(1,141)</u>
Total comprehensive loss for the period		<u>(3,535)</u>	<u>(5,793)</u>
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		<u>(3,612)</u>	<u>(5,263)</u>
Non-controlling interests		<u>77</u>	<u>(530)</u>
		<u>(3,535)</u>	<u>(5,793)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share attributable to equity holders of the company			
	<i>5</i>		
Basic		<u>(0.11)</u>	<u>(0.10)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2020

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of GEM Listing Rules.

Except as described below, the accounting policies and methods of computation used in the unaudited consolidated financial results for the three months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2020.

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 2020. 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. 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) others services.

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

	(Unaudited)	
	Three months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Point in time		
Internet plus services (supply chain)		
— Trading of goods	17,094	40,086
Manufacturing and distribution of personal protective equipment	28,137	—
	<u>45,231</u>	<u>40,086</u>
Over time		
Lottery-related services	823	1,022
Internet plus services (supply chain)		
— Provision of services	—	9,441
	<u>823</u>	<u>10,463</u>
Total	<u><u>46,054</u></u>	<u><u>50,549</u></u>

3. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	(Unaudited)	
	Three months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of services	463	775
Cost of inventories sold	32,872	36,121
Depreciation of property, plant and equipment	397	213
Depreciation of right-of-use assets	80	—
Amortisation of intangible assets	5	1,648
Interest income	—	(1)
Exchange losses/(gain), net	79	(204)
Interest on convertible bonds	4,112	3,422
	<u><u>4,112</u></u>	<u><u>3,422</u></u>

4. INCOME TAX EXPENSE

For the three months ended 30 September 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% (Period 2019: Nil).

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

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

The calculation of the 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	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period attributable to the equity holders of the Company	<u>(4,635)</u>	<u>(4,130)</u>
Number of shares		
	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>4,289,725</u>	<u>4,108,855</u>

For the three months ended 30 September 2020, outstanding share options and convertible bonds of the Company have been anti-dilutive (three months ended 30 September 2019: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (three months ended 30 September 2019: decrease in loss per share).

6. MOVEMENT OF RESERVES

For the three months ended 30 September 2020

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/(Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2020 (audited)	53,621	2,644,794	1,484	—	8,265	8,194	5,950	(1)	10,184	(2,805,571)	(73,080)	(305)	(73,385)
Loss for the period	—	—	—	—	—	—	—	—	—	(4,635)	(4,635)	13	(4,622)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	1,023	—	—	—	—	1,023	64	1,087
Total comprehensive (loss)/income for the period	—	—	—	—	—	1,023	—	—	—	(4,635)	(3,612)	77	(3,535)
Recognition of equity-settled share-based payments	—	—	—	—	1,407	—	—	—	—	—	1,407	—	1,407
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	1,470	1,470
At 30 September 2020 (unaudited)	53,621	2,644,794	1,484	—	9,672	9,217	5,950	(1)	10,184	(2,810,206)	(75,285)	1,242	(74,043)

For the three months ended 30 September 2019

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/(Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2019 (audited)	51,360	2,610,881	1,484	—	—	8,324	—	(1)	10,184	(2,644,496)	37,736	(497)	37,239
Loss for the period	—	—	—	—	—	—	—	—	—	(4,130)	(4,130)	(522)	(4,652)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	(1,133)	—	—	—	—	(1,133)	(8)	(1,141)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(1,133)	—	—	—	(4,130)	(5,263)	(530)	(5,793)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
At 30 September 2019 (unaudited)	51,360	2,610,881	1,484	—	—	7,191	—	(1)	10,184	(2,648,626)	32,473	(1,027)	31,446

7. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated first quarterly financial statements were approved and authorised for issue by the Board on 12 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For Period 2020, the Group recorded an unaudited consolidated revenue of HK\$46.1 million, decreased by 9% compared to HK\$50.5 million for Period 2019. The gross profit ratio increased to about 28% as compared with 27% for Period 2019. For Period 2020, the Group recorded a net loss attributable to equity holders of HK\$4.6 million, which increased 12% from HK\$4.1 million for Period 2019. Selling and distribution expenses and administrative expenses in Period 2020 amounted to HK\$15.8 million, which increased 8% as compared to HK\$14.6 million in Period 2019. Finance costs for Period 2020 increased 31% to HK\$4.7 million as compared to HK\$3.6 million for Period 2019 relating to increase in imputed finance costs on convertible bonds.

Business Review

During the period under review, the Group's business has progressed stably and positively. Personal protective equipment manufacturing business, which began amidst the challenges imposed by the Coronavirus Disease 2019 pandemic ("**COVID-19 Pandemic**"), has become mature and acted as a major driving force for the Group's revenue. While the Group cooperated with Beijing Cai-Yan Technology Co., Ltd. ("**CY Technology**") to develop anti-counterfeit comprehensive solution ("**Anti-counterfeit Solution**"). Upon acquiring two patent certifications for anti-counterfeiting devices for packaging, the Anti-counterfeit Solution further possesses the qualification for application.

Mature Development of Personal Protective Equipment Business

Personal protective equipment manufacturing business has entered into harvest phase during the period under review. During the previous half year, in the process of operating and managing several cleanrooms and over 20 mask production lines, the Group's self-established and nurtured production management team has accumulated various invaluable experience, hence its management model, production technical know-how, quality control and production process optimization have achieved significant advancement. On the basis of complying with ISO 13485 medical device quality management system standard, the Group's overall manufacturing system has also effectively attained efficiency and quality throughout the whole production process. With the increasing maturity of the Group's personal protective equipment manufacturing system, the Group puts quality control on its top priority. For raw materials procurement, the Group has entered into raw materials procurement contracts with a branch of PetroChina Company Limited (the "**PetroChina Branch**") and TEDA Filters Co., Ltd. ("**TEDA Filters**") to purchase polypropylene meltblown non-woven fabrics (the "**Meltblown Fabric**"). One of the suppliers of the Meltblown Fabric is a branch of PetroChina Company Limited who is the leading company in China's oil and gas industry, while the other supplier of the Meltblown Fabric is a state-owned enterprise and one of the earliest companies specializing in the manufacture of the Meltblown

Fabric in China. Meltblown Fabric supplied to the Group is raw material with high product quality specifications and stable output, while bacterial filtration efficiency and particle filtration efficiency can both be at or above 99% (BFE \geq 99% and PFE \geq 99%), and the finished masks are expected to meet the high standards of ASTM F2100 Level 3, building up a higher defense line for ensuring the Group's product quality.

During the period under review, the Group's two production lines being approved for the application of "Local Mask Production Subsidy Scheme" have complied with the procurement agreement with the government of Hong Kong Special Administrative Region (the "**Government**"), and have already supplied over 14 million masks to the Government, thereby providing continuous support to the Government as well as the civilian market in Hong Kong.

On the foundation of its self-established medical products manufacturing system, the Group acted as a pioneer in the industry and proactively explored possibilities to cooperate with industry peers to enrich the business structure of its personal protective equipment manufacturing while developing a comprehensive business deployment. The Group entered into a memorandum of understanding with the Federation of Hong Kong Industries ("**FHKI**") and the Vocational Training Council ("**VTC**") on the co-organization of the "Smart Manufacturing Training Programme for Personal Protection Equipment Industry" (the "**SMT Programme**"). Not only the SMT Programme will provide practitioners in the personal protection equipment industry with both theoretical and practical training, but also include the introduction of new technologies to improve production quality under the trend of digital transformation, such as an overview of Industry 4.0. In the future, the Group aims to share its practical experience and technological resources with external parties via the co-organization of the SMT Programme to accelerate the overall improvement to the management and production excellence of the industry.

Anti-counterfeit Lottery Solution Enters into Marketing Promotion Stage

Engaged in welfare and sports lottery business for years, with the incubation of "Internet plus" technology and interactive marketing, the Group has participated in innovation on integrating "Internet plus" with traditional lottery element to develop the market of the comprehensive anti-counterfeit solution, thus creating a new revenue growth point for the Group.

In 2019, the Group cooperated with CY Technology to offer scientific, highly efficient and unique anti-counterfeiting traceability solution with anti-counterfeiting devices for packaging and online anti-counterfeiting information verification platform by entering into a strategic cooperation framework agreement.

During the period under review, CY Technology has obtained the authorization to use two patented technologies, namely product anti-counterfeiting packaging devices (patent number: ZL 2019 2 1449828.X) (“**Anti-counterfeiting Traceability**”) and adhesive parts and components and anti-counterfeiting packaging device (patent number: ZL 2019 2 1579150.7) (“**Anti-counterfeiting Device(s)**”). The Group has acquired the use right of such patents (the “**Authorization**”) through entering into the licensing agreement with CY Technology. Such Authorization allows the Group to utilize those anti-counterfeiting solutions for marketing, and formulate comprehensive solutions with patented technologies for the actual application on the products of its customers (“**Commercial Cooperation**”). These two anti-counterfeiting patents mainly utilize lottery as the anti-counterfeiting characteristic, and offer products in the market with highly efficient and unique anti-counterfeiting applications via its technology. The Group has participated in innovation by integrating traditional lottery business with new Anti-counterfeiting Device(s) and technology. Such act aims to capture the demand for genuine products to boost sales revenue and enhance industry and corporate reputation, while allows enterprises to participate in social welfare undertakings at the same time.

In the Commercial Cooperation, the Group is responsible for market development and formulation of comprehensive solutions for actual application, so as to attain the commercialization of anti-counterfeit patent solutions. The Group will set up a marketing team and consolidate its technology R&D team to provide strong support to the new business segment. Being optimistic about the demand on anti-counterfeiting of high value-added products and revenue potential, the Group targets the first group of users in the tobacco, medicine and alcohol industries with relatively strong consumer demand, high consumption amount and high anti-counterfeiting requirements. Apart from restricting and curbing the circulation of counterfeit products as well as helping enterprises to capture market demand and consolidate their corporate image, the Group also enjoys two revenue streams from the Commercial Cooperation. Firstly, for every patented device being applied on each unit of consumer products, the Group could receive fixed amount per unit. Secondly, since the patented comprehensive application solution embeds the lottery element, the Group will obtain a certain lottery sales commission through the sale of lottery tickets.

Future Prospects

Subsequent to the period under review, the Mainland market has restored vitality, and the Group's "Internet plus lottery" business team followed the trend to focus on launching anti-counterfeit solution characterized by "anti-counterfeiting + marketing". Such solution comprises an online service platform which integrates various functions including online real-time authenticity verification, marketing and lucky draw services, corporate brands building as well as product sales information tracking. The solution encourages consumers to take the initiatives in authenticity verification and formulates a habit of authenticity verification. Diversified marketing and promotion functions of the solution also boost product sales and therefore stimulate the demand for Anti-counterfeiting Devices among merchants. By accelerating the implementation of such solution and making access to various business flows, the Group will foster cooperation in terms of anti-counterfeit lottery solution in various provinces and cities in the Mainland, thus realizing new business revenue inflow.

The Group will also consolidate the personal protective equipment business segment as supportive operating income, by developing new products including respirator masks, solidifying its supply and sale relations with corporate customers and capturing market share. In the future, the Group will continue to leverage on its medical resources, adhere to business deployment oriented on personal protective equipment manufacturing and capture market demand of different stages.

Dividend

The Board does not recommend the payment of dividend for the three months ended 30 September 2020 (three months ended 30 September 2019: Nil).

GENERAL INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

Competing Interests

As at 30 September 2020, 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 three months ended 30 September 2020, except for the following deviation which are summarized below:

Code provision A.4.1

One of the non-executive Directors of the Company (the “**NED**”) and the independent non-executive Directors of the Company (the “**INED(s)**”) were not appointed under specific terms but are subject to retirement by rotation and re-election in 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 the long term interests of the shareholders. The retirement and re-election requirements of the NED and INEDs have given the rights to the shareholders to approve the continuation of the NED’s and INEDs’ offices.

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

Directors’ Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding 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 during the three months ended 30 September 2020.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three INEDs, namely, Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred. Mr. LAU is the chairman 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 three months ended 30 September 2020 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

Executive Director and Chief Executive Officer

Hong Kong, 12 November 2020

As at the date of this announcement, the Board comprises Madam CHEUNG Kwai Lan and Mr. CHAN Ting as executive Directors, Mr. CHAN Tung Mei and Dr. CHENG Yanji as non- executive Directors, and 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.