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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 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 condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 31 December 2020 (the “**Period 2020**”), together with the selected 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

For the three months and six months ended 31 December 2020

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	9,146	36,831	55,200	87,380
Costs of sales and services		(2,313)	(27,772)	(35,648)	(64,668)
Gross profit		6,833	9,059	19,552	22,712
Other income/(expenses)	3	600	(152)	2,065	491
Selling and distribution expenses		(135)	(2,863)	(4,666)	(4,455)
Administrative and operating expenses		(14,194)	(15,647)	(25,444)	(28,638)
Share of profits of associates		2,115	—	3,881	—
Operating loss		(4,781)	(9,603)	(4,612)	(9,890)
Finance costs	4	(5,351)	(3,673)	(10,015)	(7,231)
Loss before tax	5	(10,132)	(13,276)	(14,627)	(17,121)
Income tax (expense)/credit	6	127	(342)	—	(1,149)
Loss for the period		(10,005)	(13,618)	(14,627)	(18,270)
Loss for the period attributable to:					
Equity holders of the Company		(9,505)	(13,105)	(14,140)	(17,235)
Non-controlling interests		(500)	(513)	(487)	(1,035)
		(10,005)	(13,618)	(14,627)	(18,270)

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		31 December		31 December	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive 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>(843)</u>	<u>1,185</u>	<u>244</u>	<u>44</u>
Total comprehensive loss for the period		<u>(10,848)</u>	<u>(12,433)</u>	<u>(14,383)</u>	<u>(18,226)</u>
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		<u>(10,640)</u>	<u>(11,940)</u>	<u>(14,253)</u>	<u>(17,202)</u>
Non-controlling interests		<u>(208)</u>	<u>(494)</u>	<u>(130)</u>	<u>(1,024)</u>
		<u>(10,848)</u>	<u>(12,434)</u>	<u>(14,383)</u>	<u>(18,226)</u>
Loss per share attributable to equity holders of the Company	7				
Basic		<u>(HK0.22 cents)</u>	<u>(HK0.32 cents)</u>	<u>(HK0.33 cents)</u>	<u>(HK0.42 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 2020

		(Unaudited) 31 December 2020	(Audited) 30 June 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		22,224	16,388
Right-of-use assets		12,480	14,742
Goodwill		46,139	46,139
Intangible assets		32	41
Interests in joint ventures		—	—
Interests in associates		45,956	42,075
Deposits for acquisition of property, plant and equipment		—	6,686
		126,831	126,071
Current assets			
Inventories		10,448	7,459
Trade and other receivables and prepayments	9	66,001	47,897
Bank balances and cash		2,673	6,746
		79,122	62,102
Current liabilities			
Trade payables, accruals and other payables	10	122,070	102,915
Amount due to directors		32,508	33,318
Lease liabilities		2,879	4,890
Convertible bonds	11	93,930	89,170
Other borrowing		23,367	15,600
Unlisted warrants		1,880	1,880
Contingent consideration payable		5,343	5,343
Tax liabilities		—	682
		281,977	253,798
Net current liabilities		(202,855)	(191,696)
Total assets less current liabilities		(76,024)	(65,625)

		(Unaudited)	(Audited)
		31 December	30 June
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		<u>7,598</u>	<u>7,760</u>
		<u>7,598</u>	<u>7,760</u>
Net liabilities		<u>(83,622)</u>	<u>(73,385)</u>
Capital and reserves			
Share capital	<i>12</i>	53,621	53,621
Reserves		<u>(138,278)</u>	<u>(126,701)</u>
Capital deficiency attributable to equity holders of the Company		(84,657)	(73,080)
Non-controlling interests		<u>1,035</u>	<u>(305)</u>
Total capital deficiency		<u>(83,622)</u>	<u>(73,385)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2020 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 2020 are consistent with the financial statements of the Group 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. 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 2020 (Unaudited)

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

Six months ended 31 December 2019 (Unaudited)

	Internet plus			Manufacturing and distribution of personal protective equipment	Others	Total
	Lottery- related services <i>HK\$'000</i>	Solution services <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	<u>1,201</u>	<u>15,345</u>	<u>70,834</u>	<u>—</u>	<u>—</u>	<u>87,380</u>
Segment results	<u>(4,472)</u>	<u>10,013</u>	<u>632</u>	<u>—</u>	<u>(8)</u>	<u>6,165</u>
Unallocated income						261
Unallocated expenses						(15,719)
Finance costs						<u>(7,828)</u>
Loss before tax						(17,121)
Income tax expense						<u>(1,149)</u>
Loss for the period						<u>(18,270)</u>
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation and amortization	<u>194</u>	<u>3,309</u>	<u>—</u>	<u>—</u>	<u>8</u>	<u>3,511</u>

(b) Segment assets and liabilities

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

As at 31 December 2020 (Unaudited)

	Lottery- related services <i>HK\$'000</i>	Internet plus Solution services <i>HK\$'000</i>	Supply chain services <i>HK\$'000</i>	Manufacturing and distribution of personal protective equipment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets						
Segment assets	14,313	19,846	40,420	66,495	—	141,074
Unallocated assets						<u>64,879</u>
Total assets						<u><u>205,953</u></u>
Liabilities						
Segment liabilities	4,658	862	53,362	20,878	—	79,760
Unallocated liabilities						<u>209,815</u>
Total liabilities						<u><u>289,575</u></u>

As at 30 June 2020 (Audited)

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

3. REVENUE AND OTHER INCOME/(EXPENSES)

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:

	(Unaudited)	
	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Point in time		
Internet plus services (supply chain)		
— Trading of goods	22,768	70,834
Manufacturing and distribution of personal protective equipment	<u>29,956</u>	<u>—</u>
	<u>52,724</u>	<u>70,834</u>
Over time		
Lottery-related service	2,476	1,201
Internet plus services (supply chain)		
— Provision of services	<u>—</u>	<u>15,345</u>
	<u>2,476</u>	<u>16,546</u>
	<u>55,200</u>	<u>87,380</u>
Other income		
Interest income	—	2
Government subsidies	1,450	463
Others	<u>615</u>	<u>26</u>
	<u>2,065</u>	<u>491</u>

4. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
— Convertible bonds	8,345	6,335
— Other loans	1,415	894
— Finance lease payment	255	2
	<u>10,015</u>	<u>7,231</u>

5. LOSS BEFORE TAX

	(Unaudited)	
	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax has been arrived at after charging/(crediting):		
Cost of services	1,284	1,282
Cost of inventories sold	34,364	63,386
Equity-settled share-based payments	2,676	3,366
Depreciation of property, plant and equipment	1,587	422
Amortization of intangible assets	11	3,297
Exchange losses/(gains), net	28	(21)
	<u>43,559</u>	<u>72,373</u>

6. INCOME TAX (EXPENSE)/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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current year		
— Hong Kong profits tax	—	(1,971)
Deferred tax credit	—	822
	<u>—</u>	<u>822</u>
Income tax (expense)/credit for the period	<u>—</u>	<u>(1,149)</u>

For the six months ended 31 December 2020 and 31 December 2019, 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	
	2020	2019	2020	2019
	<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>(9,505)</u>	<u>(13,105)</u>	<u>(14,140)</u>	<u>(17,235)</u>

Number of shares

	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
	2020	2019	2020	2019
	<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>4,289,725</u>	<u>4,108,855</u>	<u>4,289,725</u>	<u>4,108,855</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>4,289,725</u>	<u>4,108,855</u>	<u>4,289,725</u>	<u>4,108,855</u>

For the three months and six months ended 31 December 2020, outstanding share options and convertible bonds of the Company are anti-dilutive (Three months and six months ended 31 December 2019: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (Three months and six months ended 31 December 2019: decrease in loss per share).

8. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	(Unaudited) 31 December 2020 <i>HK\$'000</i>	(Audited) 30 June 2020 <i>HK\$'000</i>
Trade receivables	108,295	93,027
Other receivables and prepayments	<u>53,932</u>	<u>53,609</u>
	162,227	146,636
Less: Allowances for doubtful receivables	<u>(96,226)</u>	<u>(98,739)</u>
	<u><u>66,001</u></u>	<u><u>47,897</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 2020 <i>HK\$'000</i>	(Audited) 30 June 2020 <i>HK\$'000</i>
0 to 30 days	16,189	2,456
31 to 60 days	698	330
61 to 180 days	924	190
181 to 365 days	1,082	16,507
Over 1 year	<u>89,402</u>	<u>73,544</u>
	<u><u>108,295</u></u>	<u><u>93,027</u></u>

10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	(Unaudited) 31 December 2020 <i>HK\$'000</i>	(Audited) 30 June 2020 <i>HK\$'000</i>
Trade payables	35,560	33,607
Accruals and other payables	<u>86,510</u>	<u>69,308</u>
	<u><u>122,070</u></u>	<u><u>102,915</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 2020 <i>HK\$'000</i>	(Audited) 30 June 2020 <i>HK\$'000</i>
0–30 days	215	9,617
31–120 days	9,282	23,568
121–180 days	21,767	403
181–365 days	3,874	—
Over 1 year	422	19
	<u>35,560</u>	<u>33,607</u>

11. CONVERTIBLE BONDS

	(Unaudited) 31 December 2020 <i>HK\$'000</i>	(Audited) 30 June 2020 <i>HK\$'000</i>
Convertible bonds:		
— Liability component	93,930	89,170
— Derivative conversion option component	—	—
	<u>93,930</u>	<u>89,170</u>
Classified under current liabilities:		
— Convertible bonds	93,930	89,170
— Derivative financial liabilities	—	—
	<u>93,930</u>	<u>89,170</u>

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 “Convertible Bonds”). The Convertible Bonds 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 Convertible Bonds was adjusted to 150,000,000 shares at the conversion price of HK\$0.598 per share.

The Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds. 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 Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds, including to extend the maturity date of the Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds 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%

12. EVENTS AFTER THE REPORTING PERIOD

Proposed amendments to the terms of the Convertible Bonds

On 19 January 2021, the Company entered into the fifth amendment agreement (the “**Fifth Amendment Agreement**”) with Integrated Asset Management (Asia) Limited (the “**Bondholder**”) to amend certain terms and conditions of the Convertible Bonds issued to the Bondholder on 17 January 2014 with a principal amount of HK\$89,625,000, amended interest rate of 8% per annum and adjusted conversion price of HK\$0.34 per conversion share subject to further adjustment. An adjusted maximum number of 263,602,941 shares would be allotted and issued to the Bondholder upon conversion of the Convertible Bonds in full.

Pursuant to the Fifth Amendment Agreement, the Company and the Bondholder agreed to amend some principal terms of the Convertible Bonds, including to extend the maturity date of the Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds shall remain unchanged. The Fifth Amendment Agreement and transactions contemplated thereunder are subject to the independent shareholders’ approval.

For details, please refer to the Company’s announcement dated 19 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

For the Period 2020, the Group recorded unaudited consolidated revenue of HK\$55.2 million, decreased by 37% against the Period 2019 of HK\$87.4 million. The gross profit ratio increased to about 35% as compared with 26% for the Period 2019. For the Period 2020, the Group recorded a net loss attributable to the equity holders of HK\$14.1 million, which decreased by 18% from HK\$17.2 million for Period 2019. Loss attributable to equity holders was HK\$9.5 million from the second quarter of the Period 2020, which decreased by 27% from HK\$13.1 million for the Period 2019. Selling and distribution expenses and administrative expenses in the Period 2020 amounted to HK\$30.1 million, which decreased by 9% as compared to HK\$33.1 million in the Period 2019.

SEGMENTAL INFORMATION

Lottery-related services business recorded HK\$2.5 million, representing an increase of 106% over the same period in 2019. The gross profit recorded HK\$1.2 million with the margin of 48% for the reporting period comparing with 34% for the same period in 2019.

In the Internet Plus services business, the revenue of solutions services and supply chain services recorded HK\$Nil and HK\$22.8 million respectively, representing a decrease of 74% over the same period in 2019. The gross profit recorded HK\$5 million with the margin of 22% for the reporting period comparing with 21% for the same period of the last financial year.

Manufacturing and distribution of personal protective equipment business recorded HK\$30.0 million and the gross profit recorded HK\$13.4 million with the margin of 45% during the reporting period.

BUSINESS REVIEW

Continual Advancement of Personal Protective Equipment

During the period under review, the business on manufacturing and sales of personal protective equipment adhered to the foundation of “quantity” while placed more emphasis on “quality”. With the stabilization of selling price in the mask market and the gradual drop of the unit price of mask raw materials in Mainland China and Hong Kong, cost control and management of the Group is made easier. In addition, the continual advancement of the Group’s mask manufacturing know-how has in turn contributed to the improvement in our overall business performance.

In the second quarter of 2020/2021, the Group launched personal protective equipment meeting ASTM Level 3 standard to the market. As the Group’s successful attempt on materials procurement and manufacturing quality control, these products have become our key products along with ASTM Level 1 masks, catering for the increasing requirements on the grades of protection against the pandemic among the public and tagging along popular mask products in the current stage. On the basis of enhancement on product quality, the Group also implemented mask design and packaging customization services. The upgrading of product quality and service has not only enriched the Group’s product offerings and satisfied medical protection needs of various occupations, but also provided the market with more choices to accommodate the pursuit of personalization by consumers. For “quantity”, the segment revenue from personal protective equipment overshoot other income segments of the Group. The Group also strived to adjust the operation processes of our manufacturing plants, deployed and integrated human resources and optimized cost structure, so as to secure our profit margin.

“Internet Plus” “Anti-counterfeiting Devices + Lottery” Products Continued to Target at Potential Markets

During the period under review, the Group’s two major businesses, i.e. “Internet Plus” and “Lottery”, sought for the feasibility of connecting our existing businesses to innovative applications, and made progress in terms of the consolidation of lottery resources. By coordinating with partners from different sectors, the anti-counterfeiting comprehensive solution (the ““**Anti-counterfeiting Devices + Lottery**” Products”) has been created, which possesses cross-industry practical value.

The Group has extensive operation experience in the lottery business. More than a decade ago, the Group has been involved in the lottery business in the Mainland, providing lottery equipment services and sharing sales-based revenue. With the maturity of the lottery system market, the market competition was becoming more intense. In 2015, the Group has become a pioneer of self-service lottery and acquired operating revenue share exceeding traditional lottery business. In 2017, the Group introduced interactive marketing solutions and gradually developed solutions with “Internet Plus” elements to interact with lottery consumers and achieve product promotion. In recent years, the Group proactively identifies applications and investment opportunities in other technical platforms by consolidating lottery elements.

In 2019, the listed company further extended its business by exploring the possibility of applying lottery in the anti-counterfeiting sector. The Group was granted the right to use the patents in principle, and the specific business cooperation would be implemented step by step in operation. The patents enjoy the legal protection of intellectual property rights enabled the Group to expand our business in respects of the application of the new lottery and swiftly promote the access of “Anti-counterfeiting Devices + Lottery” Products to the application market. Leveraging such advantage and our team’s familiarity with lottery sales and operation, the Group is competent to launch “Anti-counterfeiting Devices + Lottery” Products to the market in an efficient manner. The Group’s revenue from the aforesaid commercial cooperation is divided into two parts: Firstly, when a manufacturer orders an anti-counterfeiting lottery device bundled with the individual product, the Group will receive a certain percentage of service fees from every device sold. Secondly, as “Anti-counterfeiting Devices + Lottery” Products are embedded with lottery elements, which has formed a new sales model of lottery, the Group will obtain a certain amount of lottery sales commission.

Future Outlook

Amidst repeated outbreaks of the pandemic, the awareness on hygiene among the public has raised and the citizen’s consumption on protection against the pandemic and hygiene products would be maintained or even increased in short-to-middle term. Hence, the personal protective equipment business could still be profitable to the Group. For “Internet Plus anti-counterfeiting lottery” innovative products, after previous business preparations and business contacts, the Group has strengthened its business negotiation and connection with a number of famous and high-quality product enterprises based in Mainland on the application of “Anti-counterfeiting Devices + Lottery” Products through its own business network and intermediary resources. The Group has been well acquainted with the marketing model and captured the market trend in the process of executing our role in lottery marketing and promotion. Based on our intelligent insight on the future market potential, the Group will proactively collect feedbacks on usage from enterprises and consumers in the future while take the initiative to make feedbacks to technology cooperation team. Such act offers support to the scientific improvement of anti-counterfeiting solution. Therefore, the “Anti-counterfeiting Devices + Lottery” Products could maintain the specialty of lottery and feature of interactive marketing, while capturing market share in the anti-counterfeiting industry.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2020, the Group's bank balances and cash amounted to HK\$2.7 million (30 June 2020: HK\$6.7 million) which were mainly held in HK\$ and RMB. Current assets amounted to HK\$79.1 million (30 June 2020: HK\$62.1 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK\$282.0 million (30 June 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 31 December 2020, the gearing ratio of the Group was 57% on the basis of the Group's total interest-bearing borrowings divided by total assets (30 June 2020: 55%).

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 2020, the total number of issued shares of the Company was 4,289,724,633 ordinary shares of HK\$0.0125 each (the "Shares(s)").

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 31 December 2020, 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.

TERMINATION OF THE 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 expected to be 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.

EVENT AFTER THE REPORTING PERIOD

Proposed Amendments to the Terms of the Convertible Bonds

On 19 January 2021, the Company entered into the fifth amendment agreement (the “**Fifth Amendment Agreement**”) with Integrated Asset Management (Asia) Limited (the “**Bondholder**”) to amend certain terms and conditions of the Convertible Bonds issued to the Bondholder on 17 January 2014 with a principal amount of HK\$89,625,000, amended interest rate of 8% per annum and adjusted conversion price of HK\$0.34 per conversion share subject to further adjustment. An adjusted maximum number of 263,602,941 Shares would be allotted and issued to the Bondholder upon conversion of the Convertible Bonds in full.

Pursuant to the Fifth Amendment Agreement, the Company and the Bondholder agreed to amend some principal terms of the Convertible Bonds, including to extend the maturity date of the Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds shall remain unchanged.

As the Bondholder was a substantial Shareholder of the Company, it constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. 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 Convertible Bonds on the Stock Exchange. Details of this connected transaction were disclosed in the Company's announcement dated 19 January 2021.

As at 31 December 2020, no Convertible Bonds were converted into Shares by the Bondholders or redeemed by the Company.

GENERAL INFORMATION

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

During the six months ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

COMPETING INTERESTS

As at 31 December 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 six months ended 31 December 2020, except for the following deviation which are summarized below:

Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. 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 representing the long term interests of the Shareholders. The retirement and re-election requirements of the NED and INEDs have given the rights to the Shareholders to 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.

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 Tapei and Mr. CHAU Wai Wah Fred. Mr. LAU Fai Lawrence is 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 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
Chairperson

Hong Kong, 10 February 2021

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

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