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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE LICENSING AND MASTER SERVICE AGREEMENT

THE LICENSING AND MASTER SERVICE AGREEMENT

On 4 July 2021, the Licensee, a direct wholly-owned subsidiary of the Company and the Licensor, entered into the Licensing and Master Service Agreement in relation to the provision of the Total Solutions on anti-counterfeiting device product.

GEM LISTING RULES IMPLICATIONS

The Licensor is currently indirectly owned as to 75% by Ms. Woo, the spouse of Mr. Chan Ting, the chairperson, an executive director and chief executive officer of the Company. Accordingly, the Licensor is an associate of the connected person of the Company. As such, the transactions contemplated under the Licensing and Master Service Agreement shall constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Annual Caps is less than 25% and the total consideration is less than HK\$10 million, the entering into of the Licensing and Master Service Agreement is subject to the reporting, annual review and announcement, but exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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Principal terms of the Licensing and Master Service Agreement

Set out below are the principal terms of the Licensing and Master Service Agreement.

Date

4 July 2021

Parties

- (i) 深圳國科防偽科技有限公司 (Shenzhen Guoke Anti-counterfeiting Technology Company Limited*) (formerly known as 深圳生港科技有限公司 (Shenzhen Sheng-Gang Technology Co. Limited*)), a direct wholly-owned subsidiary of the Company, as the Licensee; and
- (ii) Shenzhen Ficus Technology Holdings Ltd. (深圳細葉榕科技控股有限公司), as the Licensor and the service provider

Term

The Licensing and Master Service Agreement shall commence on the business day immediately following the date of the Licensing and Master Service Agreement and shall, unless terminated in accordance with provisions of clauses of the Licensing and Master Service Agreement, continue in full force and effect until 30 June 2024.

Subject matters

Subject to the terms and conditions of the Licensing and Master Service Agreement, the Licensor agrees to provide the following services (collectively the “**Total Solutions**”) to the Licensee from time to time which including to:

- (i) grant the Licensee during the term of the Licensing and Master Service Agreement, an exclusive and royalty-bearing license to the Patents to use, sell, and offer to sell the Devices in the PRC (the “**Licensing Arrangement**”); and
- (ii) provide services in relation to (a) design, production arrangement, material procurement and quality control, and customisation service of the Devices pursuant to the specification required by the Licensee and with the quality satisfactory to the Licensee at reasonable costs under each individual purchase order, and (b) design, development and customization of the online anti-counterfeiting information verification platform and the relevant services based on the Licensed Patents Rights (the “**Total Solution Services**”).

Exclusivity

The License granted by the Licensor to the Licensee is on an exclusive basis as far as it relates to the State-owned Enterprise Customers only. The Licensor is not entitled to license the Patents and Devices to any third parties for the supply of Devices or Total Solutions to any State-owned Enterprise Customer or contract directly with any State-owned Enterprise Customer for such supply.

The Licensor shall be entitled to license the Patents and the Devices to third parties or contract directly with customers which are not state-owned enterprises in the PRC for the supply of Devices and Total Solutions. Other than the contracts that have already been entered into with the customers prior to the date of the Licensing and Master Service Agreement, the Licensee is not entitled to contract with enterprises in the PRC that are not state-owned enterprises for the supply of Devices and Total Solutions.

In order to maintain the exclusivity, the Licensee shall endeavor to procure committed sales contracts for the Devices with sufficient accumulated number of State-owned Enterprise Customers prior to the applicable dates; the accumulated number of State-owned Enterprise Customers with committed sales contracts required will be six, twelve, eighteen and twenty four on 30 September 2021, 31 December 2021, 31 March 2022 and 30 June 2022 respectively.

In the event that the accumulated number of State-owned Enterprise Customers with committed sales contracts is not met by the end of 3 months after any of 31 December 2021, 31 March 2022 and 30 June 2022, the Licensor has the right to revoke the exclusivity arrangement as far as it relates to the State-owned Enterprise Customers only and, upon exercise of such rights by the Licensor, the Licensor becomes free to license Licensed Patent Right to third parties and to contract directly with the State-owned Enterprise Customers for the supply of Devices and provision of Total Solution to such State-owned Enterprise Customers. For the avoidance of doubt, the revocation of the exclusivity arrangement will not affect any of the remaining terms and conditions of the Licensing and Master Service Agreement, and the prohibition of Licensee on contracting with customers that are not State-owned Enterprises for the supply of Devices and provision of Total Solutions will not be affected by the revocation of the exclusivity by the Licensor.

Pricing policies

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

The Licensee shall pay all third party costs of the Devices which have been pre-approved by the Licensee and will pay such costs directly to the relevant suppliers.

In any event, the Total Solution Prices agreed under each purchase order shall not be less favorable than the Licensor offered to other independent third parties.

Payment terms

Invoices for the Total Solution Prices to be charged shall be settled within such time period as specified under each purchase order placed by the Licensee from time to time. Upon issue and acceptance of each purchase order, the Licensee shall pay 50% down-payment for the purchase order. The remaining 50% shall be paid within 14 days of delivery of the Devices to the customers.

The Proposed Annual Caps

The Board proposes the Proposed Annual Caps under the Licensing and Master Service Agreement for each of the three years ending 30 June 2024 respectively as follows:

	For the year ending 30 June 2022 HK\$	For the year ending 30 June 2023 HK\$	For the year ending 30 June 2024 HK\$
Proposed Annual Caps	8,300,000	8,800,000	9,300,000

The Proposed Annual Caps were determined by the Company after taking into account of (i) the potential demand of anti-counterfeiting lottery devices from the customers of the Group based on the relevant executed agreements and potential agreements to be entered into between the Group and its customers; (ii) the potential growing trend of the anti-counterfeiting lottery market in the PRC with reference to the generally optimistic prospect of the anti-counterfeiting market in the PRC; and (iii) other relevant principal terms under the Licensing and Master Service Agreement.

The Directors (other than Mr. Chan Ting and Madam Cheung Kwai Lan who are the associates of the Licensor and considered to have a material interest in the Licensing and Master Services Agreement and the transaction contemplated thereunder) are of the view that the Proposed Annual Caps are in line with the estimated development of the business of the Group, and are determined based on the principles of fairness and reasonableness.

Historical Transactions Amount

There is no historical transactions amount under the Licensing Arrangement and the Total Solution Services.

Information on the Licensor

The Licensor is a company incorporated in the PRC with limited liability and is the registered holder of the Patents, and is engaged in the business of provision of services in relation to the design, development and provision of anti-counterfeiting devices in the PRC. As at the date of this announcement, the Patents have been registered in the PRC (registration number are ZL 201921449828.X and ZL 201921579150.7), Japan (registration number are 3229334 and 3229631) and Hong Kong (registration number are HK30032261 and HK30032942), and applications for registration in Taiwan, Indonesia, Korean and Malaysia are in progress.

Information on the Licensee

The Licensee is a company incorporated in the PRC with limited liability and principally engaged in the business of offering comprehensive solutions with innovative anti-counterfeiting technology. As at the date of this announcement, the Licensee is a direct wholly-owned subsidiary of the Company.

Internal Control Measures

The Group will adopt internal control procedures and corporate governance measures in relation to the transactions contemplated under the Licensing and Master Service Agreement in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any independent third parties, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

- (i) The senior management of the Company shall be responsible for monitoring whether the terms of the Licensing and Master Service Agreement as agreed are fair and reasonable and no less favourable than those offered by independent third parties and that the annual caps therein are not exceeded, and in accordance with the Licensing and Master Service Agreement and the pricing policies of the Company;
- (ii) The Company will supervise the transactions contemplated under the Licensing and Master Service Agreement in accordance with the procedures set forth in the Company's internal memorandum, pursuant to which relevant personnel of the Company will review and assess the details of the transactions to ensure such transactions comply with the terms of the Licensing and Master Service Agreement;
- (iii) The auditors of the Company will conduct annual review on the pricing and the annual caps of the transactions contemplated under the Licensing and Master Service Agreement; and
- (iv) The independent non-executive Directors will conduct a review of the Licensing and Master Service Agreement to ensure that the such transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

By implementing the above internal control measures and procedures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control measures and procedures to ensure that the transactions contemplated under the Licensing and Master Service Agreement will be on normal commercial terms and no less favourable to the Group than available from independent third parties.

REASONS FOR AND BENEFITS FOR ENTERING INTO THE LICENSING AND MASTER SERVICE AGREEMENT

The Group is actively exploring the anti-counterfeiting market and has achieved concrete results. As at the date of this announcement, the Group has contracted with three brand owners in the tea leaves, natural food and cosmetics e-commerce platform industries for the application of the Devices on the brand owners' products and shall be required to deliver the Devices in accordance with the agreements entered into. Therefore, the Group is under actual demand to obtain authorization from the Licensor for the use of the Total Solutions and the Devices to comply with the requirement of necessary approval for conducting the relevant business and support.

The Group has experience in welfare and sports lottery industries for years. In the past two years, the Group has focused on the opportunities in the growing anti-counterfeiting market. The Group started the discussion and exploring the sales of anti-counterfeit for goods and online anti-counterfeiting information verification platform to the market. Since then, the Group has been marketing and promoting the Devices, and realized the practical application on customers' products. The Group has contracted with brand owners in the tea leaves, natural food and cosmetics e-commerce platform industries, involving in the cross-industrial and cross-regional business, and it is expected to expand into diversified sections. The brand owners' proactive attitude towards cooperating with the Group is due to the unique anti-counterfeiting devices with core anti-counterfeiting patents, and the Group will seize the opportunity to realize the growth of the recently developed business while creating new income streams for the Group.

There is a rapid development in the various consumer segments in China, especially for the rise of mid-to-high-end market, which leads to an indication that there is a huge demand for anti-counterfeiting technology from brand owners. The patented and innovative Devices for anti-counterfeit use include the unique lottery component with the characteristics of uniqueness and credibility with criminal sanctions for counterfeiting lottery tickets. The Devices are easily recognized by the consumers and welcomed by the brand owners due to the fact that the lottery system established in the PRC can only be operated by the government and therefore are highly creditable. As at the date of this announcement, the Patents have been registered and granted legal protection in three regions and have won awards and recognition from professional judges in international exhibitions.

In light of the foregoing, the Directors (other than Mr. Chan Ting and Madam Cheung Kwai Lan who are the associates of the Licensor and considered to have a material interest in the Licensing and Master Services Agreement and the transactions contemplated thereunder)

consider that the terms of the Licensing and Master Service Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and the entering into of such transactions is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Licensor is currently indirectly owned as to 75% by Ms. Woo, the spouse of Mr. Chan Ting, the chairperson, an executive director and chief executive officer of the Company. Accordingly, the Licensor is an associate of the connected person of the Company. As such, the transactions contemplated under the Licensing and Master Service Agreement shall constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Annual Caps is less than 25% and the total consideration is less than HK\$10 million, the entering into of the Licensing and Master Service Agreement is subject to the reporting, annual review and announcement, but exempt from the circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sinopharm Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Device”	The Licensed Product that contains the imbedded lottery ticket and that is designed, manufactured, packaged and delivered in accordance with the required specifications from the State-owned Enterprise Customers for the anti-counterfeit purposes of the State-owned Enterprise Customer's commercial products
“Director(s)”	director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as

	amended, supplemented or otherwise modified from time to time
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Licensed Patent Rights”	the Licensor’s legal rights or interests that exist in the Patents, which shall include any patents, or other intellectual property rights of the Licensor listed in the Licensing and Master Service Agreement, as well as any other patent or intellectual property right owned by the Licensor that is necessary for the Company to make, use, sell, offer to sell, or import Licensed Product
“Licensed Product”	any apparatus, systems or product that, without a license from the Licensor with respect to such products, would infringe at least one claim in any of the Licensed Patent Rights, and any apparatus, systems, or products that, without a license from the Licensor with respect to such products when made, imported, sold, offered for sale, and/or used, would (a) actively induce infringement of at least one claim in Licensed Patent Rights, or (b) case contributory infringement of at least one claim in the Licensed Patent Rights.
“Licensee”	深圳國科防偽科技有限公司 (Shenzhen Guoke Anti-Counterfeit Technology Company Limited*)(formerly known as 深圳生港科技有限公司 (Shenzhen Sheng-Gang Technology Co. Limited*)), a direct wholly-owned subsidiary of the Company as at the date of the announcement and the licensee to the Licensing and Master Service Agreement
“Licensing and Master Service Agreement”	the master agreement dated 4 July 2021 entered into between the Licensor and the Licensee in respect of the Licensing Arrangement and the Total Solution Services
“Licensor”	Shenzhen Ficus Technology Holdings Ltd. (深圳細葉榕科技控股有限公司), a company incorporated in the PRC with limited liability, being the registered holder of the Patents
“Ms. Woo”	Woo, Theresa, the spouse of Mr. Chan Ting, an executive Director, the chairperson of the Board and the chief executive officer of the Company, and accordingly a connected person of the Company

“Net Sale Price”	the invoice price per Device charged by the Licensee to the State-owned Enterprise Customer, less the face value of the lottery tickets contained in the Device sold by the Licensee and/or its contractors to the State-owned Enterprise Customer
“Patents”	the patents registered and held by the Licensor, being (i) Anti-counterfeit Packaging Device for Products (商品防偽用包裝裝置) (registration numbers: ZL 2019 2 1449828. X in the PRC) and Anti-counterfeit Packaging Device for Adhesive Parts (粘附件及其組件、防偽用包裝裝置) (registration numbers: ZL 2019 2 1579150. 7 in the PRC)
“PRC”	The People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Regions and Taiwan
“Proposed Annual Caps”	the proposed annual caps in respect of the transactions contemplated under the Licensing and Master Service Agreement
“Share(s)”	share(s) of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“State-owned Enterprise Customer”	any state-owned enterprise in the PRC with not less than 51% shareholding directly or indirectly held by one or more government bodies or government agencies which enters into a contract with the Licensee for the supply of Devices and Total Solution customized for the anti-counterfeit use of its commercial products in PRC. Any of this customer is an enterprise established under the laws of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 5 July 2021

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

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

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

** For identification purpose only*