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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 2022

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 2022 (the “**Period 2022**”), together with the comparative unaudited figures for the corresponding period in 2021 (the “**Period 2021**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | (Unaudited) | |
|--|-------|---------------------|-----------------------|
| | | Three months ended | |
| | | 30 September | |
| | | 2022 | 2021 |
| | Notes | HK\$'000 | HK\$'000 |
| Revenue | 2 | 5,627 | 1,679 |
| Costs of sales and services | | <u>(4,127)</u> | <u>(1,317)</u> |
| Gross profit | | 1,500 | 362 |
| Other income and gains | 3 | 10,679 | 8,770 |
| Selling and distribution expenses | | (82) | (164) |
| Administrative and operating expenses | | (5,257) | (13,772) |
| Share of (loss)/profit of associates | | <u>(531)</u> | <u>62</u> |
| Operating profit/(loss) | | 6,309 | (4,742) |
| Finance costs | | <u>(1,815)</u> | <u>(4,632)</u> |
| Profit/(Loss) before tax | 4 | 4,494 | (9,374) |
| Income tax expense | 5 | <u>—</u> | <u>—</u> |
| Profit/(Loss) for the period | | <u><u>4,494</u></u> | <u><u>(9,374)</u></u> |
| Profit/(Loss) for the period attributable to: | | | |
| Equity holders of the Company | | 4,382 | (9,395) |
| Non-controlling interests | | <u>112</u> | <u>21</u> |
| | | <u><u>4,494</u></u> | <u><u>(9,374)</u></u> |

| | | (Unaudited) | |
|--|---|---------------------------|------------------------|
| | | Three months ended | |
| | | 30 September | |
| | | 2022 | 2021 |
| <i>Notes</i> | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other comprehensive (loss)/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>(509)</u> | <u>(238)</u> |
| Total comprehensive income/(loss) for the period | | <u>3,985</u> | <u>(9,612)</u> |
| Total comprehensive income/(loss) for the period attributable to: | | | |
| Equity holders of the Company | | 4,617 | (9,633) |
| Non-controlling interests | | <u>(632)</u> | <u>21</u> |
| | | <u>3,985</u> | <u>(9,612)</u> |
| | | <i>HK Cents</i> | <i>HK Cents</i> |
| Earnings/(loss) per share attributable to equity holders of the Company | | | |
| Basic | 6 | 0.10 | (0.21) |
| Diluted | | <u>N/A</u> | <u>N/A</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2022

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 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2022.

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 2022. 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) and (iii) manufacturing and distribution of personal protective equipment.

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 | |
| | 2022 | 2021 |
| | HK\$’000 | HK\$’000 |
| Point in time | | |
| Internet plus services (supply chain) | | |
| — Trading of goods | 3,547 | — |
| Manufacturing and distribution of personal protective equipment | 2,080 | 1,255 |
| | <u>5,627</u> | <u>1,255</u> |
| Over time | | |
| Lottery-related services | — | 424 |
| Total | <u>5,627</u> | <u>1,679</u> |

3. OTHER INCOME AND GAINS

| | (Unaudited) | |
|--|--------------------|-----------------|
| | Three months ended | |
| | 30 September | |
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Compensation income from sales of locked-up consideration shares (<i>Note a</i>) | 9,785 | — |
| Government subsidies (<i>Note b</i>) | 311 | — |
| Gain on disposal of subsidiaries | — | 8,680 |
| Others | 583 | 90 |
| | 10,679 | 8,770 |
| | 10,679 | 8,770 |

Notes:

- a. Pursuant to the sale and purchase agreement dated 4 January 2019, the Purchaser (a wholly-owned subsidiary of the Company) had the right to sell the locked-up consideration shares for the compensation of the shortfall of guaranteed profit. For the three months ended 30 September 2022, the Company exercised the right and sold 232 million locked-up consideration shares in return for the compensation income of approximately HK\$9.8 million. For details, please refer to the announcement dated 4 January 2019 and the circular dated 2 April 2019 issued by the Company.
- b. There were no unfulfilled conditions or contingencies relating to substantial amount of the government subsidies.

4. PROFIT/(LOSS) BEFORE TAX

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

| | (Unaudited) | |
|---|--------------------|-----------------|
| | Three months ended | |
| | 30 September | |
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost of services | — | 64 |
| Cost of inventories sold | 4,127 | 1,253 |
| Depreciation of property, plant and equipment | 197 | 257 |
| Depreciation of right-of-use assets | 180 | 240 |
| Exchange gain, net | — | (3) |
| Interest on convertible bonds | 1,787 | 4,050 |
| | 1,787 | 4,050 |
| | 1,787 | 4,050 |

5. INCOME TAX EXPENSE

For the three months ended 30 September 2022, 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 2021: Nil).

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

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

Profit/(loss)

| | (Unaudited) | |
|--|---------------------------|-------------------------|
| | Three months ended | |
| | 30 September | |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Profit/(loss) for the period attributable to the equity holders of the Company | <u>4,382</u> | <u>(9,395)</u> |
| Number of shares | | |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purposes of basic earnings/loss per share | <u>4,537,688</u> | <u>4,403,983</u> |

For the three months ended 30 September 2022, outstanding share options and convertible bonds of the Company have been anti-dilutive (three months ended 30 September 2021: anti-dilutive) since their exercise or conversion would result in an increase in earnings per share (three months ended 30 September 2021: decrease in loss per share).

7. MOVEMENT OF RESERVES

For the three months ended 30 September 2022

| | Attributable to equity holders of the Company | | | | | | | | | | | Non-controlling interests | Total |
|--|---|-----------------|----------------------------|----------------------|---------------------|---------------------------|-----------------|-----------------|--------------------|-----------------|-----------------|---------------------------|-----------------|
| | Share capital | Share premium | Capital redemption reserve | Share option reserve | Translation reserve | Convertible bonds reserve | Special reserve | Capital reserve | Accumulated losses | Total | | | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1 July 2022 (audited) | 56,721 | 2,702,002 | 1,484 | 15,694 | 8,256 | 8,573 | (1) | 28,633 | (2,988,139) | (166,777) | (6,620) | (173,397) | |
| Profit for the period | — | — | — | — | — | — | — | — | 4,382 | 4,382 | 112 | 4,494 | |
| Exchange differences arising from translation of financial statements of overseas operations | — | — | — | — | 235 | — | — | — | — | 235 | (744) | (509) | |
| Total comprehensive income/(loss) for the period | — | — | — | — | 235 | — | — | — | 4,382 | 4,617 | (632) | 3,985 | |
| Recognition of equity-settled share-based payments | — | — | — | 535 | — | — | — | — | — | 535 | — | 535 | |
| Disposal of subsidiaries | — | — | — | — | — | — | — | — | — | — | — | — | |
| At 30 September 2022 (unaudited) | 56,721 | 2,702,002 | 1,484 | 16,229 | 8,491 | 8,573 | (1) | 28,633 | (2,983,757) | (161,625) | (7,252) | (168,877) | |

For the three months ended 30 September 2021

| | Attributable to equity holders of the Company | | | | | | | | | | | Non-controlling interests | Total |
|--|---|-----------------|----------------------------|----------------------|---------------------|---------------------------|-----------------|-----------------|--------------------|-----------------|-----------------|---------------------------|-------|
| | Share capital | Share premium | Capital redemption reserve | Share option reserve | Translation reserve | Convertible bonds reserve | Special reserve | Capital reserve | Accumulated losses | Total | | | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| At 1 July 2021 (audited) | 55,050 | 2,675,328 | 1,484 | 11,290 | 7,968 | 4,507 | (1) | 10,184 | (2,904,690) | (138,880) | (1,676) | (140,556) | |
| Loss for the period | — | — | — | — | — | — | — | — | (9,395) | (9,395) | 21 | (9,374) | |
| Exchange differences arising from translation of financial statements of overseas operations | — | — | — | — | (238) | — | — | — | — | (238) | — | (238) | |
| Total comprehensive (loss)/income for the period | — | — | — | — | (238) | — | — | — | (9,395) | (9,633) | 21 | (9,612) | |
| Recognition of equity-settled share-based payments | — | — | — | 2,235 | — | — | — | — | — | 2,235 | — | 2,235 | |
| Disposal of subsidiaries | — | — | — | — | — | — | — | — | — | — | 1,343 | 1,343 | |
| At 30 September 2021 (unaudited) | 55,050 | 2,675,328 | 1,484 | 13,525 | 7,730 | 4,507 | (1) | 10,184 | (2,914,085) | (146,278) | (312) | (146,590) | |

8. 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 14 November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For Period 2022, the Group recorded an unaudited consolidated revenue of HK\$5.6 million, increased by 235% compared to HK\$1.7 million for Period 2021. The gross profit ratio increased to about 27% as compared with 22% for Period 2021. For Period 2022, the Group recorded a net profit attributable to equity holders of HK\$4.4 million, as compared with the Group recorded a loss attributable to equity holders of HK\$9.4 million for Period 2021. Selling and distribution expenses and administrative expenses in Period 2022 amounted to HK\$5.3 million, which decreased 62% as compared to HK\$13.9 million in Period 2021. Finance costs for Period 2022 decreased 61% to HK\$1.8 million as compared to HK\$4.6 million for Period 2021.

BUSINESS REVIEW

The Group continues to carry out the overall planning and layout of the “Internet Plus” business. With the Group’s many years of experience in the “Internet Plus” business, the Group is actively exploring cooperation models with various platform operators, jointly developing market shares and gradually building a supply chain service map in the “Internet Plus” business.

During the period under review, under the leadership of senior management with extensive experience in supply chain business and e-commerce, the Group is fully developing the business related to the service agreement signed with the platform operator in Mainland China. Through the operator’s affiliated company platforms, including “Xiaodian Platform” (小店平台), “Global Shopping Platform” (全球購平台), “Toutiao” (今日頭條), “TikTok” (抖音) and “Xigua” (西瓜視頻), the Group provides one-stop product supply chain services. The Group’s subsidiary has successfully injected into the “Global Preferred Imported Supermarket” on the “TikTok” (抖音) platform and become a selected supplier. The Group conducts online sales channels through various live e-commerce channels and short video platforms, and also provides services such as warehousing and logistics through logistics providers, thereby establishing a high-quality supply chain management system to bring consumers a pleasant shopping experience. The Group has also obtained a Chinese patent medicine wholesaler license through its subsidiary, providing a starting role for the cross-border supply chain business of supplying over-the-counter (OTC) medicines. This indicates that the Group is accelerating the development of cross-border supply chain business.

During the period under review, the Coronavirus Disease (COVID-19) continued to affect the normal operation of the society and daily economic activities. However, the Group concentrated its strength and experience according to its own conditions to develop epidemic prevention-oriented business, personal protective equipment manufacturing and distribution business to meet the current epidemic prevention needs and continued to provide each customer with high-quality and strongly protective equipment products. This business also provided the Group with a stable source of income.

FUTURE OUTLOOK

The Group is discussing continuously the room for cooperation with major beauty brands and manufacturers of health care products and over-the-counter (OTC) medicines, to expand the types of goods on the platform, and to provide the platform with reliable products and supply chain services. On the other hand, the Group is also discussing with other domestic platform operators to provide cross-border supply chain services for the newly established live broadcast marketing platform, and to create a one-stop business model for the Group by expanding the supply channels and product portfolio. At the same time, the Group continues to explore other opportunities for the development of the “Internet Plus” business, including negotiating with industry players on “Internet Plus” solutions and discussing in the fields of medical and health products. It is believed that this can expand new revenue sources and development opportunities for the Group.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 September 2022 (three months ended 30 September 2021: Nil).

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

During the three months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

COMPETING INTERESTS

As at 30 September 2022, 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 2022, except for the following deviations which are summarized below:

Code Provision C.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 three months ended 30 September 2022, the roles of the chairperson and chief executive officer were exercised by the executive Directors collectively. The responsibilities of both roles are the same as mentioned above. The Board considers that vesting the roles of chairperson and chief executive officer in the executive Directors collectively is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidates to assume the roles of the chairperson and the chief executive officer when necessary.

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 2022.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. For the three months ended 30 September 2022, the Audit Committee comprised three independent non-executive Directors of the Company, namely, Mr. LAU Fai Lawrence, Dr. LIU Ta-pei, Mr. LAM Kit Sun (appointed on 1 August 2022) and Mr. CHAU Wai Wah Fred (ceased to be the Audit Committee member after re-designation to executive Director of the Company on 1 August 2022). Mr. LAU 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 three months ended 30 September 2022 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
CHAU Wai Wah Fred
Executive Director

Hong Kong, 14 November 2022

As at the date of this announcement, the Board comprises Mr. CHAU Wai Wah Fred, Mr. HO Kam Kin and Ms. KWOK Shuk Yi as executive Directors, and Dr. CHENG Yanjie as non-executive Director, and LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. LAM Kit Sun as independent non-executive Directors.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkexnews.hk 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.