



**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  
REPORT **2019/2020**



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## QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

### 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 2019 (the “**Period 2019**”), together with the comparative unaudited figures for the corresponding period in 2018 (the “**Period 2018**”), are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		(Unaudited)	
		Three months ended	
		30 September	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	50,549	5,441
Costs of sales and services		<b>(36,896)</b>	(761)
Gross profit		<b>13,653</b>	4,680
Other income and gains		<b>643</b>	44
Selling and distribution expenses		<b>(1,592)</b>	—
Administrative and operating expenses		<b>(12,991)</b>	(16,049)
<b>Operating loss</b>		<b>(287)</b>	(11,325)
Finance costs		<b>(3,558)</b>	(2,815)
<b>Loss before tax</b>	3	<b>(3,845)</b>	(14,140)
Income tax (expense)/credit	4	<b>(807)</b>	578
<b>Loss for the period</b>		<b>(4,652)</b>	(13,562)
<b>Loss for the period attributable to:</b>			
Equity holders of the Company		<b>(4,130)</b>	(12,787)
Non-controlling interests		<b>(522)</b>	(775)
		<b>(4,652)</b>	(13,562)

## QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

		(Unaudited)	
		Three months ended	
		30 September	
		2019	2018
	Notes	HK\$'000	HK\$'000
<b>Other comprehensive income/(loss) for the period, net of tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas operations		<u>(1,141)</u>	<u>(205)</u>
<b>Total comprehensive loss for the period</b>		<u><b>(5,793)</b></u>	<u>(13,767)</u>
<b>Total comprehensive loss for the period attributable to:</b>			
Equity holders of the Company		<u>(5,263)</u>	(12,872)
Non-controlling interests		<u>(530)</u>	(895)
		<u><b>(5,793)</b></u>	<u>(13,767)</u>
		HK cents	HK cents
<b>Loss per share attributable to equity holders of the company</b>			
	5		
Basic		<u>(0.10)</u>	(0.38)
Diluted		<u>N/A</u>	N/A



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2019

### 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 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2019.

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 2019. 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) others services (including catering services and consulting services).

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended 30 September 2019

**2. REVENUE — CONTINUED**

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

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Lottery-related services	<b>1,022</b>	4,849
Internet plus services (solution)	<b>9,441</b>	231
Internet plus services (supply chain)	<b>40,086</b>	—
Others	—	361
	<b>50,549</b>	5,441

**3. LOSS BEFORE TAX**

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

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Cost of services	<b>775</b>	761
Cost of inventories sold	<b>36,121</b>	—
Depreciation of property, plant and equipment	<b>213</b>	661
Interest income	<b>(1)</b>	(1)
Exchange (gain)/losses, net	<b>(204)</b>	1
Interest on convertible bonds	<b>3,422</b>	2,808

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended 30 September 2019

**4. INCOME TAX (EXPENSE)/CREDIT**

For the three months ended 30 September 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% (Period 2018: 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

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to the equity holders of the Company	<b><u>(4,130)</u></b>	<b><u>(12,787)</u></b>

Number of shares

	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purposes of basic loss per share	<b><u>4,108,855</u></b>	<b><u>3,290,855</u></b>

For the three months ended 30 September 2019, outstanding share options and convertible bonds of the Company have been anti-dilutive (three months ended 30 September 2018: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (three months ended 30 September 2018: decrease in loss per share).

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended 30 September 2019

**6. MOVEMENT OF RESERVES**

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/ losses Total HK\$'000	Non-controlling interests 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)
Amendments to the terms of convertible bonds	—	—	—	—	—	—	—	—	—	—	—	—	—
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



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended 30 September 2019

**6. MOVEMENT OF RESERVES — CONTINUED**

For the three months ended 30 September 2018

	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 2018 (audited)	41,135	2,480,372	1,484	35,572	—	5,134	—	(1)	10,184	(2,633,272)	(59,392)	(607)	(59,999)
Loss for the period	—	—	—	—	—	—	—	—	—	(12,787)	(12,787)	(775)	(13,562)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	(85)	—	—	—	—	(85)	(120)	(205)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(85)	—	—	—	(12,787)	(12,872)	(895)	(13,767)
Amendments to the terms of convertible bonds	—	—	—	—	—	—	1,738	—	—	—	1,738	—	1,738
At 30 September 2018 (unaudited)	41,135	2,480,372	1,484	35,572	—	5,049	1,738	(1)	10,184	(2,646,059)	(70,526)	(1,502)	(72,028)

**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 13 November 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For Period 2019, the Group recorded an unaudited consolidated revenue of HK\$50.5 million, increased by 829% compared to HK\$5.4 million for Period 2018. The gross profit ratio decreased to about 27% as compared with 86% for Period 2018. Revenue increased and gross profit ratio decreased as the company invested in the new business of internet plus services of supply chain which the gross profit ratio is lower than the lottery-related services and internet plus solution services recorded for Period 2018. For Period 2019, the Group recorded a net loss attributable to equity holders of HK\$4.1 million, which decreased 68% from HK\$12.8 million for Period 2018. Selling and distribution expenses and administrative expenses in Period 2019 amounted to HK\$14.6 million, which decreased 9% as compared to HK\$16.0 million in Period 2018. Finance costs for Period 2019 increased 26% to HK\$3.6 million as compared to HK\$2.8 million for Period 2018 relating to increase in finance costs on other loans.

### BUSINESS REVIEW

With the continued excellent progress of the Group's lottery and "Internet Plus" business segments and the continuous cooperation with more companies having unique attractiveness, the Group can achieve new breakthroughs based on the original development and follow the state's policy trends in order to have an innovative and promising future for the Group.

During the period under review, the Company has signed a five-year strategic cooperation agreement with Sinopharm Traditional Chinese Medicine Co. Ltd ("**Sino-TCM**") and Zhong Wei Hua Xin Fund Management Co., Ltd (中維華信基金管理有限公司) ("**ZWHX**"), which is based on the proposed China Tobacco business service platform (中國煙草商務服務平臺) ("**China Tobacco Business Integrated Service Platform**") under the "Internet Plus" Action Plan for the Tobacco Industry" (煙草行業「互聯網+」行動計劃) issued by the State Tobacco Monopoly Administration (國家煙草專賣局) in 2017, helping tobacco retailers improve their services and benefit. The three parties jointly establish smart credit convenience service stores (智能信用便民服務店) (the "**Smart Convenience Store**"), cooperating with China Tobacco and major banks to assist in the transformation and upgrading of their terminal outlets within 3–5 years, and creating Smart Convenience Store that integrates health, public welfare and convenience, and provides services such as accessible medical care, convenience store, self-service lottery, financial services via financial technology and smart supply chain. In order to effectively implement the cooperation, the Company, being designated by Sino-TCM, is responsible for implementing the details with institutions designated by ZWHX. Sino-TCM and the Company are responsible for providing business and cooperation resources, giving macroeconomic policy guidance for the

## MANAGEMENT DISCUSSION AND ANALYSIS

comprehensive health industry, and are responsible for the lottery and comprehensive healthcare business solutions under the non-tobacco services of China Tobacco Business Integrated Service Platform, including hardware and software development projects, training implementation and marketing, and for the operation and maintenance of the project platform. Sino-TCM provides supervision and risk control guidance for the Company to assist in the implementation of related matters, as well as the introduction of international healthcare products from overseas to the resources of offline distribution channels under the China Tobacco Business Integrated Service Platform. ZWHX is mainly responsible for providing business and cooperation resources to jointly launch the “Comprehensive Health Industry Fund”; giving macroeconomic policy guidance; providing support for the establishment of online and offline integrated platforms, transformation and upgrading of terminal stores managed by China Tobacco, Sino-TCM and its related companies, providing hardware equipment and financial arrangements under the China Tobacco Business Integrated Service Platform project, including but not limited to leasing, and coordinating with the provincial and municipal commercial entities of China Tobacco and financial institutions to implement the pilot project for the transformation, upgrade and reform of Smart Convenience Store on their outlets, and exploring to promote the “China Tobacco Business Integrated Service Platform O2O” model to other industries. The three parties adhere to the principle of cooperation, mutual benefit and development, and can jointly establish a joint venture company or mutually invest in relevant companies in respect of the comprehensive health industry projects with specific details to be separately agreed.

At present, the Company has started to formulate the implementation of the operational solutions based on the strategic cooperation development, including our self-developed lottery machines, lottery distribution, training and maintenance processes, etc., in order to prepare for the implementation in different terminal outlets.

In early August 2019, the Company has signed a five-year strategic cooperation framework agreement with Beijing Guorun Jiuhe Health Technology Co., Ltd (北京國潤九和健康科技有限公司) (“**Guorun Jiuhe**”) and Kenford Medical Group Company Limited (“**Kenford**”). The three parties will jointly build a comprehensive body constitution health solution using the traditional Chinese medicine (“**TCM Body Constitution Health Solution**”) and an online A.I. based treatment assistant system (“**Online A.I. Treatment Assistant System**”) in compliance with “Healthy China 2030 Planning Outline” as the premise, among which, the product will be based on TCM Body Constitution Health Solution (including “traditional Chinese medicine body constitution assessment and chronic disease treatment centre”) of Guorun Jiuhe, while the technology and sales aspects of digital marketing, membership management, online and offline sales channel will be based on the “comprehensive health platform and Internet Plus” technology of the Group as a comprehensive health solution which

## MANAGEMENT DISCUSSION AND ANALYSIS

will match with the aim of illness prevention and health improvement. At the same time, the Group and Guorun Jiuhe simultaneously and jointly appointed Kenford to become the cooperation partner in TCM Body Constitution Health Solution in Guangdong-Hong Kong-Macao Greater Bay Area. The modernized Chinese medical clinic under Kenford is regarded as professional medical distribution channel, implementing the offline body constitution care centre through shop-in-shop model. For the cooperation on Online A.I Treatment Assistant System, the online medical diagnosis assistant function that will be included in the one-stop smart comprehensive healthcare platform (“**Comprehensive Healthcare Platform**”) which is made by the Group for Sinopharm Traditional Chinese Medicine Co., Ltd will be combined with the expertise resources of Guorun Jiuhe, applying clinical experience of the experts via the artificial intelligence technology to the medical care institution at the community level to enhance their ability, among which, it can utilize the relevant resources of Internet of things solution for pharmaceutical distribution under Comprehensive Healthcare Platform, coping with the Online A.I. Treatment Assistant System, to distribute nutrient food, concentrated Chinese medicine granules and decoction pieces.

At present, the Group is actively engaged in the application of technology, and starts integrating the Treatment Assistant System equipment to further determine the data collection and analysis results, so that the operation will be smoother when implementing the shop-in-shop model.

In addition, the Group made an extension of long stop date in respect of the discloseable transaction in relation to the acquisition of 25% of the equity interests in Ever Development Holdings Limited involving the issue of consideration shares under general mandate from 30 September 2019 to 31 December 2019. Ever Development holds 100% of the equity interests in Kenford, one of the largest modernized Chinese medical clinic groups in Hong Kong providing one-stop comprehensive medical and health services. The extension of the acquisition is mainly due to the fact that the Group and Ever Development Holdings Limited need more time to fulfil the terms of the acquisition. The conditions precedent for the transactions under the Sales and Purchase Agreement have not been fulfilled, therefore the transaction has not been completed and the Company will provide the latest updates as soon as there is further information on the transaction.

After the period under review, Shenzhen Sheng-Gang Technology Co., Ltd. (“**SG Technology**”), a subsidiary of the Company, has signed a five-year strategic cooperation framework agreement with Beijing Cai-Yan Technology Co., Ltd. (“**CY Technology**”) in order for SG Technology and CY Technology to utilize efficient and unique anti-counterfeit and tracing solutions, and realize and market the extensive application of the anti-counterfeit devices for product packaging as well as online anti-counterfeit information verification platform, enabling the consumers to identify the



## MANAGEMENT DISCUSSION AND ANALYSIS

authenticity of goods, improving the credibility of merchandise products and minimizing the circulation of counterfeits products, while helping to achieve the long-term strategic goal to establish Credit China (信用中國). Currently, the coverage of anti-counterfeits and tracing industry in the domestic market is low, with the coverage of products under tracing far below the level of developed countries. This situation provides a new opportunity for the Group to enter into the anti-counterfeit market with various business opportunities, and the results of the cooperation projects of the Group are expected to make up for the shortcomings of the existing anti-counterfeit technology solutions, serving as new and continuous power for the Company's business.

## OUTLOOK AND STRATEGY

Based on the original lottery business and the comprehensive health business, the Group has been constantly seeking new breakthroughs and continues to expand into a wider range of market areas and expand profit models. The Group gradually attempts to integrate different business projects for development, with the aim of creating a unique and marketable online and offline development space. The Group hopes to further enrich the foundation of the lottery and comprehensive health business through more cooperation. For example, the China Tobacco Business Integrated Service Platform will help the Group to develop a large and competitive offline outlet market; the cooperation with Guorun Jiuhe and Kenford provides more diversified development for the Group's comprehensive health business, including the offline body constitution care centre reaching the outlets; and the anti-counterfeit technology will soon be applied in different offline situations, so that consumers can more effectively and confidently identify the authenticity of products, and be complementary to the development of the Group's lottery business.

In addition, the Group will further expand its offline smart supply chain management and cooperate with precise interactive sales technology in order to upgrade and transform retailers of the Macau Supermarket Group into smart retail stores, promoting different products to a larger market. It is more conducive for the Group to prepare for a broader commercial products market in the future through its foundation by current efforts. Retail stores or shops will be upgraded and renovated according to online and offline smart stores or shop-in-shop model.

The Group is convinced that based on the inherent lottery and "Internet Plus Health" segments, various operating agreements will be implemented in order to provide more effective and promising business opportunities for the inherent foundation to generate more value for the Group.

## DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 September 2019 (three months ended 30 September 2018: Nil).



## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2019, the interests and short positions of the Directors and chief executive in the ordinary share(s) of HK\$0.0125 each of the Company (the "Share(s)"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions in the Shares of the Company or Any of Its Associated Corporation

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held				Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note)	The Company	632,920,856	4,656,000	3,020,000	640,596,856	15.59%
Mr. CHAN Tung Mei ("Mr. CHAN") (Note)	The Company	—	3,020,000	637,576,856	640,596,856	15.59%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note)	—	909	1	910	—
Mr. CHAN	Best Frontier	—	1	909	910	—
Dr. CHENG Yanji	The Company	—	1,965,000	—	1,965,000	0.05%
Mr. YANG Qing Cai	The Company	—	475,000	—	475,000	0.01%

## GENERAL INFORMATION

*Note:*

632,920,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN respectively. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them were deemed to be interested in the Shares.

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the three months ended 30 September 2019.

## GENERAL INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2019, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as follows:

#### Long Positions in the Shares

Name of Shareholders	Capacity	Number of issued Shares Held	Approximate Percentage of the Shareholding
Sinopharm Traditional Chinese Medicine Overseas Holdings Limited	Beneficial Owner	650,000,000	15.82%
Best Frontier & its concert parties ( <i>Note 1</i> )	Beneficial Owner	640,596,856	15.59%
Integrated Asset Management (Asia) Limited ("Integrated Asset") & its concert parties ( <i>Note 2</i> )	Beneficial Owner	461,733,000	11.24%
Tse Siu Hoi	Beneficial Owner	310,650,000	7.56%

#### Notes:

- 632,920,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly beneficially held 4,656,000 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them were deemed to have interests in the Shares.

## GENERAL INFORMATION

2. The 461,733,000 Shares were owned by Integrated Asset which was wholly-owned by Mr. YAM Tak Cheung. 8% coupon convertible bonds in aggregate amount of HK\$89,625,000 (the "CBs") for a term of six months were issued to Integrated Asset pursuant to the first amendment agreement dated 18 January 2017 approved by the Shareholders at the extraordinary general meeting of the Company held on 29 March 2017. The Company received a written consent from Integrated Asset, on which the maturity date of the CBs would be extended for further six months to 17 January 2018. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full. The amended conversion price is HK\$0.359 per conversion share subject to adjustment.

Pursuant to the second amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 18 April 2018, the amendments were that the maturity date of the CBs was extended for six months from 17 January 2018 to 17 July 2018, and further extended maturity date upon a prior written consent from Integrated Asset would be 17 January 2019. Such written consent from Integrated Asset has been received by the Company. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full.

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 19 March 2019 in which pursuant to the third amendment agreement, the amendments are that the maturity date of the CBs shall be extended for six months from 17 January 2019 to 17 July 2019, and further extended to 17 January 2020 upon a prior written consent from Integrated Asset. Such written consent from Integrated Asset has been received by the Company. A maximum number of 249,651,810 Shares shall be allotted and issued to Integrated Asset upon conversion of the CBs in full.

As a result of the adjustments of the CBs on 10 May 2019 upon the allotment and issue of the consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited, a maximum number of 263,602,941 Shares shall be allotted and issued to Integrated Asset upon conversion of the CBs in full and thereafter the shareholding of Integrated Asset will be increased to approximately 17.65% of the existing issued share capital of the Company and approximately 16.59% of the enlarged issued share capital of the Company. The adjusted conversion price is HK\$0.34 per conversion share subject to further adjustment.

Save as disclosed above, as at 30 September 2019, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under Section 336 of the SFO.

## GENERAL INFORMATION

### SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 31 January 2013 (the “**Share Option Scheme**”) under which the Board may, at its discretion, invite eligible persons to take up share options to subscribe for the Shares in the Company. Eligible persons shall include any Directors, employees and consultants of the Company or of any subsidiary of the Company or such other persons whom at the sole discretion of the Board are deemed to have contributed to the Group at the time when an option is granted to such person. The Share Option Scheme will remain valid for a period of 10 years commencing from the date of adoption of the Share Option Scheme.

The details of the movements in share options under the Share Option Scheme during the three months ended 30 September 2019 were as follows:—

Name/ Category of Participants	Grant Date	Exercise Price	Exercisable Period	Number of Share Options					As at 30 September 2019
				As at		Exercised	Cancelled	Lapsed	
				1 July 2019	Granted				
Other Eligible	14/08/2019	0.33	01/01/2020–31/12/2022	—	11,600,000	—	—	—	11,600,000
Participants	14/08/2019	0.33	01/06/2020–31/12/2022	—	18,540,000	—	—	—	18,540,000
(Note)	14/08/2019	0.33	01/09/2020–31/12/2022	—	8,700,000	—	—	—	8,700,000
	14/08/2019	0.33	01/03/2021–31/12/2022	—	18,540,000	—	—	—	18,540,000
	14/08/2019	0.33	01/05/2021–31/12/2022	—	8,700,000	—	—	—	8,700,000
	14/08/2019	0.33	01/12/2021–31/12/2022	—	24,720,000	—	—	—	24,720,000
			<b>Total</b>	<b>—</b>	<b>90,800,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>90,800,000</b>

Note:

Other Eligible Participants include certain consultants of the Group.

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

During the three months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

### COMPETING INTERESTS

(As at 30 September 2019, 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.



## GENERAL INFORMATION

### 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 2019, except for the following deviation which is summarized below:

#### Code provision A.4.1

The independent non-executive directors of the Company (the “**INED(s)**”) were not appointed under specific terms but are subject to retirement by rotation 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 INEDs have given the rights to the Shareholders to approve the continuation of the 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 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 2019.

## GENERAL INFORMATION

### AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. As at 27 August 2019, the Audit Committee consisted of three INEDs, namely Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei. Mr. TO Yan Ming Edmond was the chairman of the Audit Committee. Following the passing away of Mr. TO Yan Ming Edmond on 28 August 2019, the Company only has two members of the Audit Committee and there is a vacancy in the position of the chairman of the Audit Committee. The Company is endeavouring to identify suitable candidate to fill the vacancy as soon as practicable, with the relevant appointment to be made within three months from the date of the passing away of Mr. TO as required under the GEM Listing Rules.

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 2019 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, 13 November 2019

*As at the date of this report, the Board comprises Madam CHEUNG Kwai Lan, Mr. CHAN Ting as Executive Directors, Mr. CHAN Tung Mei and Dr. CHENG Yanji as Non-executive Directors, and Mr. YANG Qing Cai and Dr. LIU Ta-pei as Independent Non-executive Directors.*