



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)

THIRD
QUARTERLY
REPORT **2019/2020**



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QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2020

RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce that the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and nine months ended 31 March 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 nine months ended 31 March 2020

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	11,172	9,183	98,552	21,558
Costs of sales and services		(10,832)	(1,148)	(75,500)	(5,604)
Gross profit		340	8,035	23,052	15,954
Other income		574	356	1,065	616
Selling and distribution expenses		(176)	(7)	(4,631)	(7)
Administrative and operating expenses		(13,502)	(18,711)	(42,140)	(42,219)
Operating loss		(12,764)	(10,327)	(22,654)	(25,656)
Finance costs		(3,516)	(1,992)	(10,747)	(7,663)
Loss before tax	3	(16,280)	(12,319)	(33,401)	(33,319)
Income tax (expense)/credit	4	542	88	(607)	1,060
Loss for the period		(15,738)	(12,231)	(34,008)	(32,259)
Loss for the period attributable to:					
Equity holders of the Company		(15,134)	(10,801)	(32,369)	(29,707)
Non-controlling interests		(604)	(1,430)	(1,639)	(2,552)
		(15,738)	(12,231)	(34,008)	(32,259)

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2020

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		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		(1,283)	116	(1,239)	(102)
Total comprehensive loss for the period		(17,021)	(12,115)	(35,247)	(32,361)
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		(15,987)	(10,718)	(33,189)	(29,719)
Non-controlling interests		(1,034)	(1,397)	(2,058)	(2,642)
		(17,021)	(12,115)	(35,247)	(32,361)
Loss per share attributable to equity holders of the Company					
Basic	5	(HK0.37 cents)	(HK0.32 cents)	(HK0.79 cents)	(HK0.89 cents)
Diluted		N/A	N/A	N/A	N/A

The accompanying notes on page 3 to 7 form an integral part of this quarterly financial report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2020

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial results for the nine months ended 31 March 2020 have been prepared in accordance with accounting principles generally accepted in Hong Kong under which 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 the GEM Listing Rules.

Except as described below, the principal accounting policies and methods of computation used in the preparation of the unaudited consolidated financial results for the nine months ended 31 March 2020 are consistent with the financial statements of the Group 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 (solutions and supply chain) and (iii) others. Revenue represents income from the following services rendered by the Group, net of returns, discounts allowed or sales taxes:

	(Unaudited) Three months ended		(Unaudited) Nine months ended	
	31 March		31 March	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lottery-related services	776	9,164	1,977	19,614
Internet plus services (solution)	30	15	15,375	1,582
Internet plus services (supply chain)	10,159	—	80,993	—
Others	207	4	207	362
	11,172	9,183	98,552	21,558

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2020

3. LOSS BEFORE TAX

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 March		31 March	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of services	387	1,148	1,669	5,604
Cost of inventories sold	10,445	—	73,831	—
Equity-settled share-based payments	1,096	—	4,462	—
Depreciation of property, plant and equipment	175	323	597	1,471
Amortization of intangible assets	1,648	2,362	4,945	7,047
Interest income	(1)	(4)	(3)	(5)
Exchange (gain)/losses, net	(556)	(190)	(577)	(190)
Interest on convertible bonds	2,879	1,992	9,214	7,663
Interest on other loans	639	—	1,533	—

4. 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)		(Unaudited)	
	Three months ended		Nine months ended	
	31 March		31 March	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current year				
— Hong Kong profits tax	132	—	(1,839)	—
Under provision in the prior periods				
— Hong Kong profits tax	—	(533)	—	(691)
Deferred tax credit	410	621	1,232	1,751
Income tax (expense)/credit for the period	542	88	(607)	1,060

For the nine months ended 31 March 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at the rate of 8.25%, and profits above HK\$2 million will be taxed at the rate of 16.5% (three months and nine months ended 31 March 2019: Nil).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2020

5. 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 March		(Unaudited) Nine months ended 31 March	
2020	2019	2020	2019
HK\$'000	HK\$'000	HK\$'000	HK\$'000

Loss for the period attributable to the equity holders of the Company

(15,134)	(10,801)	(32,369)	(29,707)
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Number of shares

(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
2020	2019	2020	2019
'000	'000	'000	'000

Weighted average number of ordinary shares for the purposes of basic loss per share

4,108,855	3,419,655	4,108,855	3,333,161
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Weighted average number of ordinary shares for the purposes of diluted loss per share

4,108,855	3,419,655	4,108,855	3,333,161
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For the three months and nine months ended 31 March 2020, outstanding share options, warrants and convertible bonds of the Company are anti-dilutive (three months and nine months ended 31 March 2019: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (three months and nine months ended 31 March 2019: decrease in loss per share).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2020

6. MOVEMENT OF RESERVES**For the nine months ended 31 March 2020**

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/(Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 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	—	—	—	—	—	—	—	—	—	(32,369)	(32,369)	(1,639)	(34,008)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	(820)	—	—	—	—	(820)	(419)	(1,239)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(820)	—	—	—	(32,369)	(33,189)	(2,058)	(35,247)
Amendments to the terms of convertible bonds	—	—	—	—	—	—	—	—	—	—	—	—	—
Deferred tax liabilities arising from amendments to the terms of convertible bonds	—	—	—	—	—	—	—	—	—	—	—	—	—
Share issued upon placement of shares	—	—	—	—	4,462	—	—	—	—	—	4,462	—	4,462
At 31 March 2020 (unaudited)	51,360	2,610,881	1,484	—	4,462	7,504	—	(1)	10,184	(2,676,865)	9,009	(2,555)	6,454

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2020

6. MOVEMENT OF RESERVES — CONTINUED**For the nine months ended 31 March 2019**

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 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	—	—	—	—	—	—	—	—	—	(29,707)	(29,707)	(2,552)	(32,259)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	(12)	—	—	—	—	(12)	(90)	(102)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(12)	—	—	—	(29,707)	(29,719)	(2,642)	(32,361)
Amendments to the terms of convertible bonds	—	—	—	—	—	—	343	—	—	1,737	2,080	—	2,080
Deferred tax liabilities arising from amendments to the terms of convertible bonds	—	—	—	—	—	—	(343)	—	—	—	(343)	—	(343)
Share issued upon placement of shares	2,100	37,884	—	—	—	—	—	—	—	—	39,984	—	39,984
At 31 March 2019 (unaudited)	43,235	2,518,256	1,484	35,572	—	5,122	—	(1)	10,184	(2,661,242)	(47,390)	(3,249)	(50,639)

7. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated third quarterly financial statements were approved and authorised for issue by the Board on 14 May 2020.

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); and (iii) others.

For Period 2020, the Group recorded unaudited consolidated revenue of HK\$98.6 million, increased by 357% against Period 2019 of HK\$21.6 million. The gross profit ratio decreased to about 23% as compared with 74% for Period 2019. The increase in revenue and decrease in gross profit ratio is due to the Company's investment in the new business of internet plus services of supply chain, the gross profit of which is lower than the lottery-related services and internet plus services recorded for the Period 2019. For Period 2020, the Group recorded a net loss attributable to the equity holders of HK\$32.4 million, increased 9% from HK\$29.7 million for Period 2019. Loss attributable to equity holders was HK\$15.1 million from the third quarter of Period 2020, which increased by 40% from HK\$10.8 million for Period 2019. Selling and distribution expenses and administrative and operating expenses in Period 2020 amounted to HK\$46.8 million, increased by 11% as compared to HK\$42.2 million in Period 2019.

BUSINESS REVIEW

During the period under review, the Mainland China ("**Mainland**") and Hong Kong markets, to varying degrees, experienced economic depression under the threat of the Coronavirus Disease 2019 Pandemic ("**COVID-19**"). Under this circumstance, the Group makes full use of its own business networks based on medical background, follows the trend and quickly integrates the internal resources of the Group under the obvious mismatch between the supply and demand of medical supplies. It strives to gain a place in the competition of the medical protective supplies in the Hong Kong local market and the Mainland in the short term, and has also opened a new chapter of the Group in the field of healthcare.

Connect the Upstream and Downstream of the Supply Chain and Lay Out the Medical Supplies Market in the Mainland

When COVID-19 initially broke out nationwide from the end of 2019 to the beginning of 2020, the Group has completed the procurement and supply of medical supplies entrusted by state authorities and state-owned enterprises and assisted in purchasing more than 8 million disposable medical masks, 79,000 pieces of protective clothing, isolation gowns and other medical supplies within one month.

MANAGEMENT DISCUSSION AND ANALYSIS

At the initial stage of supply of medical supplies to the Mainland, the Group conducted commercial cooperation with Zhuhai Huafa Group Co., Ltd. (“**Zhuhai Huafa**”) in the procurement of emergency medical supplies and achieved positive cooperation results. In February 2020, the Group established a long-term strategic cooperative relationship with Zhuhai Huafa, which is the purchaser and marketer of the Group’s medical supplies, based on its own medical and commercial networks. At this stage, Zhuhai Huafa is in charge of the demands of medical supplies of domestic corporate customers, procurement, transportation and customer relationship maintenance, to enable the flow of medical supplies from the Group directly to the end-user market. The Group relies on “Internet Plus” technology, uses big data to analyze and screen market demand, and assists in optimizing procurement and other processes. The Group conducts online and offline domestic and foreign omni-channel procurement of medical supplies in compliance of the standards. Through the cooperation between the two parties, emergency supplies can be efficiently delivered to government authorities, medical institutions and the civilian market.

The Group has invested and established two joint venture companies in different provinces of the Mainland, which have been successfully in production with operation running smoothly. The Group has signed a “Joint Venture Contract” with Shandong Deji Medical Goods Company Limited (山東德吉醫療用品有限公司) (“**Shandong Deji**”) on 18 February 2020, and signed a “Joint Venture Cooperation Agreement” with two independent third parties on 6 March 2020 respectively through the Company’s subsidiaries to jointly establish and operate a joint venture company in Jilin Province. The Group invested in Shandong Deji for the fully automated production lines for medical disposable masks in the form of production equipment, and subsequently invested in mask production equipment in the joint venture company located in Jilin Province through its subsidiaries. Through mergers and acquisitions, the Group has enabled Shandong Deji to have an operation team with more than ten years of experience in mask factory production management, effectively improving the production efficiency of the joint venture company and ensuring the smoothness of production. The team’s operating experience can also be used by the Group’s production bases in other regions. The establishment of the two joint ventures symbolizes that the Group not only performs the role of a supplier of medical protective equipment in the market, but also the upstream producer of the supply chain in this field. Through the joint establishment and operation of joint venture companies with the Mainland partners, the joint venture companies will produce and sell mainly disposable protective masks, medical protective masks under the brand authorized by the Company, which not only further meets the urgent need for medical supplies in the market, but also provides an assurance of supply for the Group and Zhuhai Huafa in the procurement of medical supplies. It has also been proactive in increasing the influence in the relevant market segment in the Mainland and enhancing its brand reputation.

MANAGEMENT DISCUSSION AND ANALYSIS

Focus on Hong Kong People's Livelihood and Build Its Own Production Line

During the period under review, medical masks were regarded as strategic materials and strictly controlled by various countries and regions with export restriction. The Group has noticed that there is also a serious shortage of medical masks in Hong Kong, and the mask industry may face structural changes with the supply side having significant regional characteristics. In addition, the Group has established a medical supplies production network in the Mainland through the establishment of commercial cooperation, investment and establishment of joint venture companies, etc., and coupled with its production management experience, resources obtained through strategic cooperation, equipment and raw material procurement, and sales channel setup can be used as reference for Hong Kong business activities. Materials needed for production can also be flexibly allocated between the Mainland and Hong Kong. In view of this, the Group has the ability to mobilize internal resources and assume the social responsibilities of Hong Kong companies.

During the period under review, the Group established the first mask factory in the New Territories, and its cleanroom has been certified to be in compliance of the cleanroom standard ISO14644-1-Class 8 issued by National Environmental Balancing Bureau ("NEBB") of the USA. Three fully automated plane mask production lines have been successfully installed in the factory. The installation of first two machines have completed and the process of production has been gradually carried out from mid to late March 2020, and the third production line has been set up and tested in April 2020. Finished masks have been tested and meet the standard of ASTM F2100 Level 1, and have been launched into the Hong Kong market in early April 2020. So far, the overall operation of the first mask factory has become stable, and the production capacity has been steadily increasing.

In terms of expanding sales channels, the Group has established a business partnership with Kenford Medical Group Company Limited ("**Kenford**"). As an authorized distributor of the Group, Kenford distributes the mask products of the Group through its chain of modern Chinese medicine clinics and physical examination centers (including but not limited to "Kenford", "Wong Cheung Wah", "Hong Kong Expert Medical Centre") operating in various districts in Hong Kong.

Besides, the Group's application under the Local Mask Production Subsidy Scheme has been approved by the government. In addition to the civilian market, the Group also plans to provide medical masks to government authorities. On the one hand, the supply cooperation with official institutions will, to a certain extent, alleviate Hong Kong's dependence on overseas medical protective equipment and establishes its own supply channel with quality assurance. On the other hand, it can also be regarded as the affirmation and recognition of the Group's industrial scale, brand value, and quality of finished products, which provide a credible endorsement for the Group in expanding its next business blueprint.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

As for the “Internet Plus Comprehensive Health” business, with the deepening of the cooperation between the Group and Zhuhai Huafa, the next step may be to consider establishing business links with it for the Comprehensive Health industry chain, providing technical support and channel support for Zhuhai Huafa’s business development in the field of Comprehensive Health including medical mask production, and commencing extensive cooperation in terms of equity investment, technological innovation, R&D and production, channel promotion, marketing and sales, etc. to promote the development of both parties’ businesses. In addition, Zhuhai Huafa also plans to cooperate with the Group in joint marketing, coordinated projects, customer referral and other aspects of its financial business to provide financial services in the capital market.

The Group is ambitious in the development of mask production business and seeks the possibility of achieving larger scale production. After the period under review, the preparation and construction of the second and third mask factories have been steadily carried out. The second mask factory has a larger operation area and a larger number of production equipment. It is also being set up its own testing laboratory, a show room and a display room opened to the public to enhance production transparency and public confidence. At present, the construction of phase 1 of the second plant has been completed, and has reached the trial production stage; and the cleanroom of the third factory has been completed and has reached the tuning stage for the equipment.

After the period under review, the Group and Tencent Holdings Limited (“**Tencent Holdings**”) has established a three-year strategic cooperative relationship in the field of medical supplies procurement and services, which helps to broaden the sale channels for the Group’s medical supplies and also enhances the Group’s strategic business network caliber.

In the short to medium term, the Group will continue to focus on the production and sales of medical protective supplies. During the tough period of the spread of COVID-19, the Group has relied on its business background to smoothly connect the Mainland and Hong Kong markets, and delivered materials efficiently by taking full advantage of the partners’ advantages in medical supplies procurement, distribution, customs clearance, inspection and transportation, etc. The Group also seeks the opportunity to open up overseas supply channels and sell products that meet the medical standards in other countries or regions to the end market of demand side. The dual engine of domestic and overseas business will allow the Group to be more powerful in its future development.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 March 2020 (nine months ended 31 March 2019: 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 31 March 2020, 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 Corporations

Name of Directors	The Company/ Name of Associated Corporation	Interest in Controlled Corporation	Number of Shares Held				Approximate Percentage of Shareholding
			Personal Interest (ordinary shares)	Personal Interest (underlying shares) (Note 2)	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note 1)	The Company	632,920,856	4,656,000	4,000,000	6,620,000	648,196,856	15.77%
Mr. CHAN Tung Mei ("Mr. CHAN") (Note 1)	The Company	—	3,020,000	3,600,000	641,576,856	648,196,856	15.77%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note 1)	—	909	—	1	910	—
Mr. CHAN	Best Frontier	—	1	—	909	910	—
Mr. CHAN Ting	The Company	—	—	4,000,000	—	4,000,000	0.09%
Mr. CHAU Wai Wah Fred	The Company	—	3,800,000	3,600,000	—	7,400,000	0.18%
Dr. CHENG Yanji	The Company	—	1,965,000	3,600,000	—	5,565,000	0.13%
Dr. LIU Ta-pei	The Company	—	—	3,600,000	—	3,600,000	0.08%

GENERAL INFORMATION

Notes:

1. The 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.
2. These share options were granted by the Company on 7 January 2020 under the share option scheme adopted by the Company on 31 January 2013.

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures 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 nine months ended 31 March 2020.

GENERAL INFORMATION

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

As at 31 March 2020, 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 and Mr. CHAN. In addition, Madam CHEUNG and Mr. CHAN directly 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 be interested in the Shares.
- 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 was HK\$0.359 per conversion share subject to adjustment.

GENERAL INFORMATION

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.

Pursuant to the third amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 19 March 2019, the amendments were that the maturity date of the CBs was extended for six months from 17 January 2019 to 17 July 2019, and further extended maturity date upon a prior written consent from Integrated Asset would be 17 January 2020. 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.

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. The adjusted conversion price is HK\$0.34 per conversion share subject to further adjustment.

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 25 March 2020 in which pursuant to the fourth amendment agreement, the amendments are that the maturity date of the CBs shall be extended for six months from 17 January 2020 to 17 July 2020, and further extended to 17 January 2021 upon a prior written consent from Integrated Asset. A maximum number of 263,602,941 Shares shall be allotted and issued to Integrated Asset upon conversion of the CBs in full.

Save as disclosed above, as at 31 March 2020, 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 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 nine months ended 31 March 2020 were as follows:

Name/ Category of Participants	Grant Date	Exercise Price	Exercisable Period	Number of Share Options					As at 31 March 2020
				As at 1 July 2019	Granted	Exercised	Cancelled	Lapsed	
Directors									
Madam CHEUNG	07/01/2020	0.33	01/06/2020–31/12/2022	—	1,200,000	—	—	—	1,200,000
	07/01/2020	0.33	01/03/2021–31/12/2022	—	1,200,000	—	—	—	1,200,000
	07/01/2020	0.33	01/12/2021–31/12/2022	—	1,600,000	—	—	—	1,600,000
Mr. CHAN Ting	07/01/2020	0.33	01/06/2020–31/12/2022	—	1,200,000	—	—	—	1,200,000
	07/01/2020	0.33	01/03/2021–31/12/2022	—	1,200,000	—	—	—	1,200,000
	07/01/2020	0.33	01/12/2021–31/12/2022	—	1,600,000	—	—	—	1,600,000
Mr. CHAN	07/01/2020	0.33	01/06/2020–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/03/2021–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/12/2021–31/12/2022	—	1,440,000	—	—	—	1,440,000
Dr. CHENG Yanjie	07/01/2020	0.33	01/06/2020–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/03/2021–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/12/2021–31/12/2022	—	1,440,000	—	—	—	1,440,000
Dr. LIU Ta-pei	07/01/2020	0.33	01/06/2020–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/03/2021–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/12/2021–31/12/2022	—	1,440,000	—	—	—	1,440,000
Mr. CHAU Wai Wah Fred	07/01/2020	0.33	01/06/2020–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/03/2021–31/12/2022	—	1,080,000	—	—	—	1,080,000
	07/01/2020	0.33	01/12/2021–31/12/2022	—	1,440,000	—	—	—	1,440,000
Sub-total				—	22,400,000	—	—	—	22,400,000

GENERAL INFORMATION

Name/ Category of Participants	Grant Date	Exercise Price	Exercisable Period	Number of Share Options					As at 31 March 2020	
				As at 1 July		Granted	Exercised	Cancelled		Lapsed
				2019	2020					
Employees	07/01/2020	0.33	01/06/2020–31/12/2022	—	21,120,000	—	—	—	21,120,000	
	07/01/2020	0.33	01/03/2021–31/12/2022	—	21,120,000	—	—	—	21,120,000	
	07/01/2020	0.33	01/12/2021–31/12/2022	—	28,160,000	—	—	—	28,160,000	
			Sub-total	—	70,400,000	—	—	—	70,400,000	
Other Eligible Participants (Note)	14/08/2019	0.33	01/01/2020–31/12/2022	—	11,600,000	—	—	—	11,600,000	
	14/08/2019	0.33	01/06/2020–31/12/2022	—	18,540,000	—	—	—	18,540,000	
	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	
			Sub-total	—	90,800,000	—	—	—	90,800,000	
			Total	—	183,600,000	—	—	—	183,600,000	

Note:

Other Eligible Participants include certain consultants of the Group.

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

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

COMPETING INTERESTS

As at 31 March 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 nine months ended 31 March 2020, except for the following deviation which is summarized below:

GENERAL INFORMATION

Code provision A.4.1

The independent non-executive Directors (the “INEDs”) of the Company were not appointed for 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 Directors have given the rights to the Shareholders to consider and approve the continuation of the Directors’ 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 transactions 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 nine months ended 31 March 2020.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the GEM Listing Rules. As at 31 March 2020, the Audit Committee consisted of three INEDs, namely Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred. Mr. LAU Fai Lawrence is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review the Company’s annual report and accounts, interim report and quarterly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company’s financial reporting, risk management and internal control systems.

The Group’s unaudited results for the nine months ended 31 March 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

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

Executive Director and Chief Executive Officer

Hong Kong, 14 May 2020

As at the date of this report, the Board comprises Madam CHEUNG Kwai Lan and Mr. CHAN Ting as Executive Directors, 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.