



# Sinopharm Tech Holdings Limited

## 國藥科技股份有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8156)

INTERIM REPORT

2020/2021



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## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

### RESULTS

The board of Directors of the Company (the “**Board**”) announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 31 December 2020 (the “**Period 2020**”), together with the selected comparative unaudited figures for the corresponding period in 2019 (the “**Period 2019**”), are as follows:

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

For the three months and six months ended 31 December 2020

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



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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

The accompanying notes on pages 7 to 21 form an integral part of this interim financial report.



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		(Unaudited) 31 December 2020 HK\$'000	(Audited) 30 June 2020 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	22,224	16,388
Right-of-use assets		12,480	14,742
Goodwill		46,139	46,139
Intangible assets		32	41
Interests in joint ventures		—	—
Interests in associates		45,956	42,075
Deposits for acquisition of property, plant and equipment		—	6,686
		<b>126,831</b>	126,071
<b>Current assets</b>			
Inventories		10,448	7,459
Trade and other receivables and prepayments	9	66,001	47,897
Bank balances and cash		2,673	6,746
		<b>79,122</b>	62,102
<b>Current liabilities</b>			
Trade payables, accruals and other payables	10	122,070	102,915
Amount due to directors		32,508	33,318
Lease liabilities		2,879	4,890
Convertible bonds	11	93,930	89,170
Other borrowing		23,367	15,600
Unlisted warrants		1,880	1,880
Contingent consideration payable		5,343	5,343
Tax liabilities		—	682
		<b>281,977</b>	253,798
<b>Net current liabilities</b>		<b>(202,855)</b>	(191,696)
<b>Total assets less current liabilities</b>		<b>(76,024)</b>	(65,625)



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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

The accompanying notes on pages 7 to 21 form an integral part of this interim financial report.



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 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 2020 (audited)	53,621	2,644,794	1,484	—	8,265	8,194	5,950	(1)	10,184	(2,805,571)	(73,080)	(305)	(73,385)
Loss for the period	—	—	—	—	—	—	—	—	—	(14,140)	(14,140)	(487)	(14,627)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	(113)	—	—	—	—	(113)	357	244
Total comprehensive (loss)/income for the period	—	—	—	—	—	(113)	—	—	—	(14,140)	(14,253)	(130)	(14,383)
Recognition of equity-settled share-based payments	—	—	—	—	2,676	—	—	—	—	—	2,676	—	2,676
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	1,470	1,470
<b>At 31 December 2020 (unaudited)</b>	<b>53,621</b>	<b>2,644,794</b>	<b>1,484</b>	<b>—</b>	<b>10,941</b>	<b>8,081</b>	<b>5,950</b>	<b>(1)</b>	<b>10,184</b>	<b>(2,819,711)</b>	<b>(84,657)</b>	<b>1,035</b>	<b>83,622</b>

For the six months ended 31 December 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 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	—	—	—	—	—	—	—	—	—	(17,235)	(17,235)	(1,035)	(18,270)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	33	—	—	—	—	33	11	44
Total comprehensive (loss)/income for the period	—	—	—	—	—	33	—	—	—	(17,235)	(17,202)	(1,024)	(18,226)
Recognition of equity-settled share-based payments	—	—	—	3,366	—	—	—	—	—	—	3,366	—	3,366
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>At 31 December 2019 (unaudited)</b>	<b>51,360</b>	<b>2,610,881</b>	<b>1,484</b>	<b>3,366</b>	<b>—</b>	<b>8,357</b>	<b>—</b>	<b>(1)</b>	<b>10,184</b>	<b>(2,661,731)</b>	<b>23,900</b>	<b>(1,521)</b>	<b>22,379</b>

The accompanying notes on pages 7 to 21 form an integral part of this interim financial report.



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	(Unaudited)	
	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Cash used in operations	(441)	(4,065)
Interest received	3	2
Interest paid	(5,254)	(5,078)
<b>Net cash used in operating activities</b>	<b>(5,692)</b>	<b>(9,141)</b>
<b>Investing activities</b>		
Additions in property, plant and equipment	(4,747)	(560)
<b>Net cash used in investing activities</b>	<b>(4,747)</b>	<b>(560)</b>
<b>Financing activities</b>		
Repayment of lease liabilities	(2,830)	(100)
Decrease in amount due to directors	(810)	(10,184)
Additions to other borrowing	7,767	19,500
Additions to lease liabilities	2,640	506
<b>Net cash flow generated from financing activities</b>	<b>6,767</b>	<b>9,722</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,672)</b>	<b>21</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,746</b>	<b>6,646</b>
Effects of foreign exchange rate changes	(401)	42
<b>Cash and cash equivalents at the end of the period, represented by cash and bank balances</b>	<b>2,673</b>	<b>6,709</b>

The accompanying notes on pages 7 to 21 form an integral part of this interim financial report.





## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2020 have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

Except as described below, the principal accounting policies and methods of computation used in the preparation of the unaudited interim consolidated financial statements for the six months ended 31 December 2020 are consistent with the financial statements of the Group for the year ended 30 June 2020.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting period beginning on 1 July 2020. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

### 2. SEGMENT INFORMATION

#### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

#### Six months ended 31 December 2020 (Unaudited)

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

#### Six months ended 31 December 2019 (Unaudited)

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



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

For the six months ended 31 December 2020

**2. SEGMENT INFORMATION — CONTINUED****(b) Segment assets and liabilities**

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

**As at 31 December 2020 (Unaudited)**

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

**As at 30 June 2020 (Audited)**

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



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

For the six months ended 31 December 2020

**3. REVENUE AND OTHER INCOME/(EXPENSES)**

The principal activities of the Group are provision of (i) lottery-related services, (ii) internet plus services (solution and supply chain), (iii) manufacturing and distribution of personal protective equipment and (iv) other services.

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

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



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

For the six months ended 31 December 2020

**4. FINANCE COSTS**

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

**5. LOSS BEFORE TAX**

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



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

For the six months ended 31 December 2020

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

The amount of income tax (expense)/credit to the consolidated statement of profit or loss and other comprehensive income represents:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current year		
— Hong Kong profits tax	—	(1,971)
Deferred tax credit	—	822
	<u>          </u>	<u>          </u>
Income tax (expense)/credit for the period	<u>          </u>	<u>(1,149)</u>

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

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



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

For the six months ended 31 December 2020

**7. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

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

**Loss**

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to the equity holders of the Company	<b><u>(9,505)</u></b>	<u>(13,105)</u>	<b><u>(14,140)</u></b>	<u>(17,235)</u>

**Number of shares**

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purposes of basic loss per share	<b><u>4,289,725</u></b>	<u>4,108,855</u>	<b><u>4,289,725</u></b>	<u>4,108,855</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<b><u>4,289,725</u></b>	<u>4,108,855</u>	<b><u>4,289,725</u></b>	<u>4,108,855</u>



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

For the six months ended 31 December 2020

**7. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY — CONTINUED**

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

**8. PROPERTY, PLANT AND EQUIPMENT**

	Furniture, fixtures and equipment	Plant and machinery	Leasehold improvement	Motor vehicles	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 July 2020, net of accumulated depreciation (audited)	66	11,353	4,514	28	427	16,388
Additional for the period	226	1,620	6,814	—	134	8,794
Depreciation provided for the period	(19)	(642)	(1,876)	—	(42)	(2,579)
Elimination on disposals	(31)	—	(518)	(32)	(242)	(823)
Exchange realignment	2	416	3	4	19	444
<b>At 31 December 2020, net of accumulated depreciation (unaudited)</b>	<b>244</b>	<b>12,747</b>	<b>8,937</b>	<b>—</b>	<b>296</b>	<b>22,224</b>





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

For the six months ended 31 December 2020

**9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	<b>(Unaudited)</b>	(Audited)
	<b>31 December</b>	30 June
	<b>2020</b>	2020
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>108,295</b>	93,027
Other receivables and prepayments	<b>53,932</b>	53,609
	<b>162,227</b>	146,636
Less: Allowances for doubtful receivables	<b>(96,226)</b>	(98,739)
	<b>66,001</b>	47,897

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 to 180 days of issuance.

The following is an aged analysis of trade receivables at the end of the reporting period:

	<b>(Unaudited)</b>	(Audited)
	<b>31 December</b>	30 June
	<b>2020</b>	2020
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>16,189</b>	2,456
31 to 60 days	<b>698</b>	330
61 to 180 days	<b>924</b>	190
181 to 365 days	<b>1,082</b>	16,507
Over 1 year	<b>89,402</b>	73,544
	<b>108,295</b>	93,027



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

For the six months ended 31 December 2020

**10. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES**

	<b>(Unaudited)</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	(Audited) 30 June 2020 HK\$'000
Trade payables	<b>35,560</b>	33,607
Accruals and other payables	<b>86,510</b>	69,308
	<b>122,070</b>	102,915

An aged analysis of the Group's trade payables at the end of the reporting period, based on the date of goods and services received, is as follows:

	<b>(Unaudited)</b> <b>31 December</b> <b>2020</b> <b>HK\$'000</b>	(Audited) 30 June 2020 HK\$'000
0–30 days	<b>215</b>	9,617
31–120 days	<b>9,282</b>	23,568
121–180 days	<b>21,767</b>	403
181–365 days	<b>3,874</b>	—
Over 1 year	<b>422</b>	19
	<b>35,560</b>	33,607



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

For the six months ended 31 December 2020

**11. CONVERTIBLE BONDS**

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

On 17 January 2014, the Company issued the convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000, which was interest bearing at a rate of 2% per annum, as a general working capital and repayment of borrowings (the “**Convertible Bonds**”). The Convertible Bonds were convertible into ordinary shares of the Company with a conversion price of HK\$2.39 per share. As a result of the share subdivision implemented on 17 December 2014, the number of the shares to be issued upon full conversion of the Convertible Bonds was adjusted to 150,000,000 shares at the conversion price of HK\$0.598 per share.

The Convertible Bonds contain liability and equity components. The effective interest rate of the liability component was 13.89% per annum. The equity component is presented under the equity heading of “convertible bonds reserve”.

The fair value of the liability component of the Convertible Bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

### 11. CONVERTIBLE BONDS — CONTINUED

On 18 January 2017, the Company entered into an amendment agreement with the bondholder to amend certain terms and conditions of the Convertible Bonds. The conversion price was amended from HK\$0.598 per share to HK\$0.359 per share and it could be converted into for the maximum of 249,651,810 shares. The maturity date was extended to 17 July 2017 and a further six months extension to 17 January 2018 upon a written consent from the bondholder. The interest rate was 8% per annum and paid semi-annually from the date of the amendment agreement.

On 18 January 2018, the Company entered into a second amendment agreement with the bondholder, under which the maturity date of the Convertible Bonds was extended to 17 July 2018 and a further six months extension to 17 January 2019 upon a written consent from the bondholder. Interest was payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

On 17 January 2019, the Company entered into a third amendment agreement with the bondholder, under which the maturity date of the Convertible Bonds was extended to 17 July 2019 and a further six months extension to 17 January 2020 upon a written consent from the bondholder. Interest was payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

As a result of the adjustments of the Convertible Bonds on 10 May 2019 upon the allotment and issue of the consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited, a maximum number of 263,602,941 shares would be allotted and issued to Integrated Asset upon conversion of the Convertible Bonds in full. The adjusted conversion price was HK\$0.34 per conversion share subject to further adjustment.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

### 11. CONVERTIBLE BONDS — CONTINUED

On 7 February 2020, the Company entered into the fourth amendment agreement with the bondholder, under which the maturity date of the Convertible Bonds was extended to 17 July 2020 and a further six months extension to 17 January 2021 upon a written consent from the bondholder. Interest is payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

On 19 January 2021, the Company entered into the fifth amendment agreement with the bondholder to amend some principal terms of the Convertible Bonds, including to extend the maturity date of the Convertible Bonds for one year from 17 January 2021 to 17 January 2022. Its conversion price shall be amended from HK\$0.34 to HK\$0.221 per conversion share (subject to adjustment), which can be converted into the maximum number of 405,542,986 shares. The interest rate of the Convertible Bonds shall be increased to 10% per annum and paid annually (the “**Fifth Amendments**”). Save for the Fifth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged. The fifth amendment agreement and transactions contemplated thereunder are subject to the approval of the independent shareholders at the extraordinary general meeting to be held by the Company, and the Stock Exchange approving the Fifth Amendments and the listing of conversion shares arising from the Convertible Bonds on the Stock Exchange.

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarized as follows:

(a) Principal amount:	HK\$89,625,000
(b) Coupon rate:	8% per annum
(c) Maturity date:	17 January 2021
(d) Adjusted conversion price:	HK\$0.34
(e) Risk-free rate:	1.814%
(f) Expected volatility:	70.13%
(g) Expected dividend yield:	0%



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

For the six months ended 31 December 2020

**12. SHARE CAPITAL**

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 July 2020 (audited) and 31 December 2020 (unaudited), ordinary shares of HK\$0.0125 each	<b>16,000,000</b>	<b>200,000</b>
Issued and fully paid:		
At 1 July 2020 (audited) and 31 December 2020 (unaudited), ordinary shares of HK\$0.0125 each	<b>4,289,725</b>	<b>53,621</b>

**13. RELATED PARTY TRANSACTIONS**

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the three and six months ended 31 December 2020 was as follows:

	(Unaudited)		(Unaudited)	
	Three months ended 31 December		Six months ended 31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	<b>2,253</b>	7,890	<b>5,124</b>	14,076
Post-employment benefits	<b>158</b>	3,467	<b>245</b>	3,549
	<b>2,411</b>	11,357	<b>5,369</b>	17,625

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

### 13. RELATED PARTY TRANSACTIONS — CONTINUED

#### Balances with related parties

As at 31 December 2020, amounts due to directors of approximately HK\$32,508,000 (30 June 2020: approximately HK\$33,318,000) are unsecured, interest free and have no fixed repayment term.

As at 31 December 2020, amounts due from related companies of approximately HK\$3,039,000 (30 June 2020: approximately HK\$2,808,000). The amounts are unsecured, interest free and have no fixed repayment terms.

### 14. EVENTS AFTER THE REPORTING PERIOD

#### Proposed amendments to the terms of the Convertible Bonds

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

Pursuant to the Fifth Amendment Agreement, the Company and the Bondholder agreed to amend some principal terms of the Convertible Bonds, including to extend the maturity date of the Convertible Bonds for one year from 17 January 2021 to 17 January 2022. Its conversion price shall be amended from HK\$0.34 to HK\$0.221 per conversion share (subject to adjustment), which can be converted into the maximum number of 405,542,986 shares. The interest rate of the Convertible Bonds shall be increased to 10% per annum and paid annually (the “**Fifth Amendments**”). Save for the Fifth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged. The Fifth Amendment Agreement and transactions contemplated thereunder are subject to the independent shareholders’ approval.

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

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

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

### SEGMENTAL INFORMATION

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

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

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





## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Continual Advancement of Personal Protective Equipment

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Future Outlook

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### DIVIDEND

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

### LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2020, the Group's bank balances and cash amounted to HK\$2.7 million (30 June 2020: HK\$6.7 million) which were mainly held in HK\$ and RMB. Current assets amounted to HK\$79.1 million (30 June 2020: HK\$62.1 million), mainly comprising of inventories, trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK\$282.0 million (30 June 2020: HK\$253.8 million), mainly comprising of trade payables, accruals and other payables, amounts due to directors, convertible bonds, unlisted warrants, other borrowing and contingent consideration payable. As at 31 December 2020, the gearing ratio of the Group was 57% on the basis of the Group's total interest-bearing borrowings divided by total assets (30 June 2020: 55%).

### CAPITAL STRUCTURE

During the reporting period, the capital structure of the Group consisted of cash and cash equivalents and equity attributable to holders of the Company, comprising issued share capital and reserves. As at 31 December 2020, the total number of issued shares of the Company was 4,289,724,633 ordinary shares of HK\$0.0125 each (the "Shares(s)").

### CONVERTIBLE BONDS

On 17 January 2014, the Company issued unlisted convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000 at a rate of 2% per annum (the "**Convertible Bonds**") as general working capital and for the repayment of borrowings. A maximum number of 37,500,000 shares would be issued by the Company upon full conversion of the Convertible Bonds at the conversion price of HK\$2.390 per conversion share into fully-paid ordinary shares of the Company. As a result of share subdivision on 17 December 2014, the number of Shares falling to be issued upon full conversion of the Convertible Bonds was adjusted to 150,000,000 at the conversion price of HK\$0.598 per Share.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 18 January 2017, the Company entered into the first amendment agreement with the bondholder to amend some principal terms of the Convertible Bonds, including to extend the maturity date of the Convertible Bonds for six months from 17 January 2017 to 17 July 2017, and further extend to 17 January 2018 upon a written consent from the bondholder. Its conversion price was amended from HK\$0.598 to HK\$0.359 per conversion share (subject to adjustment), which could be converted into the maximum number of 249,651,810 Shares. The interest rate of the Convertible Bonds shall be increased to 8% per annum and paid semi-annually (the “**Amendments**”). Save for the Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged. The Amendments were approved by way of an ordinary resolution by the shareholders of the Company (the “**Shareholders**”) at the extraordinary general meeting of the Company held on 29 March 2017. On 18 July 2017, the Company received a written consent from the bondholder, pursuant to which the maturity date of the Convertible Bonds would be extended for further six months to 17 January 2018.

On 18 January 2018, the Company entered into the second amendment agreement with the bondholder to extend the maturity date of the Convertible Bonds from 17 January 2018 to 17 July 2018, and further extend to 17 January 2019 upon a written consent from the bondholder (the “**Second Amendment**”). The Second Amendment was approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 18 April 2018. The Company has received a written consent from the bondholder, pursuant to which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2019.

On 17 January 2019, the Company entered into the third amendment agreement with the bondholder to extend the maturity date of the Convertible Bonds from 17 January 2019 to 17 July 2019, and further extend to 17 January 2020 upon a written consent from the bondholder (the “**Third Amendment**”). The Third Amendment was approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 19 March 2019. The Company has received a written consent from the bondholder, pursuant to which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2020.

As a result of the adjustments of the Convertible Bonds on 10 May 2019 upon the allotment and issue of the consideration shares to Sinopharm Traditional Chinese Medicine Overseas Holdings Limited, a maximum number of 263,602,941 Shares would be allotted and issued to the bondholder upon conversion of the Convertible Bonds in full. The adjusted conversion price was HK\$0.34 per conversion share subject to further adjustment.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 7 February 2020, the Company entered into the fourth amendment agreement with the bondholder to extend the maturity date of the Convertible Bonds from 17 January 2020 to 17 July 2020, and further extend to 17 January 2021 upon a written consent from the bondholder (the “**Fourth Amendment**”). The Fourth Amendment was approved by way of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company held on 25 March 2020. The Company has received a written consent from the bondholder, pursuant to which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2021.

On 19 January 2021, the Company entered into the fifth amendment agreement with the bondholder to amend some principal terms of the Convertible Bonds, including to extend the maturity date of the Convertible Bonds for one year from 17 January 2021 to 17 January 2022. Its conversion price shall be amended from HK\$0.34 to HK\$0.221 per conversion share (subject to adjustment), which can be converted into the maximum number of 405,542,986 Shares. The interest rate of the Convertible Bonds shall be increased to 10% per annum and paid annually (the “**Fifth Amendments**”). Save for the Fifth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged. The fifth amendment agreement and transactions contemplated thereunder are subject to the approval of the independent Shareholders at the extraordinary general meeting to be held by the Company, and the Stock Exchange approving the Fifth Amendments and the listing of conversion shares arising from the Convertible Bonds on the Stock Exchange.

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

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 31 December 2020, the Group did not make any significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 161 (30 June 2020: 213) employees.

Employees’ remunerations are determined with reference to their performance, qualifications, experience, positions and the market trend. Apart from the basic salary and participation in the mandatory provident fund scheme and staff benefits including medical and training programs, share options may be granted to individual employee based on performance evaluation in order to provide incentives and rewards.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURE

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars ("HK\$"), Renminbi ("RMB") or United States dollars ("US\$"). The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB, HK\$ and US\$ borrowings. As the exchange rate of RMB against HK\$ is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the period. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US\$ and HK\$ exchange rate movement.

### CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Company has no contingent liabilities as at 31 December 2020 (30 June 2020: Nil).

No assets of the Group was pledged as securities to any third parties as at 31 December 2020 (30 June 2020: Nil).

### COMMITMENTS

The Group had capital commitments of HK\$Nil and operating lease commitments as lessee of HK\$Nil from operations as at 31 December 2020 (30 June 2020: capital commitments of HK\$Nil and operating lease commitments of HK\$Nil respectively).

### TERMINATION OF THE CONNECTED TRANSACTION INVOLVING ALLOTMENT AND ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 2 April 2020, the Company and Mr. CHAN Ting (the "**Subscriber**"), who was a connected person of the Company under the GEM Listing Rules, entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 800,000,000 new Shares (the "**Subscription Share(s)**") at the subscription price of HK\$0.20 per Subscription Share under specific mandate.



## MANAGEMENT DISCUSSION AND ANALYSIS

As the conditions precedent set out in the Subscription Agreement were not expected to be fully fulfilled on or before the extended long stop date on 31 October 2020, on 30 October 2020, the Subscriber and the Company mutually agreed to enter into a termination agreement to terminate the Subscription Agreement, which was supplemented by the supplemental agreement, the second supplemental agreement, the third supplemental agreement and the fourth supplemental agreement to extend the long stop dates. The rights and obligations of the parties hereto shall cease and determine and thereafter none of the parties shall have any claim against the other. The Board was of the view that the termination of the Subscription Agreement will not have any material adverse effect on the financial position and business operations of the Group.

## EVENT AFTER THE REPORTING PERIOD

### Proposed Amendments to the Terms of the Convertible Bonds

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

Pursuant to the Fifth Amendment Agreement, the Company and the Bondholder agreed to amend some principal terms of the Convertible Bonds, including to extend the maturity date of the Convertible Bonds for one year from 17 January 2021 to 17 January 2022. Its conversion price shall be amended from HK\$0.34 to HK\$0.221 per conversion share (subject to adjustment), which can be converted into the maximum number of 405,542,986 Shares. The interest rate of the Convertible Bonds shall be increased to 10% per annum and paid annually (the **"Fifth Amendments"**). Save for the Fifth Amendments, all other terms and conditions of the Convertible Bonds shall remain unchanged.





## MANAGEMENT DISCUSSION AND ANALYSIS

As the Bondholder was a substantial Shareholder of the Company, it constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Fifth Amendment Agreement and transactions contemplated thereunder are subject to the approval of the independent Shareholders at the extraordinary general meeting to be held by the Company, and the Stock Exchange approving the Fifth Amendments and the listing of conversion shares arising from the Convertible Bonds on the Stock Exchange. Details of this connected transaction were disclosed in the Company's announcement dated 19 January 2021.

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



## GENERAL INFORMATION

### 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 December 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 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, 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	Interest in Controlled Corporation	Number of Shares Held				Approximate Percentage of Shareholding
			Personal Interest (ordinary shares)	Personal Interest (underlying shares) (Note 2)	Interest of Spouse	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	15.11%
Mr. CHAN Tung Mei ("Mr. CHAN") (Note 1)	The Company	—	3,020,000	3,600,000	641,576,856	648,196,856	15.11%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note 1)	—	909	—	1	910	—
Mr. CHAN	Best Frontier (Note 1)	—	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	0.17%
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 so both of them were deemed to be interested in the Shares. An interest in 210,000,000 Shares as security was provided by Best Frontier to a person other than a qualified lender on 4 December 2020.
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 December 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 paragraphs headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above and "Termination of the Connected Transaction involving Allotment and Issue of New Shares under Specific Mandate" on pages 29 to 30, 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 six months ended 31 December 2020.



## GENERAL INFORMATION

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

As at 31 December 2020, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was 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 were deemed or taken to have interests or short positions in the Shares and 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	15.15%
Best Frontier & its concert parties ( <i>Note 1</i> )	Beneficial Owner	640,596,856	14.93%
Integrated Asset Management (Asia) Limited (" <b>Integrated Asset</b> ") & its concert parties ( <i>Note 2</i> )	Beneficial Owner	461,733,000	10.76%
Mr. Tse Siu Hoi	Beneficial Owner	310,650,000	7.24%



## GENERAL INFORMATION

### Notes:

1. 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 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and therefore both of them were deemed to be interested in the Shares. Madam CHEUNG and Mr. CHAN were granted 4,000,000 share options and 3,600,000 share options respectively by the Company on 7 January 2020 under the share option scheme adopted by the Company on 31 January 2013. An interest in 210,000,000 Shares as security was provided by Best Frontier to a person other than a qualified lender on 4 December 2020.
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 maturing on 17 July 2017 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.

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 to 17 January 2019 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 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 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 would be allotted and issued to Integrated Asset upon conversion of the CBs in full.



## GENERAL INFORMATION

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 would be allotted and issued to Integrated Asset upon conversion of the CBs in full. The adjusted conversion price was HK\$0.34 per conversion share subject to further adjustment.

Pursuant to the fourth amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 25 March 2020, the amendments were that the maturity date of the CBs was 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. Such written consent from Integrated Asset has been received by the Company. A maximum number of 263,602,941 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full.

Upon completion of the Fifth Amendment Agreement subject to the independent Shareholders' approval, a maximum number of 405,542,986 Shares shall be allotted and issued to Integrated Asset upon conversion of the CBs in full and thereafter the shareholding of Integrated Asset shall be increased to approximately 20.22% of the current issued Share capital of the Company and approximately 18.47% of the enlarged issued Share capital of the Company. The amended conversion price shall be HK\$0.221 per conversion share subject to adjustment. The maturity date of the CBs shall be extended for one year from 17 January 2021 to 17 January 2022.

Save as disclosed above, as at 31 December 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.

## SHARE OPTION SCHEME

The Company 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. Eligible persons shall include any employee, any Director (including executive, non-executive and independent non-executive Directors) and any consultant of the Company or of any subsidiary of the Company or such other persons who, at the sole determination of the Board, have contributed to the Group at the time when an option is granted to such persons. The Share Option Scheme will remain valid for a period of 10 years commencing from the date of adoption of the Share Option Scheme.



## GENERAL INFORMATION

The details of the movements in share options under the Share Option Scheme during the six months ended 31 December 2020 were as follows:

Name/Category of Participants	Grant Date	Exercise Price per Share (HK\$)	Exercise Period	Number of Share Options				As at 31 December 2020
				As at 1 July 2020	Granted	Exercised	Cancelled	
<b>Directors</b>								
Madam CHEUNG Kwai Lan	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 Tung Mei	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
<b>Directors' Associates</b>								
Ms. CHAN Siu Sarah	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	26,000,000	—	—	—	26,000,000
<b>Employees</b>	07/01/2020	0.33	01/06/2020-31/12/2022	20,040,000	—	—	(75,000)	19,965,000
	07/01/2020	0.33	01/03/2021-31/12/2022	20,040,000	—	—	(75,000)	19,965,000
	07/01/2020	0.33	01/12/2021-31/12/2022	26,720,000	—	—	(100,000)	26,620,000
			Sub-total	66,800,000	—	—	(250,000)	66,550,000
<b>Other eligible participants (Note)</b>	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
			<b>Total</b>	<b>183,600,000</b>	<b>—</b>	<b>—</b>	<b>(250,000)</b>	<b>183,350,000</b>

**Note:**

Other eligible participants include certain consultants of the Group.



## GENERAL INFORMATION

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

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

### COMPETING INTERESTS

As at 31 December 2020, none of the Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles of Association**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

### UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors are set out below:

Madam CHEUNG Kwai Lan has been re-designated from executive Director to non-executive Director of the Company, from chairperson of the Board to honorary chairperson of the Company, and has resigned as chairperson and member of nomination committee of the Company with effect from 7 January 2021. She will be entitled to receive a director's fee of HK\$240,000 per annum.

Mr. CHAN Ting has been re-designated from deputy chairperson to the chairperson of the Board and has been appointed as the chairperson and member of the nomination committee of the Company with effect from 7 January 2021. He will be entitled to receive an annual salary and other allowance of HK\$3,000,000 and an annual director's fee of HK\$240,000.

Save as disclosed above, there was no change in information of the Directors required to be disclosed in accordance with Rule 17.50A(1) of the GEM Listing Rules.





## GENERAL INFORMATION

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 to the GEM Listing Rules (the “**CG Code**”) during the six months ended 31 December 2020, except for the following deviation which are summarized below:

#### Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company (the “**NED**”) and the independent non-executive Directors of the Company (the “**INED(s)**”) were not appointed under specific terms but are subject to retirement by rotation and re-election in annual general meetings of the Company at least once every three years in accordance with the Articles of Association. The Company does not consider that fixed terms on the Directors’ services are appropriate given that the Directors ought to be committed to representing the long term interests of the Shareholders. The retirement and re-election requirements of the NED and INEDs have given the rights to the Shareholders to approve the continuation of the NED’s and INEDs’ offices.

The corporate governance practices of the Company will be reviewed and updated from time to time in order to comply with the GEM Listing Rules requirements when the Board considers appropriate.

### MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding the Directors’ securities transaction in the Shares. Having made specific enquires, the Company has confirmed with all Directors that they have complied with the required standard as set out in the Code of Conduct throughout the period under review.



## 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 and the CG Code. The Audit Committee comprises three INEDs, namely Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. CHAU Wai Wah Fred. Mr. LAU Fai Lawrence is the chairperson of the Audit Committee.

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

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

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

Hong Kong, 10 February 2021

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

