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Sinopharm Tech Holdings Limited

國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 MARCH 2023

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

RESULTS

The board of Directors (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 2023 (the “**Period 2023**”), together with the selected comparative unaudited figures for the corresponding period in 2022 (the “**Period 2022**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 March 2023

	Notes	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	2	4,729	26,197	19,754	37,927
Costs of sales and services		(3,817)	(24,836)	(15,803)	(33,973)
Gross profit		912	1,361	3,951	3,954
Other income and gains/(losses)	3	1,009	4	29,012	15,269
Selling and distribution expenses		(345)	(131)	(1,646)	(751)
Administrative and operating expenses		(4,433)	(9,122)	(13,872)	(33,913)
Share of (losses)/profits of associates		—	(173)	(531)	3,074
Operating profit/(loss)		(2,857)	(8,061)	16,914	(12,367)
Finance costs		(3,321)	(1,808)	(7,323)	(10,879)
Profit/(Loss) before tax	4	(6,178)	(9,869)	9,591	(23,246)
Income tax expense	5	—	—	—	—
Profit/(Loss) for the period		(6,178)	(9,869)	9,591	(23,246)
Profit/(Loss) for the period attributable to:					
Equity holders of the Company		(6,323)	(9,910)	9,085	(23,413)
Non-controlling interests		145	41	506	167
		(6,178)	(9,869)	9,591	(23,246)

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 March		31 March	
Notes	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (expenses)/ income for the period, net of tax:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of financial statements of overseas operations	<u>(299)</u>	<u>506</u>	<u>(2,526)</u>	<u>549</u>
Total comprehensive income/ (expenses) for the period	<u>(6,477)</u>	<u>(9,363)</u>	<u>7,065</u>	<u>(22,697)</u>
Total comprehensive income/ (expenses) for the period attributable to:				
Equity holders of the Company	<u>(6,622)</u>	<u>(9,444)</u>	<u>7,070</u>	<u>(23,051)</u>
Non-controlling interests	<u>145</u>	<u>81</u>	<u>(5)</u>	<u>354</u>
	<u>(6,477)</u>	<u>(9,363)</u>	<u>7,065</u>	<u>(22,697)</u>
Earnings/(Loss) per share attributable to equity holders of the Company				
Basic	<u>(HK0.14 cents)</u>	<u>(HK0.22 cents)</u>	<u>HK0.20 cents</u>	<u>(HK0.52 cents)</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2023

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated financial results for the nine months ended 31 March 2023 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 2023 are consistent with the financial statements of the Group for the year ended 30 June 2022.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting period beginning on 1 July 2022. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

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

2. REVENUE

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

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

	(Unaudited) Three months ended 31 March		(Unaudited) Nine months ended 31 March	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Point in time				
Internet plus services (supply chain)				
— Trading of goods	4,186	22,597	15,011	28,687
Manufacturing and distribution of personal protective equipment	543	3,253	4,743	7,698
	<u>4,729</u>	<u>25,850</u>	<u>19,754</u>	<u>36,385</u>
Over time				
Lottery-related service	—	344	—	1,176
Internet plus services (solution)	—	3	—	366
	<u>—</u>	<u>347</u>	<u>—</u>	<u>1,542</u>
	<u>4,729</u>	<u>26,197</u>	<u>19,754</u>	<u>37,927</u>

3. OTHER INCOME AND GAINS/(LOSSES)

	(Unaudited)	
	Nine months ended	
	31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Compensation income from sales of locked-up consideration shares (<i>note a</i>)	16,458	—
Government subsidies (<i>note b</i>)	391	—
Gain on settlement of loans by shares issued (<i>note c</i>)	12,621	6,418
Gain on disposal of subsidiaries	—	8,680
Interest income	1	3
Others	683	168
Loss on dilution of interests in associates (<i>note d</i>)	(1,142)	—
	<u>29,012</u>	<u>15,269</u>

Notes:

- (a) Pursuant to the sale and purchase agreement dated 4 January 2019, the Purchaser (a wholly-owned subsidiary of the Company) had the right to sell the locked-up consideration shares for the compensation of the shortfall of guaranteed profit. For the nine months ended 31 March 2023, the Company exercised the right and sold 534 million locked-up consideration shares in return for the compensation income of approximately HK\$16.5 million. For details, please refer to the announcement dated 4 January 2019 and the circular dated 2 April 2022 issued by the Company.
- (b) There were no unfulfilled conditions or contingencies relating to substantial amount of the government subsidies.
- (c) On 27 July 2022, the Company entered into an agreement with a connected person who is an ex-Director of the Company, pursuant to which the total outstanding balance of HK\$15,298,533 due by the Company to him was settled which was satisfied by 54,637,617 new ordinary shares issued by the Company on 15 November 2022. The fair value of the shares at the date of issue was estimated to be HK\$2,677,243 by reference to the closing share price of the Company's shares at that date. The gain on settlement, which represents the difference between the outstanding balance settled and the fair value of the new ordinary shares issued, amounted to HK\$12,621,290 which was charged to profit or loss in Period 2022.

On 8 June 2021, the Company entered into an agreement with connected persons of the Company, pursuant to which the total outstanding balance of HK\$34,763,312 due by the Company to connected persons was settled which was satisfied by 133,705,046 new ordinary shares issued by the Company on 20 October 2021. The fair value of the shares at the date of issue was estimated to be HK\$28,345,470 by reference to the closing share price of the Company's shares at that date. The gain on settlement, which represents the difference between the outstanding balance settled and the fair value of the new ordinary shares issued, amounted to HK\$6,417,842 which was charged to profit or loss in Period 2021.

- (d) On 24 October 2022, the shareholders of Ever Development, except STCM, allotted and issued 100 new ordinary shares by way of placing of new shares, which resulted in a dilution of the Group's shareholding in Ever Development from 20% to 19%. As a result, the remaining 19% equity interest in Ever Development has therefore been accounted as a financial asset at fair value through other comprehensive income at the reporting date. The loss on dilution of interest in Ever Development amounted to approximately HK\$1.1 million (2021: Nil) was charged to profit or loss of the Group in Period 2022.

4. PROFIT/(LOSS) BEFORE TAX

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of services	—	21,220	—	27,436
Cost of inventories sold	3,817	3,616	15,803	6,537
Equity-settled share-based payments	865	523	1,607	3,917
Depreciation of property, plant and equipment	303	53	995	721
Exchange (gains)/losses, net	—	—	—	7
Interest on convertible bonds	3,561	1,761	7,241	10,192
	<u>3,561</u>	<u>1,761</u>	<u>7,241</u>	<u>10,192</u>

5. INCOME TAX EXPENSE

For the nine months ended 31 March 2023 and 31 March 2022, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at the rate of 8.25%, and profits above HK\$2 million will be taxed at the rate of 16.5%. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the period (three months and nine months ended 31 March 2022: Nil).

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

6. EARNINGS/(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:

Profit/(Loss)

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the period attributable to the equity holders of the Company	<u>(6,323)</u>	<u>(9,910)</u>	<u>9,085</u>	<u>(23,413)</u>

Number of shares

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>4,578,370</u>	<u>4,483,524</u>	<u>4,578,370</u>	<u>4,483,524</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>4,578,370</u>	<u>4,483,524</u>	<u>4,578,370</u>	<u>4,483,524</u>

For the three months and nine months ended 31 March 2023, outstanding share options and convertible bonds of the Company have been anti-dilutive (three months and nine months ended 31 March 2022: anti-dilutive) since their exercise or conversion would result in an increase in earnings per share (three months and nine months ended 31 March 2022: decrease in loss per share).

7. MOVEMENTS OF RESERVES

For the nine months ended 31 March 2023

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption 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 2022 (audited)	56,721	2,702,002	1,484	15,694	8,256	8,573	(1)	28,633	(2,988,139)	(166,777)	(6,620)	(173,397)
Profit for the period	—	—	—	—	—	—	—	—	9,085	9,085	506	9,591
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	(2,015)	—	—	—	—	(2,015)	(511)	(2,526)
Total comprehensive (expenses)/income for the period	—	—	—	—	(2,015)	—	—	—	9,085	7,070	(5)	7,065
Recognition of equity-settled share-based payments	—	—	—	1,607	—	—	—	—	—	1,607	—	1,607
Release on disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Equity component recognized for convertible bonds	—	—	—	—	—	—	—	—	—	—	—	—
Share options lapsed	—	—	—	(16,436)	—	—	—	—	16,436	—	—	—
Share issued on loan settlement	191	2,486	—	—	—	—	—	—	—	2,677	—	2,677
At 31 March 2023 (unaudited)	56,912	2,704,488	1,484	865	6,241	8,573	(1)	28,633	(2,962,618)	(155,423)	(6,625)	(162,048)

For the nine months ended 31 March 2022

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption 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 2021 (audited)	55,050	2,675,328	1,484	11,290	7,968	4,507	(1)	10,184	(2,904,690)	(138,880)	(1,676)	(140,556)
Loss for the period	—	—	—	—	—	—	—	—	(23,413)	(23,413)	167	(23,246)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	362	—	—	—	—	362	187	549
Total comprehensive (expenses)/income for the period	—	—	—	—	362	—	—	—	(23,413)	(23,051)	354	(22,697)
Recognition of equity-settled share-based payments	—	—	—	3,917	—	—	—	—	—	3,917	—	3,917
Release on disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	1,288	1,288
Equity component recognized for convertible bonds	—	—	—	—	—	6	—	—	—	6	—	6
Share issued on loan settlement	1,671	26,674	—	—	—	—	—	—	—	28,345	—	28,345
At 31 March 2022 (unaudited)	56,721	2,702,002	1,484	15,207	8,330	4,513	(1)	10,184	(2,928,103)	(129,663)	(34)	(129,697)

8. 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 15 May 2023.

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) manufacturing and distribution of personal protective equipment.

For Period 2023, the Group recorded unaudited consolidated revenue of HK\$19.8 million, decreased by 48% against Period 2022 of HK\$37.9 million. The gross profit ratio increased to about 20% as compared with 10% for Period 2022. For Period 2023, the Group recorded a profit attributable to the equity holders of HK\$9.1 million, as compared with the Group recorded a loss attributable to equity holders of HK\$23.4 million for the period 2022. Loss attributable to equity holders was HK\$6.3 million from the third quarter of Period 2023, which decreased by 36% from HK\$9.9 million for Period 2022. Selling and distribution expenses and administrative and operating expenses in Period 2023 amounted to HK\$15.5 million, decreased by 55% as compared to HK\$34.7 million in Period 2022.

BUSINESS REVIEW

During the period under review, the Group continued its overall planning and layout of the “Internet Plus” business. Leveraging on the Group’s years of experience in the “Internet Plus” business, the Group is actively exploring cooperation models with various platform operators, jointly developing market share and gradually establishing a supply chain service map within the “Internet Plus” business. Meanwhile, the Group is also discussing the model of cooperation with various industry operators to provide them value-added services leveraging on the Group’s experience in the “Internet Plus” business. The above cooperation will bring new opportunity for the Group in the “Internet Plus” business and mark the acceleration of the Group’s application of the “Internet Plus” business in different business models.

“Internet Plus” Business

During the period under review, the Group is fully expanding the business related to the service agreement signed with platform operators in Mainland China. Through the operator’s affiliated companies platforms, including “Xiaodian Platform” (小店平台), “Global Shopping Platform” (全球購平台), “Toutiao” (今日頭條), “TikTok” (抖音) and “Xigua” (西瓜視頻), the Group provides one-stop product supply chain services. A subsidiary of the Group has successfully entered the “Global Premium Imported Supermarket” on TikTok and become a selected supplier. On the other hand, through the establishment of joint ventures with logistics operators, the Group aims to provide customers with more convenient and real-time supply chain services by leveraging its experience and technology in the “Internet Plus” business.

Personal Protective Equipment Business

During the period under review, despite the decrease in the demand for personal protective equipment manufacturing and distribution business, the Group continued to provide each customer with high-quality and strongly protective equipment products.

FUTURE OUTLOOK

The Group will continue to focus mainly on the development of “Internet Plus” business. Leveraging on its years of experience and technology in “Internet Plus” supply chain services as well as its partnership with various major platform operators, the Group will expand its scope in “Internet Plus” services, which includes strengthening cooperation with various platform operators. At the same time, the Group continues to explore other opportunities for the development of the “Internet Plus” business, including establishing joint ventures with industry players on “Internet Plus” solutions and jointly exploring the possibility of applying the “Internet Plus” technology in different fields, so as to expand new development opportunities for the Group.

On the other hand, with the Group’s years of experience in the personal protective equipment business, the Group is now exploring new opportunities in the related comprehensive health industry chain, including the entire business process of manufacturing, distribution and supply chain of comprehensive health products, to further explore new opportunities in the comprehensive health industry and bring new revenue streams to the Group. The Group will also strengthen the sales and supply chain services of various types of comprehensive health products on various platforms, including the sales on relevant platforms in China and Hong Kong, so as to bring new growth opportunities to the Group.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 March 2023 (nine months ended 31 March 2022: Nil).

GENERAL INFORMATION

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

During the nine months ended 31 March 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

COMPETING INTERESTS

As at 31 March 2023, 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 2023, except for the following deviation which is summarized below:

Code Provision C.2.1

The chairperson of the Company is responsible for overseeing the functions of the Board and formulating the overall strategies and policies of the Company. The chief executive officer of the Company is responsible for the day-to-day management of the business of the Group, implementing major strategies, making day-to-day decisions and the overall coordination of business operations. For the nine months ended 31 March 2023, the roles of the chairperson and chief executive officer were exercised by the executive Directors collectively. The responsibilities of both roles are same as mentioned above. The Board considers that vesting the roles of chairperson and chief executive officer in the executive Directors collectively is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidates to assume the roles of the chairperson and the chief executive officer when necessary.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding the Directors’ securities 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 2023.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three INEDs, namely Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. LAM Kit Sun. Mr. LAU Fai Lawrence has been appointed as the chairperson of the Audit Committee.

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

The Group’s unaudited results for the nine months ended 31 March 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Sinopharm Tech Holdings Limited
國藥科技股份有限公司
CHAU Wai Wah Fred
Executive Director

Hong Kong, 15 May 2023

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

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