



Sinopharm Tech Holdings Limited 國藥科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

FIRST QUARTERLY REPORT 2021/2022



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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, 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 report 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 report misleading.*

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2021

RESULTS

The board of Directors of the Company (the “**Board**”) announces that the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 September 2021 (the “**Period 2021**”), together with the comparative unaudited figures for the corresponding period in 2020 (the “**Period 2020**”), are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		(Unaudited)	
		Three months ended	
		30 September	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	1,679	46,054
Costs of sales and services		<u>(1,317)</u>	<u>(33,335)</u>
Gross profit		362	12,719
Other income and gains		8,770	1,465
Selling and distribution expenses		(164)	(4,531)
Administrative and operating expenses		(13,772)	(11,250)
Share of profits of associates		<u>62</u>	<u>1,766</u>
Operating (loss)/profit		(4,742)	169
Finance costs		<u>(4,632)</u>	<u>(4,664)</u>
Loss before tax	3	(9,374)	(4,495)
Income tax expense	4	<u>—</u>	<u>(127)</u>
Loss for the period		<u>(9,374)</u>	<u>(4,622)</u>
Loss for the period attributable to:			
Equity holders of the Company		(9,395)	(4,635)
Non-controlling interests		<u>21</u>	<u>13</u>
		<u>(9,374)</u>	<u>(4,622)</u>



		(Unaudited)	
		Three months ended	
		30 September	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
Other comprehensive (loss)/income for the period, net of tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas operations		<u>(238)</u>	<u>1,087</u>
Total comprehensive loss for the period		<u>(9,612)</u>	<u>(3,535)</u>
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		<u>(9,633)</u>	<u>(3,612)</u>
Non-controlling interests		<u>21</u>	<u>77</u>
		<u>(9,612)</u>	<u>(3,535)</u>
		HK Cents	HK Cents
Loss per share attributable to equity holders of the Company			
	<i>5</i>		
Basic		<u>(0.21)</u>	<u>(0.11)</u>
Diluted		<u>N/A</u>	<u>N/A</u>



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2021

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of GEM Listing Rules.

Except as described below, the accounting policies and methods of computation used in the unaudited consolidated financial results for the three months ended 30 September 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2021.

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 2021. 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), (iii) manufacturing and distribution of personal protective equipment and (iv) others services.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2021

2. REVENUE — CONTINUED

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

	(Unaudited) Three months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Point in time		
Internet plus services (supply chain)		
— Trading of goods	—	17,094
Manufacturing and distribution of personal protective equipment	<u>1,255</u>	<u>28,137</u>
	<u>1,255</u>	<u>45,231</u>
Over time		
Lottery-related services	<u>424</u>	<u>823</u>
Total	<u>1,679</u>	<u>46,054</u>

3. LOSS BEFORE TAX

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

	(Unaudited) Three months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Cost of services	64	463
Cost of inventories sold	1,253	32,872
Depreciation of property, plant and equipment	257	397
Depreciation of right-of-use assets	240	80
Amortisation of intangible assets	—	5
Gain on disposal of subsidiaries	(8,680)	—
Exchange (gain)/losses, net	(3)	79
Interest on convertible bonds	<u>4,050</u>	<u>4,112</u>



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2021

4. INCOME TAX EXPENSE

For the three months ended 30 September 2021, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% (Period 2020: Nil).

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

5. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

Loss

	(Unaudited)	
	Three months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Loss for the period attributable to the equity holders of the Company	<u>(9,395)</u>	<u>(4,635)</u>

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>4,403,983</u>	<u>4,289,725</u>

For the three months ended 30 September 2021, outstanding share options and convertible bonds of the Company have been anti-dilutive (three months ended 30 September 2020: anti-dilutive) since their exercise or conversion would result in a decrease in loss per share (three months ended 30 September 2020: decrease in loss per share).



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2021

6. MOVEMENT OF RESERVES

For the three months ended 30 September 2021

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

For the three months ended 30 September 2020

	Attributable to equity holders of the Company										Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Translation reserve	Convertible bonds reserve	Special reserve	Capital reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	—	—	—	—	—	—	—	—	(4,635)	(4,635)	13	(4,622)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	1,023	—	—	—	—	1,023	64	1,087
Total comprehensive (loss)/ income for the period	—	—	—	—	1,023	—	—	—	(4,635)	(3,612)	77	(3,535)
Recognition of equity-settled share-based payments	—	—	—	1,407	—	—	—	—	—	1,407	—	1,407
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	1,470	1,470
At 30 September 2020 (unaudited)	53,621	2,644,794	1,484	9,672	9,217	5,950	(1)	10,184	(2,810,206)	(75,285)	1,242	(74,043)

7. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The unaudited condensed consolidated first quarterly financial statements were approved and authorised for issue by the Board on 11 November 2021.



FINANCIAL REVIEW

For Period 2021, the Group recorded an unaudited consolidated revenue of HK\$1.7 million, decreased by 96% compared to HK\$46.1 million for Period 2020. The gross profit ratio decreased to about 22% as compared with 28% for Period 2020. For Period 2021, the Group recorded a net loss attributable to equity holders of HK\$9.4 million, which increased 102% from HK\$4.6 million for Period 2020. Selling and distribution expenses and administrative expenses in Period 2021 amounted to HK\$13.9 million, which decreased 12% as compared to HK\$15.8 million in Period 2020. Finance costs for Period 2021 decreased 1% to HK\$4.6 million as compared to HK\$4.7 million for Period 2020 relating to decrease in imputed finance costs on convertible bonds.

BUSINESS REVIEW

The Group has been focusing on the development of its anti-counterfeiting business in recent years. Since identifying the business direction and obtaining the rights of use on the relevant anti-counterfeiting patents, the Group has been actively exploring the market while attempting to optimize and stabilize its business model, and gradually entered into commercial contracts with corporate users. During the period under review, the anti-counterfeiting business began to fully roll out in the market and entered the implementation stage, where production and delivery have been actively arranged.

On 4 July 2021, Shenzhen Guoke Anti-counterfeiting Technology Company Limited* (深圳國科防偽科技有限公司) (“**Guoke Anti-counterfeiting**”), a direct wholly-owned subsidiary of the Company, and Shenzhen Ficus Technology Holdings Ltd. (深圳細葉榕科技控股有限公司) (“**Ficus**”), the holder of patented technologies, entered into a licensing and master service agreement in relation to the provision of total solutions by Ficus to Guoke Anti-counterfeiting. The total solutions included obtaining the rights of use on anti-counterfeiting patents owned by Ficus, as well as supportive services for the application of Guoke innovative anti-counterfeiting products (“**Guoke Innovative Anti-counterfeiting Products**”), including product design, production arrangement, material procurement, quality control and customization service of the devices. The Group is in the process of accelerating the expansion in anti-counterfeiting market, and the entering into the licensing and master service agreement allows the Group to obtain proper authorization on legally using the anti-counterfeiting total solutions and device. With the necessary approval and business support for commencing the respective business, resources could be more focused on smooth marketing efforts.



As of previous financial year, the Group has signed commercial contracts with corporate users from three industries including tea leaves, natural food and cosmetics e-commerce platform. During the period under review, the Group signed a commercial contract with a corporate user from a newly applicable industry, Qinghai Qinghai-Tibet Bees Thoroughbred Plant (“**Qinghai-Tibet Bees**”), regarding the provision of Guoke Innovative Anti-counterfeiting Products, for all lines of products of Qinghai-Tibet Bees. To date, industries of the corporate users that Guoke Anti-counterfeiting has entered into commercial contracts with, have expanded from tea leaves, natural food and cosmetics e-commerce platform to health food industry. During the period under review, the number of contracted Guoke Innovative Anti-counterfeiting Products of the Group amounted to approximately 17 million per year on average, and the market development was progressing well. The geographical coverage of the contracted corporate users included Gansu, Zhejiang and Qinghai altogether three provinces.

During the period under review, in view of the contracting with various corporates in the commercial application of Guoke Innovative Anti-counterfeiting Products as well as the increasing number of potential corporate users and expanding business scale, the Board considered that it was essential to further edge up the efforts on the development of the anti-counterfeiting business. On 30 August 2021, the Group has completed the issuance of convertible bonds with a total principal amount of HK\$50,000,000, and the proceeds of which would be used for, among other things, meeting the demand from existing and potential orders, and ensuring the sufficiency of working capital for production and manufacturing. Part of the proceeds from the issuance of the convertible bonds would also be used to enhance our sales capability nationwide and expand our marketing network. By utilizing the driving force from marketing and promotion, the Group would expand the scope of exposure of Guoke Innovative Anti-counterfeiting Products.

Guoke Innovative Anti-counterfeiting Products with patented technologies have four main features, namely, “anti-counterfeiting”, “credibility”, “marketing” and “social responsibility” while using the complete chain of anti-counterfeiting system together with anti-counterfeiting packaging and online anti-counterfeiting information verification platform as the core. Guoke Innovative Anti-counterfeiting Products can perform with various functions and properties depending on different application scenarios, redefining the traditional anti-counterfeiting technology and attracting consumers to actively participate in the authentication of products. Through the “Trio Code” (三碼合一) entrance, consumers could easily enter the online anti-counterfeiting information verification platform, forming a closed loop of functions, such as authentication of products and interactive marketing, thus creating a unique way of marketing.



The Group's strategy to implement across industry and across region commercialization of anti-counterfeiting products is beginning to bear fruit. In view of the nature of replicable business model of Guoke Innovative Anti-counterfeiting Products, the Group is confident in continuing to apply and expand the coverage of Guoke Innovative Anti-counterfeiting Products into various consumer product markets. With rich experience in working with customers from various industries, the Group will summarize the characteristics of the needs of each industry and the pattern of the cooperation models, to lay a solid foundation for achieving across industry and across region goals in order to strengthen our position in the market.

During the period under review, the Group continued to offer lottery system maintenance service to customers.

The Group's "Internet Plus" business offers highly efficient and convenient solutions for different industries, such as internet marketing solutions which could make rapid adjustments to suit different application scenarios.

The performance of personal protection equipment business worsened as compared with the same period of last year, because the Group has completed the one-year procurement order of 48 million medical masks under the Local Mask Production Subsidy Scheme launched by the Hong Kong Special Administrative Region Government in the previous financial year. Apart from servicing the existing institutional and retail customers, the Group also continues to develop the market and explore new opportunities. The Group provides quality and up-to-standard medical mask products to the market, which generates a healthy cash flow.

Guoke Innovative Anti-counterfeiting Products is a Corporate Social Responsibility ("CSR") enabling product. The Group, through Guoke Innovative Anti-counterfeiting Products, is providing its customers with the tools to achieve a greater level of CSR. The very nature of Guoke Innovative Anti-counterfeiting Products embeds the elements of consumer protection as well as contributing to the social welfare and sports development while consumer protection and welfare funding contribution are two of the most important elements in any CSR matrix. By leveraging the capabilities of the Guoke Innovative Anti-counterfeiting Products regarding brand protection and brand endorsement, it is expected to support the sustainable development of the brand, achieve prosperous of the industries and its high-quality development and promote rural vitalization. By using Guoke Innovative Anti-counterfeiting Products, the corporate users will be able to achieve CSR in an effective way. The wide and extensive reach of Guoke Innovative Anti-counterfeiting Products in consumer products will take CSR to a new level of achievement. The Group will also be able to achieve and enhance the Group's participation in CSR through supplying Guoke Innovative Anti-counterfeiting Products.



FUTURE OUTLOOK

The Group is fully committed to expanding its anti-counterfeiting business. With success in initial marketing, the Group has successfully established an extensive corporate customer base. As at the date of this report, Guoke Innovative Anti-counterfeiting Products covers seven industries, including tea leaves, natural food and cosmetics e-commerce platform, health food, beer, fruit distribution and health supplements, while continues to further capture the market share of existing industries. The geographical coverage of the contracted users included Gansu, Zhejiang, Qinghai, Shanghai and Yunnan altogether five provinces. For the period after review, the number of contracted Guoke Innovative Anti-counterfeiting Products of the Group has increased from approximately 17 million per year on average as in the period under review to more than 20 million per year on average as at the date of this report. Meanwhile, the management will actively arrange the delivery of Guoke Innovative Anti-counterfeiting Products. In view of the product recognition of Guoke Innovative Anti-counterfeiting Products being gradually accumulated in various industries, the management believes that the market potential for this product is very huge, and shall make significant contributions to the Group's revenue in near term while bringing hope for the Group's future development.

After the period under review, through the management's effort in developing the market, there was rebound in the demand for personal protective equipment products. The management will continue their efforts in further exploring and developing the market.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 September 2021 (three months ended 30 September 2020: Nil).



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

As at 30 September 2021, 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)	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note 1)	The Company	632,920,856	4,656,000	4,000,000	3,020,000	644,596,856	14.64%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note 1)	—	909	—	1	910	—
Mr. CHAN Ting	The Company	—	—	4,000,000	—	4,000,000	0.09%
Mr. LIAO Zhe	The Company	—	—	2,300,000	—	2,300,000	0.05%
Mr. CHEUK Ka Chun Kevin	The Company	—	178,000	20,555,000	—	20,733,000	0.47%
Dr. CHENG Yanjie	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%
Mr. CHAU Wai Wah Fred	The Company	—	3,800,000	3,600,000	—	7,400,000	0.17%



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 Tung Mei ("**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.
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 30 September 2021, 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 corporation (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 paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the three months ended 30 September 2021.



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

As at 30 September 2021, 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 Shares Held	Approximate Percentage of the Shareholding
Sinopharm Traditional Chinese Medicine Overseas Holdings Limited	Beneficial Owner	650,000,000	14.76%
Best Frontier & its concert parties (<i>Note 1</i>)	Beneficial Owner	640,596,856	14.55%
Integrated Asset Management (Asia) Limited (" Integrated Asset ") & its concert parties (<i>Note 2</i>)	Beneficial Owner	526,283,000	11.95%
Mr. Tse Siu Hoi	Beneficial Owner	310,650,000	7.05%

Notes:

- 632,920,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN 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 was granted 4,000,000 share options by the Company on 7 January 2020 under the share option scheme adopted by the Company on 31 January 2013.



2. The 526,283,000 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.

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.

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 22 March 2021 to approve the fifth amendment agreement to amend some principal terms of the CBs, including to extend the maturity date of the CBs for one year from 17 January 2021 to 17 January 2022. The conversion price of the CBs shall be amended from HK\$0.34 to HK\$0.221 per conversion share subject to adjustment and the CBs can be converted into the maximum number of 405,542,986 Shares. The interest rate of the CBs 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 CBs shall remain unchanged.

Save as disclosed above, as at 30 September 2021, 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 (the “**Old Share Option Scheme**”) on 31 January 2013 under which the Board may, at its discretion, invite eligible persons to take up share options to subscribe for the Shares. The purpose of the Old Share Option Scheme is to enable the Company to grant share options to selected eligible persons as incentives or rewards for their contribution to the Group. 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 Old Share Option Scheme will remain valid for a period of 10 years commencing from the date of its adoption. The Old Share Option Scheme was terminated on 9 June 2021.



The Company adopted a new share option scheme (the “**New Share Option Scheme**”) on 9 June 2021 under which the Board may, at its discretion, invite eligible persons to take up share options to subscribe for the Shares. The purpose of the New Share Option Scheme is to enable the Group to grant the share options to selected eligible persons (the “**Eligible Persons**”) as incentives or rewards for their contribution to the Group. The New Share Option Scheme will provide the Eligible Persons with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives: (i) motivate the Eligible Persons (in case of the Eligible Employees, as defined below) to optimise their performance and efficiency for the benefit of the Group; (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Persons (in case of the Eligible Consultants, as defined below) whose contributions are, will be or are expected to be beneficial to the Group; and (iii) align the interests of the Eligible Persons with the Shareholders. Eligible persons shall include any employee and any Director (including executive, non-executive and independent non-executive Directors) (both collectively, the “**Eligible Employee(s)**”) and any consultant (collectively, the “**Eligible Consultant(s)**”) 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 New Share Option Scheme will remain valid for a period of 10 years commencing from the date of its adoption.



The details of the movements in share options under the Old Share Option Scheme during the three months ended 30 September 2021 were as follows:

Name/Category of Participants	Grant Date	Exercise Price per Share (HK\$)	Vesting Period	Exercise Period	Number of Share Options				As at 30 September 2021	
					As at 1 July 2021	Granted	Exercised	Cancelled		Lapsed
Directors										
Madam CHEUNG Kwai Lan	07/01/2020	0.33	07/01/2020-31/05/2020	01/06/2020-31/12/2022	1,200,000	—	—	—	—	1,200,000
	07/01/2020	0.33	07/01/2020-28/02/2021	01/03/2021-31/12/2022	1,200,000	—	—	—	—	1,200,000
	07/01/2020	0.33	07/01/2020-30/11/2021	01/12/2021-31/12/2022	1,600,000	—	—	—	—	1,600,000
Mr. CHAN Ting	07/01/2020	0.33	07/01/2020-31/05/2020	01/06/2020-31/12/2022	1,200,000	—	—	—	—	1,200,000
	07/01/2020	0.33	07/01/2020-28/02/2021	01/03/2021-31/12/2022	1,200,000	—	—	—	—	1,200,000
	07/01/2020	0.33	07/01/2020-30/11/2021	01/12/2021-31/12/2022	1,600,000	—	—	—	—	1,600,000
Dr. CHENG Yanjie	07/01/2020	0.33	07/01/2020-31/05/2020	01/06/2020-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-28/02/2021	01/03/2021-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-30/11/2021	01/12/2021-31/12/2022	1,440,000	—	—	—	—	1,440,000
Dr. LIU Ta-pei	07/01/2020	0.33	07/01/2020-31/05/2020	01/06/2020-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-28/02/2021	01/03/2021-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-30/11/2021	01/12/2021-31/12/2022	1,440,000	—	—	—	—	1,440,000
Mr. CHAU Wai Wah Fred	07/01/2020	0.33	07/01/2020-31/05/2020	01/06/2020-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-28/02/2021	01/03/2021-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-30/11/2021	01/12/2021-31/12/2022	1,440,000	—	—	—	—	1,440,000
Directors' Associates										
Ms. CHAN Siu Sarah	07/01/2020	0.33	07/01/2020-31/05/2020	01/06/2020-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-28/02/2021	01/03/2021-31/12/2022	1,080,000	—	—	—	—	1,080,000
	07/01/2020	0.33	07/01/2020-30/11/2021	01/12/2021-31/12/2022	1,440,000	—	—	—	—	1,440,000
				Sub-total	22,400,000	—	—	—	—	22,400,000
Employees										
	07/01/2020	0.33	07/01/2020-31/05/2020	01/06/2020-31/12/2022	19,965,000	—	—	—	—	19,965,000
	07/01/2020	0.33	07/01/2020-28/02/2021	01/03/2021-31/12/2022	19,965,000	—	—	—	—	19,965,000
	07/01/2020	0.33	07/01/2020-30/11/2021	01/12/2021-31/12/2022	26,620,000	—	—	—	—	26,620,000
				Sub-total	66,550,000	—	—	—	—	66,550,000
Other eligible participants										
<i>(Note)</i>	14/08/2019	0.33	14/08/2019-31/12/2019	01/01/2020-31/12/2022	11,600,000	—	—	—	—	11,600,000
	14/08/2019	0.33	14/08/2019-31/05/2020	01/06/2020-31/12/2022	18,540,000	—	—	—	—	18,540,000
	14/08/2019	0.33	14/08/2019-31/08/2020	01/09/2020-31/12/2022	8,700,000	—	—	—	—	8,700,000
	14/08/2019	0.33	14/08/2019-28/02/2021	01/03/2021-31/12/2022	18,540,000	—	—	—	—	18,540,000
	14/08/2019	0.33	14/08/2019-30/04/2021	01/05/2021-31/12/2022	8,700,000	—	—	—	—	8,700,000
	14/08/2019	0.33	14/08/2019-30/11/2021	01/12/2021-31/12/2022	24,720,000	—	—	—	—	24,720,000
				Sub-total	90,800,000	—	—	—	—	90,800,000
				Total	179,750,000	—	—	—	—	179,750,000

Note:

Other eligible participants include certain consultants of the Group.



GENERAL INFORMATION

The details of the movements in share options under the New Share Option Scheme during the three months ended 30 September 2021 were as follows:

Name/Category of Participants	Grant Date	Exercise Price per Share (HK\$)	Vesting Period	Exercise Period	Number of Share Options				As at 30 September 2021	
					As at 1 July 2021	Granted	Exercised	Cancelled		Lapsed
Employees	27/08/2021	0.25	27/08/2021–30/09/2021	01/10/2021–30/09/2024	–	25,200,000	–	–	–	25,200,000
	27/08/2021	0.25	27/08/2021–31/12/2021	01/01/2022–30/09/2024	–	18,900,000	–	–	–	18,900,000
	27/08/2021	0.25	27/08/2021–31/12/2022	01/01/2023–30/09/2024	–	18,900,000	–	–	–	18,900,000
				Sub-total	–	63,000,000	–	–	–	63,000,000
Other eligible participants <i>(Note)</i>	27/08/2021	0.25	27/08/2021–30/09/2021	01/10/2021–30/09/2024	–	5,600,000	–	–	–	5,600,000
	27/08/2021	0.25	27/08/2021–31/12/2021	01/01/2022–30/09/2024	–	4,200,000	–	–	–	4,200,000
	27/08/2021	0.25	27/08/2021–31/12/2022	01/01/2023–30/09/2024	–	4,200,000	–	–	–	4,200,000
				Sub-total	–	14,000,000	–	–	–	14,000,000
				Total	–	77,000,000	–	–	–	77,000,000

Note:

Other eligible participants include certain consultants of the Group.

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

During the three months ended 30 September 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares.

COMPETING INTERESTS

As at 30 September 2021, none of the Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

PRE-EMPTIVE RIGHTS

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



CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 to the GEM Listing Rules (the “**CG Code**”) during the three months ended 30 September 2021, except for the following deviations which are summarized below:

Code Provision A.2.1

The chairperson of the Company is responsible for overseeing the functions of the Board and formulating the overall strategies and policies of the Company. The chief executive officer of the Company is responsible for the day-to-day management of the business of the Group, implementing major strategies, making day-to-day decisions and the overall coordination of business operations. For the three months ended 30 September 2021, the roles of the chairperson and chief executive officer have not been separate and have not been exercised by different individuals. 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 same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive officer when necessary.

Code provision A.4.1

The non-executive Directors of the Company (the “**NED(s)**”) and the independent non-executive Directors of the Company (the “**INED(s)**”) were not appointed for specific terms but are subject to retirement by rotation and re-election at the 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 NEDs and INEDs have given the rights to the Shareholders to consider and approve the continuation of the NEDs’ 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.



