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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sinopharm Tech Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

## CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from Gram Capital, being the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 18 to 27 of this circular.

A notice convening the EGM of the Company to be held at Units 15–16, 25/F., Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong on Monday, 7 November 2022 at 11:00 a.m. is set out on pages 32 to 33 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

*This circular will remain on the “Latest Listed Company Information” page of the GEM website at <https://www.hkexnews.hk> for a minimum period of 7 days from the date of its posting and on the website of the Company at <http://www.sinopharmtech.com.hk>.*

21 October 2022

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## CHARACTERISTICS OF GEM

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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.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Best Frontier”	Best Frontier Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and a substantial Shareholder
“Board”	the board of Directors
“Business Day”	a day on which licensed banks are generally open for banking business in Hong Kong, other than Saturdays, Sundays and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a black rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Sinopharm Tech Holdings Limited (Stock Code: 08156), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider, and if thought fit, approving (among others) the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Loan Capitalisation Shares
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors as at the Latest Practicable Date, which has been formed in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those who are required under the GEM Listing Rules to abstain from voting at the EGM for the resolution(s) approving the Loan Capitalisation Agreement and the transactions contemplated thereunder
“Last Trading Day”	27 July 2022, being the last trading day for the Shares before the entering into of the Loan Capitalisation Agreement
“Latest Practicable Date”	17 October 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“LC Subscription Price”	the issue price of HKD0.28 per Loan Capitalisation Share for the Loan Capitalisation
“Loan”	the loan in the aggregate amount of HK\$15,298,533 owed by the Company to the Subscriber as at the date of the Loan Capitalisation Agreement
“Loan Capitalisation”	the allotment and issue of the Loan Capitalisation Shares at the LC Subscription Price pursuant to the terms and conditions of the Loan Capitalisation Agreement
“Loan Capitalisation Agreement”	the loan capitalisation agreement dated 27 July 2022 entered into between the Company and the Subscriber in respect of the Loan Capitalisation
“Loan Capitalisation Share(s)”	54,637,617 new Shares to be allotted and issued under the Loan Capitalisation Agreement at the LC Subscription Price
“PRC”	The People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. CHAN Ting, chairperson, executive Director and chief executive officer of the Company (resigned on 1 August 2022) and director of Best Frontier (resigned on 30 July 2022)
“substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“%”	per cent.

*If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.*



**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)**

*Executive Directors:*

Mr. CHAU Wai Wah Fred  
Mr. HO Kam Kin  
Ms. KWOK Shuk Yi

*Non-executive Director:*

Dr. CHENG Yanjie

*Independent Non-executive Directors:*

Mr. LAU Fai Lawrence  
Dr. LIU Ta-pei  
Mr. LAM Kit Sun

*Registered office:*

Third Floor, Century Yard  
Cricket Square, P.O. Box 902  
Grand Cayman KY1-1103  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Units 15–16, 25/F.  
Corporation Park  
11 On Lai Street, Shatin  
New Territories, Hong Kong

21 October 2022

*To the Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTION**  
**LOAN CAPITALISATION INVOLVING ISSUE OF**  
**NEW SHARES UNDER SPECIFIC MANDATE**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The Company announced on 27 July 2022 (after trading hours of the Stock Exchange) that the Company and the Subscriber entered into the Loan Capitalisation Agreement, pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 54,637,617 Loan Capitalisation Shares at the LC Subscription Price of HKD0.28 each, the same of which shall be satisfied by setting off the full amount of the Loan. Upon completion, the Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Loan.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information of the Loan Capitalisation; (ii) the respective advice from the Independent Board Committee and the Independent Financial Adviser in respect of the Loan Capitalisation Agreement and the transactions contemplated thereunder; and (iii) a notice of EGM at which resolution(s) will be proposed to consider and, if thought fit, to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Loan Capitalisation Shares.

### **CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION AND PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

As at the date of the Loan Capitalisation Agreement, the Company owed the Subscriber an aggregate amount of loan in the principal amount of HK\$15,298,533, i.e. the Loan. The Loan is interest free and repayable on demand. As at the date of the Loan Capitalisation Agreement, the Subscriber has not requested repayment of the Loan or any part thereof.

On 27 July 2022 (after trading hours of the Stock Exchange), the Company and the Subscriber, a connected person, entered into the Loan Capitalisation Agreement.

### **PRINCIPAL TERMS OF THE LOAN CAPITALISATION AGREEMENT**

Date: 27 July 2022 (after trading hours)

Parties: (i) the Company, as issuer; and  
(ii) Mr. CHAN Ting, the Subscriber

As at the date of the Loan Capitalisation Agreement, the Subscriber was the chairperson, an executive Director and the chief executive officer of the Company and was a director of Best Frontier. Accordingly, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to the Loan Capitalisation Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 54,637,617 Loan Capitalisation Shares at the LC Subscription Price, the same of which shall be satisfied by setting off the full amount of the Loan. Upon completion, the Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Loan.



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## LETTER FROM THE BOARD

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### Conditions precedent to the Loan Capitalisation Agreement

The completion of the Loan Capitalisation is conditional upon fulfillment of the following conditions:

- (i) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Loan Capitalisation Shares to the Subscriber;
- (ii) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules in the extraordinary general meeting of the Company to be held and convened approving, *inter alia*, the allotment and issue of the Loan Capitalisation Shares to the Subscriber;
- (iii) all necessary corporate approvals and consents and third party consents, including the approval of the Cayman Islands Monetary Authority to the issue of the Loan Capitalisation Shares (if necessary) for the transactions contemplated under the Loan Capitalisation Agreement having been obtained;
- (iv) the Subscriber being satisfied that the warranties in the Loan Capitalisation Agreement are true and accurate in all respects as at the date of the Loan Capitalisation Agreement and at completion;
- (v) the allotment and issue of the Loan Capitalisation Shares does not trigger the obligations to make a mandatory general offer under The Code on Takeovers and Mergers and Share Buy-backs; and
- (vi) there is no indication from the Stock Exchange that the listing status of the securities of the Company will be revoked by the Stock Exchange as a result of the implementation of the transactions contemplated under the Loan Capitalisation Agreement.

None of the above conditions can be waived. If any of the above conditions are not fulfilled on or before 30 November 2022 (or such later date as the parties shall agree in writing), the Loan Capitalisation Agreement shall terminate and cease to have any effect and the rights and obligations of the parties thereunder shall forthwith cease and terminate.

### Loan Capitalisation Shares

Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the completion of the Loan Capitalisation Agreement, the aggregate of 54,637,617 Loan Capitalisation Shares which may be allotted and issued under the Loan Capitalisation Agreement represent (i) approximately 1.20% of the existing number of issued Shares as at the Latest Practicable Date; and (ii) approximately 1.19% of the number of issued Shares as enlarged by the allotment and issue of all the Loan Capitalisation Shares.

The aggregate nominal value of the Loan Capitalisation Shares is HKD682,970.21.

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## LETTER FROM THE BOARD

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### **LC Subscription Price**

The LC Subscription Price of HKD0.28 per Loan Capitalisation Share:

- (i) represents a premium of approximately 338% over the closing price of HKD0.064 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) represents a premium of approximately 283% over the average of the closing price of HKD0.0732 per Share quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

The net liability attributable to each Share was HK\$0.038 for the year ended 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up.

The LC Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market prices of the Shares, the Group's historical performances and present financial position as well as current market condition. Having taken into consideration the factors stated above, the LC Subscription Price was determined between the initial conversion price of HK\$0.29 per conversion share of the convertible bonds issued by the Company to the bondholder on 30 August 2021 and the issue price of HK\$0.26 per loan capitalisation share of the loan capitalisation shares issued on 30 June 2021 and 20 October 2021 respectively by the Company to two independent third parties and three subscribers who were connected persons of the Company respectively. The Directors (including the independent non-executive Directors who have given their opinion after considering the advice from Gram Capital, and excluding the Subscriber, Mr. CHEUK Ka Chun Kevin, Mr. LIAO Zhe and Madam CHEUNG Kwai Lan, who have a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder and who have abstained from voting at all the Board resolutions approving the same) consider that the terms of the Loan Capitalisation Agreement, including the LC Subscription Price, are on normal commercial terms or better, fair and reasonable and the entering into of the Loan Capitalisation Agreement is in the interests of the Company and the Shareholders as a whole.

The net issue price, after deduction of relevant expenses, is estimated to be approximately HKD0.28 per Loan Capitalisation Share.

### **Completion**

Completion of the Loan Capitalisation shall take place on a day within ten Business Days after the fulfillment of all the conditions precedent (or such other date to be agreed by the parties).

Upon completion, the Company shall be released from its obligations and liabilities under the Loan.

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## LETTER FROM THE BOARD

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### **Ranking of the Loan Capitalisation Shares**

The Loan Capitalisation Shares when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue.

### **Application for listing**

An application will be made by the Company to the Listing Committee for the grant of the listing of, and permission to deal in, the Loan Capitalisation Shares.

### **Specific Mandate for the Issuance of the Loan Capitalisation Shares**

The Loan Capitalisation Shares will be allotted and issued under the specific mandate proposed to be sought from the Independent Shareholders at the EGM.

### **REASONS FOR THE LOAN CAPITALISATION**

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.

Due to the current cash position of the Group with only bank balances and cash of approximately HK\$3 million for the year ended 30 June 2022, the Group itself has insufficient financial resources to settle all outstanding Loan owing by the Company to the Subscriber, who is a connected person. In order to reduce the gearing level under the current financial position of the Group and due to the willingness of the Subscriber to capitalise the Loan, the Board decided to settle the Loan through the Loan Capitalisation with the Subscriber under the Loan Capitalisation Agreement. The Directors consider that the Loan Capitalisation under the Loan Capitalisation Agreement will allow the Company to settle the outstanding sums owed by the Company to the Subscriber without utilising existing financial resources of the Group while reducing the gearing level and hence strengthening the financial position of the Group. The gearing ratio of the Group before the Loan Capitalisation Shares are issued is 220.02% and it will be reduced to 200.12% after the Loan Capitalisation Shares are issued. It is calculated on the basis of the Group's total borrowings divided by total assets for the year ended 30 June 2022.

The Company has approached a fund which has conducted due diligence but could not provide the Company with any types of financing, including share placement, rights issue and open offer, due to the loss-making position and net liabilities of the Group for the year ended 30 June 2022.

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## LETTER FROM THE BOARD

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As at the date of the Loan Capitalisation Agreement, the Loan was the aggregate of certain loans which were originally advanced by (i) Ms. WOO Theresa (the spouse of the Subscriber) in the principal sum of HK\$3,493,500, (ii) Ms. CHAN Siu Sarah (the sister of the Subscriber) in the principal sum of HK\$1,196,000, (iii) Mr. FUNG King Him Daniel (a director of various subsidiaries of the Company) in the principal sum of HK\$2,961,948, (iv) Mr. CHEUK Ka Chun Kevin (an executive Director) in the principal sum of HK\$2,151,394 and (v) Mr. LIAO Zhe (an executive Director) in the principal sum of HK\$5,495,691 (collectively, the “**Assignors**”) to the Company as its working capital. Each of the Assignors has executed an assignment of loans in favour of the Subscriber on 26 July 2022, pursuant to which each of the Assignors assigned to the Subscriber the said loans to the Subscriber on dollar-to-dollar basis. The assignment of loans and the Loan Capitalisation Agreement are not inter-conditional with each other. The Loan and the original loans advanced by the Assignors are interest free, repayable on demand and with no collaterals. Therefore, the Board considered that they were conducted on normal commercial terms or better and they were not secured by any assets of the Group.

Having considered that (i) the loss-making position and net liabilities of the Group for the year ended 30 June 2022 make it difficult for the Company to seek for other fund-raising alternatives, including share placement, rights issue and open offer; (ii) the Loan can be settled without any cash outflow for the Group; and (iii) the Loan Capitalisation can reduce the gearing level and hence strengthen the financial position of the Group, the Directors (including the independent non-executive Directors who have given their opinion after considering the advice from Gram Capital, and excluding the Subscriber, Mr. CHEUK Ka Chun Kevin, Mr. LIAO Zhe and Madam CHEUNG Kwai Lan, who have a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder and who have abstained from voting at all the Board resolutions approving the same) consider that the terms of the Loan Capitalisation Agreement, including the LC Subscription Price, are on normal commercial terms or better, fair and reasonable and the entering into of the Loan Capitalisation Agreement is in the best interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the amount due to a Shareholder of approximately HK\$105,747,000, the convertible bonds in aggregate principal amount of HK\$50,000,000 (the “**Convertible Bonds**”), and the outstanding loans and other borrowings of approximately HK\$3,124,000, the Company does not have any other outstanding loans which are not subject to the Loan Capitalisation. The Company has no intention or plan to capitalise the above mentioned loans and other borrowings. The Company will seek for any possibilities of fund raising activities continuously for the repayment of the Convertible Bonds, the outstanding loans and other borrowings. Furthermore, the Company will discuss with the bondholder of the Convertible Bonds to consider any possibilities to convert all or part of the Convertible Bonds.

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Save for the fund raising activities mentioned below, the Board confirms that there has not been any fund raising exercise made by the Company in the twelve months immediately preceding the date of the Loan Capitalisation Agreement.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the Latest Practicable Date</b>
20/08/2021 30/08/2021 19/10/2021	Issue of convertible bonds under general mandate	HK\$50.0 million	HK\$17.5 million for development of anti-counterfeiting business; HK\$10.0 million for the repayment of debts and HK\$22.5 million for general working capital	HK\$6.4 million for development of anti-counterfeiting business; HK\$15.0 million for the repayment of debts and HK\$28.6 million for general working capital
08/06/2021 23/09/2021	Issue of loan capitalisation shares under general mandate	Approximately HK\$50.0 million	Repayment of debts	Utilized as intended

## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 4,537,688,780 Shares in issue. Assuming there will be no further changes in the issued share capital of the Company between the Latest Practicable Date and immediately prior to the allotment and issue of the Loan Capitalisation Shares, the shareholding structure of the Company (i) as at the Last Practicable Date; (ii) immediately after the allotment and issue of the Loan Capitalisation Shares in full; (iii) immediately after conversion of the CBs II in full; and (iv) immediately after conversion of the CBs II in full and allotment and issue of the Loan Capitalisation Shares in full, is set out as below for illustration purposes only:

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding immediately after allotment and issue of the Loan Capitalisation Shares in full		Shareholding immediately after conversion in full of the CBs II (Note 2)		Shareholding immediately after conversion in full of the CBs II (Note 2) and allotment and issue of the Loan Capitalisation Shares in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Directors</b>								
Mr. Chau Wai Wah Fred	3,800,000	0.09	3,800,000	0.08	3,800,000	0.08	3,800,000	0.08
Dr. Cheng Yanjie	<u>1,965,000</u>	<u>0.04</u>	<u>1,965,000</u>	<u>0.04</u>	<u>1,965,000</u>	<u>0.04</u>	<u>1,965,000</u>	<u>0.04</u>
Sub-total	5,765,000	0.13	5,765,000	0.12	5,765,000	0.12	5,765,000	0.12
Best Frontier (Note 1) Integrated Asset Management (Asia) Limited (“Integrated Asset”) and its concert parties (Note 3)	697,364,364	15.37	697,364,364	15.19	697,364,364	14.81	697,364,364	14.64
	<u>542,363,000</u>	<u>11.95</u>	<u>542,363,000</u>	<u>11.81</u>	<u>542,363,000</u>	<u>11.52</u>	<u>542,363,000</u>	<u>11.38</u>
Sub-total	1,239,727,364	27.32	1,239,727,364	27.00	1,239,727,364	26.32	1,239,727,364	26.02
Expert Global Enterprises Limited (“Expert Global”) (Note 2)	—	—	—	—	172,413,793	3.66	172,413,793	3.62
The Subscriber (Note 4)	—	—	54,637,617	1.19	—	—	54,637,617	1.15
Public Shareholders	<u>3,292,196,416</u>	<u>72.55</u>	<u>3,292,196,416</u>	<u>71.69</u>	<u>3,292,196,416</u>	<u>69.90</u>	<u>3,292,196,416</u>	<u>69.09</u>
<b>Total</b>	<b><u>4,537,688,780</u></b>	<b><u>100.00</u></b>	<b><u>4,592,326,397</u></b>	<b><u>100.00</u></b>	<b><u>4,710,102,573</u></b>	<b><u>100.00</u></b>	<b><u>4,764,740,190</u></b>	<b><u>100.00</u></b>

*Notes:*

- The 697,364,364 Shares were held by Best Frontier which was wholly owned by Mr. LAM Yui Keung.
- On 30 August 2021, the Company issued unlisted convertible bonds to Expert Global due on 20 February 2023 with a principal amount of HK\$50,000,000 at a rate of 7% per annum with interest payable semi-annually in arrears (the “CBs II”). Expert Global was ultimately beneficially owned by Kingkey Financial International (Holdings) Limited, which is listed on the Stock Exchange with stock code 1468. A maximum number of 172,413,793 Shares would be issued by the Company upon full conversion of the CBs II at the initial conversion price of HK\$0.29 per conversion share into fully-paid ordinary shares of the Company. As at the Latest Practicable Date, no CBs II was converted into Shares by the bondholder or redeemed by the Company.

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## LETTER FROM THE BOARD

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3. The 542,363,000 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.

Pursuant to the fifth amendment agreement approved by the Shareholders at the extraordinary general meeting of the Company held on 22 March 2021, the Company amended 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. 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 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.

Integrated Asset has not exercised any of its conversion right for the Company’s shares and has no conversion right of the CBs which have been matured since 17 January 2022. Therefore, the CBs have not been convertible since then.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has not received any notice of event of default from the bondholder demanding immediate repayment nor notice of exercise of the CBs. The Company is still in the progress of negotiating with the bondholder for the renewal of or further extension on the CBs and will disclose further developments on the above matters by way of further announcement(s) in a timely manner in accordance with regulatory requirements.

4. The Subscriber resigned as chairperson, executive Director and chief executive officer of the Company on 1 August 2022 and the 4,000,000 share options of the Company held by the Subscriber lapsed on 1 August 2022 accordingly.

### IMPLICATIONS UNDER THE GEM LISTING RULES

Since as at the date of the Loan Capitalisation Agreement, the Subscriber was the chairperson, an executive Director and the chief executive officer of the Company and was a director of Best Frontier, the Subscriber is a connected person of the Company under the GEM Listing Rules. Therefore, the entering into of the Loan Capitalisation Agreement and the transactions contemplated thereunder constituted a connected transaction for the Company and is subject to the reporting, announcement, independent financial advice and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As required under the GEM Listing Rules, any Shareholder with a material interest in a proposed transaction and such Shareholder's associates shall abstain from voting on resolution(s) approving the same.

Those Shareholders who have a material interest in the Loan Capitalisation, including but not limited to, the Subscriber, and their respective associates shall be required to abstain from voting in respect of the resolution(s) approving the Loan Capitalisation Agreement and the allotment and issue of the Loan Capitalisation Shares at the EGM. As at the Latest Practicable Date, the following persons were directly holding the following number of Shares (excluding deemed interest under the SFO) (if any) and are required to abstain from voting at the EGM:

<b>Name</b>	<b>Number of Shares directly held</b>	<b>Approximate Percentage of shareholding</b>
The Subscriber	—	—
Madam CHEUNG Kwai Lan (a former Director resigned on 1 August 2022 and the mother of the Subscriber)	4,656,000	0.10%
Mr. CHAN Tung Mei (the father of the Subscriber)	3,020,000	0.07%
Ms. WOO Theresa (the spouse of the Subscriber)	—	—
Ms. CHAN Siu Sarah (the sister of the Subscriber)	—	—



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## LETTER FROM THE BOARD

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*Notes:*

1. Best Frontier has no longer been the close associate of the Subscriber's associate since Best Frontier was no longer held as to 99.89% by Madam CHEUNG Kwai Lan (the Subscriber's associate) on 30 July 2022 as disclosed in Note 1 on page 11 in this circular. In addition, Mr. LAM Yui Keung, who wholly owned Best Frontier as at the Latest Practicable Date, has neither entered, nor proposes to enter, into any transaction with the Group; and any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with the connected persons, namely the Subscriber and Madam CHEUNG Kwai Lan. Therefore, Best Frontier is not required to abstain from voting on the resolution(s) to be proposed at the EGM.
2. As each of the Assignors has executed an assignment of loans in favour of the Subscriber on 26 July 2022 as disclosed on page 9 in this circular, the Company do not owe them with these loans anymore and the assignment of loans and the Loan Capitalisation Agreement are not inter-conditional with each other, the Assignors are not materially interested in the Loan Capitalisation.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the resolution(s) to be proposed at the EGM.

### **GENERAL**

The Loan Capitalisation Agreement and the transactions contemplated thereunder, including the allotment and issue of the Loan Capitalisation Shares, are subject to, *inter alia*, the approval of Independent Shareholders at the EGM. A specific mandate for the allotment and issue of the Loan Capitalisation Shares will be sought in the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders and the Company has also appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders regarding the Loan Capitalisation.

### **EXTRAORDINARY GENERAL MEETING**

The resolutions to be proposed at the forthcoming EGM are set out in full in the notice of the EGM on pages 32 to 33 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

If you intend to appoint a proxy to attend the EGM, you are requested to complete the proxy form and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournments thereof if you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions set out in the notice of EGM will be voted by way of poll at the EGM. The Company will announce the results of poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of Gram Capital, is of the opinion that the Loan Capitalisation Agreement and transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned. While the Loan Capitalisation is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and its Shareholders as a whole and accordingly the Board recommends the Independent Shareholders to vote in favour of the resolution(s) relating to the Loan Capitalisation Agreement and the transactions contemplated thereunder, including the allotment and issue of the Loan Capitalisation Shares to be proposed at the EGM.

Accordingly, the Directors (including the independent non-executive Directors who have given their opinion after considering the advice from Gram Capital, and excluding the Subscriber, Mr. CHEUK Ka Chun Kevin, Mr. LIAO Zhe and Madam CHEUNG Kwai Lan, who have a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder and who have abstained from voting at all the Board resolutions approving the same) consider that the Loan Capitalisation is on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the (i) letter from the Independent Board Committee set out in this circular and (ii) letter from Gram Capital set out in this circular, which contains among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Loan Capitalisation Agreement and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

Your attention is also drawn to the additional information contained in the appendix to this circular.

Yours faithfully,  
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*



**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)**

21 October 2022

*To the Independent Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTIONS  
LOAN CAPITALISATION INVOLVING ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE**

**INTRODUCTION**

We refer to the circular of the Company dated 21 October 2022 to (the “**Circular**”), of which this letter forms part. Capitalized terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you on whether the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholder are concerned.

Details of the advice of Gram Capital, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 18 to 27 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 15 of the Circular and the additional information set out in the appendix of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having considered the terms and conditions of the Loan Capitalisation Agreement, the principal factors and reasons considered by, and the advice of Gram Capital, we are of the view that the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Loan Capitalisation Shares are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Loan Capitalisation Shares.

Yours faithfully,  
For and on behalf of  
Independent Board Committee

**Mr. LAU Fai Lawrence**

**Dr. LIU Ta-pei**

**Mr. LAM Kit Sun**

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

21 October 2022

To: *The independent board committee and the independent shareholders  
of Sinopharm Tech Holdings Limited*

Dear Sir/Madam,

### CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 October 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 July 2022 (the “**Agreement Date**”) (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Loan Capitalisation Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, 54,637,617 Loan Capitalisation Shares at the LC Subscription Price, the same of which shall be satisfied by setting off the full amount of the Loan. Upon completion, the Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Loan.

With reference to the Board Letter, the Loan Capitalisation constitutes a connected transaction for the Company and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee comprising Mr. LAU Fai Lawrence, Dr. LIU Ta-pei and Mr. LAM Kit Sun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Loan Capitalisation are on normal commercial terms and are fair and reasonable; (ii) whether the

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## LETTER FROM GRAM CAPITAL

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Loan Capitalisation is conducted in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Loan Capitalisation. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital acted as independent financial adviser in respect of (i) a discloseable and connected transaction and a continuing connected transaction of the Company as announced by the Company on 18 February 2021 which were lapsed on 30 June 2021; and (ii) a connected transaction of the Company as set out in the Company's circular dated 5 March 2021. Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Loan Capitalisation. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would

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## LETTER FROM GRAM CAPITAL

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make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Loan Capitalisation. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Loan Capitalisation, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the Loan Capitalisation**

##### *Information on the Group*

With reference to the Board Letter, 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.

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**LETTER FROM GRAM CAPITAL**

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Set out below are the consolidated financial information of the Group for the two years ended 30 June 2022 as extracted from the Company's annual report for the year ended 30 June 2022 (the "2021/22 Annual Report"):

	<b>For the year ended 30 June 2022</b>	<b>For the year ended 30 June 2021</b>	<b>Year-on-year change</b>
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>Approximate %</i>
Revenue	40,985	77,813	(47.33)
Gross profit	5,932	20,884	(71.60)
Loss for the year	(93,771)	(110,506)	(15.14)
	<b>As at 30 June 2022</b>	<b>As at 30 June 2021</b>	<b>Year-on-year change</b>
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>Approximate %</i>
Bank balances and cash	2,991	7,482	(60.02)
Net liabilities	(173,397)	(140,556)	23.37

As depicted from the above table, the Group recorded revenue of approximately HK\$40.99 million for the year ended 30 June 2022 ("FY2021/22"), representing a substantial decrease of approximately 47.33% as compared to that for the year ended 30 June 2021 ("FY2020/21"). With reference to the 2021/22 Annual Report, the aforesaid decrease in revenue was mainly as a result of the completion of the Group's participation in the one-year Local Mask Production Subsidy Scheme launched by the Hong Kong Special Administrative Region Government for the procurement of 48 million units of masks at the end of June 2021. Along with the aforesaid revenue decrease, the Group's gross profit for FY2021/22 also decreased by approximately 71.60% as compared to that for FY2020/21.

Despite the aforesaid decrease in gross profit, the Group's loss for FY2021/22 decreased by approximately 15.14% as compared to that for FY2020/21. With reference to the 2021/22 Annual Report, such decrease was mainly due to the combined effect of (i) increase in other income and gains; (ii) loss on dilution of interests in associates (FY2020/21: nil); (iii) absence in loss on settlement of contingent consideration payable (FY2020/21: approximately HK\$10.80 million); and (iv) the Group's strengthened efforts in cost control which resulted in less administrative and operating expenses.



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## LETTER FROM GRAM CAPITAL

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As at 30 June 2022, the Group had bank balances and cash of approximately HK\$2.99 million and net liabilities of approximately HK\$173.40 million. With reference to the 2021/22 Annual Report, certain conditions (including the Group's net liabilities as at 30 June 2022) and matters indicated the existence of a material uncertainty that may cast significant doubt on the ability of the Group and the Company to continue as a going concern.

With reference to the 2021/22 Annual Report, the Group will continue to make efficient use of the business resources of strategic shareholders in the pharmaceutical industry, concentrate human and financial resources on its personal protective equipment business and develop healthcare and other health-related businesses. The Group will also continue to explore other development opportunities for the "Internet Plus" business in the future, including negotiations with industry players on "Internet Plus" solutions and in-depth cooperation in fields such as medical and health-related platforms.

### *Information on the Subscriber*

With reference to the Board Letter, the Subscriber (i.e. Mr. CHAN Ting) was the chairperson, an executive Director and the chief executive officer of the Company and was a director of Best Frontier (a company incorporated in the British Virgin Islands with limited liability, and a substantial Shareholder of the Company). The Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

### *Reasons for the Loan Capitalisation*

With reference to the Board Letter, the Directors consider that the Loan Capitalisation Agreement will allow the Company to settle the Loan of approximately HK\$15.30 million without utilising existing financial resources of the Group while reducing the gearing level and hence strengthening the financial position of the Group.

As aforementioned, the Group only had bank balances and cash of approximately HK\$2.99 million as at 30 June 2022, which was insufficient to settle the Loan.

As advised by the Directors, before resorting to the Subscription, the Board considered and compared feasibilities of other fund-raising alternatives for the Group, such as placement of new Shares to independent investors, rights issue, open offer, debt financing and bank borrowings. Given the purpose of the Loan Capitalisation is to reduce the Group's gearing level, debt financing and bank borrowings would not serve this purpose. Given the loss-making position of the Group for FY2021/22 and net liabilities of the Group as at 30 June 2022, it would be difficult for the Company to seek for placing agent for share placement or underwriter for rights issue/open offer. Accordingly, we concur with the Directors that the Loan Capitalisation is an appropriate mean to settle the Loan.

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## LETTER FROM GRAM CAPITAL

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Having considered that (i) the Loan can be settled without any cash outflow for the Group; and (ii) the Loan Capitalisation is an appropriate mean to settle the Loan, we are of the view that, although the Loan Capitalisation is not conducted in the ordinary and usual course of business of the Company, the Loan Capitalisation is in the interest of the Company and the Shareholders as a whole.

### 2. Principal terms of the Loan Capitalisation Agreements

On 27 July 2022 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Loan Capitalisation Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, 54,637,617 Loan Capitalisation Shares at the LC Subscription Price, the same of which shall be satisfied by setting off the full amount of the Loan. Upon completion, the Loan shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Loan.

#### *LC Subscription Price*

With reference to the Board Letter, the LC Subscription Price of HK\$0.28 per Subscription Share represents:

- (i) a premium of approximately 1,233.3% over the closing price of HK\$0.021 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 337.5% over the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on the Agreement Date (the “**Agreement Date Premium**”); and
- (iii) a premium of approximately 282.5% over the average of the closing price of HK\$0.0732 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Agreement Date.

In order to assess the fairness and reasonableness of the LC Subscription Price, we conducted the following analysis:

#### *a) Share price performance*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 2 July 2021 to 27 July 2022, being approximate one year up to and including the Agreement Date (the “**Review**”

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## LETTER FROM GRAM CAPITAL

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Period”) (we consider the Review Period to be fair and representative as review period of one year is commonly adopted), to illustrate the general trend and level of movement of the closing prices of the Shares:



Source: the Stock Exchange's website

During the Review Period, the highest and lowest closing prices of Shares as quoted on the Stock Exchange were HK\$0.260 per Share recorded on 2 July 2021 and HK\$0.064 recorded on 27 July 2022, respectively.

From 2 July 2021 to 4 November 2021, the closing prices of the Shares fluctuated between HK\$0.170 and HK\$0.260. Subsequently, the closing prices of the Shares followed a general decreasing trend and reached HK\$0.064 on 27 July 2022.

The LC Subscription Price of HK\$0.28 is above the closing price range of the Shares during the Review Period.

### b) Comparables

As part of our analysis, we also identified subscription of new shares listed on the Stock Exchange conducted and announced by Hong Kong listed companies during the period from 1 May 2022 up to and including the Agreement Date which were not lapsed/terminated up to the Latest Practicable Date (the “**Comparables**”), based on the criteria that (i) the new shares were issued under specific mandate for subscription; and (ii) the new shares were issued with proceeds (or part of the proceeds) to be used for settling outstanding indebtedness. To the best of our knowledge and as far as we are aware of, we found 5 transactions which met the said criteria and they are exhaustive. We consider the Comparables to be sufficient, fair and

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**LETTER FROM GRAM CAPITAL**

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representative as they were announced during a period close to the Agreement Date (i.e. approximately three months prior to and including the Agreement Date) and we did not carve out any transaction which met the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

<b>Company name (stock code)</b>	<b>Date of announcement</b>	<b>Premium/ (discount) of the subscription price to closing price per share on the last trading day prior to or the date of agreement in relation to the respective subscription of new shares (%)</b>
Persta Resources Inc. (3395)	6 May 2022	122.2
China Hongguang Holdings Limited (8646)	17 May 2022	(13.0)
Flying Financial Service Holdings Limited (8030)	23 May 2022	(20.0) <i>(Note 1)</i>
Tianjin TEDA Biomedical Engineering Company Limited (8189)	21 June 2022	(16.7)
Northeast Electric Development Co., Ltd. (42)	27 July 2022	313.6
<b>Maximum</b>		<b>313.6</b>
<b>Minimum</b>		<b>(20.0)</b>
<b>Average</b>		<b>77.2</b>
<b>Median</b>		<b>(13.0)</b>
<b>The Subscription</b>		<b>337.5</b>

*Note:*

1. Based on theoretical closing price per consolidated share after taking into account the effect of share consolidation.

We noted from the above table that the subscription prices of the Comparables ranged from a discount of approximately 20.0% to a premium of approximately 313.6% to/over the respective closing prices of their shares on the last trading day prior to or the date of agreement in relation to the

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## LETTER FROM GRAM CAPITAL

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respective subscription of shares (the “**Discount/Premium Market Range**”). Accordingly, the Agreement Date Premium is above the Discount/Premium Market Range.

Having considered that:

- (i) the LC Subscription Price is above the closing price range of the Shares during the Review Period; and
- (ii) the Agreement Date Premium is above the Discount/Premium Market Range,

we consider the LC Subscription Price to be fair and reasonable.

Detailed terms and conditions of the Loan Capitalisation Agreement are set out under the section headed “PRINCIPAL TERMS OF THE LOAN CAPITALISATION AGREEMENT WITH CONNECTED PERSON” of the Board Letter.

Taking into account the principal terms of the Loan Capitalisation (including the LC Subscription Price) as discussed above, we are of the view that the terms of the Loan Capitalisation are on normal commercial terms and are fair and reasonable.

### **3. Possible dilution effect on the shareholding interests of the public Shareholders**

With reference to the shareholding table in the section headed “EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY” of the Board Letter, the shareholding interests held by the public would be diluted by approximately 0.75 percentage points as a result of the Loan Capitalisation. In this regard, taking into account (i) the aforementioned reasons for the Loan Capitalisation; and (ii) the terms of the Loan Capitalisation being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the Loan Capitalisation is acceptable.

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## LETTER FROM GRAM CAPITAL

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Loan Capitalisation are on normal commercial terms and are fair and reasonable; and (ii) although the Loan Capitalisation is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Loan Capitalisation and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 and underlying 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			Interest of Spouse	Total Interest	Approximate Percentage of Shareholding
			Personal Interest (ordinary shares)	Personal Interest (underlying shares) <i>(Note)</i>				
Mr. CHAU Wai Wah Fred	The Company	—	3,800,000	3,600,000	—	7,400,000	0.16%	
Mr. HO Kam Kin	The Company	—	—	5,400,000	—	5,400,000	0.12%	
Ms. KWOK Shuk Yi	The Company	—	—	5,000,000	—	5,000,000	0.11%	
Dr. CHENG Yanjie	The Company	—	1,965,000	3,600,000	—	5,565,000	0.12%	
Dr. LIU Ta-pei	The Company	—	—	3,600,000	—	3,600,000	0.08%	

*Note:* 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 the Latest Practicable Date, 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.

**(b) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of 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 or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as follows:

*Long Positions in the Shares*

Name of Shareholders	Capacity	Number of issued Shares Held	Approximate Percentage of the Shareholding
Best Frontier & its concert parties ( <i>Note 1</i> )	Beneficial Owner	697,364,364	15.37%
Integrated Asset & its concert parties ( <i>Note 2</i> )	Beneficial Owner	542,363,000	11.95%
Mr. TSE Siu Hoi	Beneficial Owner	310,650,000	6.85%

*Notes:*

1. Same as Note 1 on page 11 in this circular.
2. Same as Note 3 on page 12 in this circular.
3. No director of the Company is also a director or employee of any substantial shareholder of the Company.



Save as disclosed above, as at the Latest Practicable Date, 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.

### **3. COMPETING INTERESTS**

As at the Latest Practicable Date, none of Directors, the substantial shareholders nor the controlling shareholders of the Company or any of their respective close associates have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

### **4. DIRECTORS' SERVICE CONTRACTS**

All the Directors have not entered into any service contracts with the Company but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

As at the Latest Practicable Date, none of the Directors has entered into or was proposed to enter into, a service contract with any member of the Group excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.

### **5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up.

### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospects of the Group since 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up.

### **7. LITIGATION**

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had been, since 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. MISCELLANEOUS

- (i) The registered office of the Company is situated at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, the Cayman Islands.
- (ii) The principal place of business of the Company in Hong Kong is at Units 15–16, 25/F., Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong.
- (iii) The company secretary of the Company is Mr. Ho Kam Kin, who was appointed on 1 September 2016.
- (iv) The Company's branch share registrar and transfer office in Hong Kong is Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

## 10. DOCUMENT(S) ON DISPLAY

Copy of the following document will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sinopharmtech.com.hk](http://www.sinopharmtech.com.hk)) for a period of 14 days commencing from the date of this circular:

- (a) the Loan Capitalisation Agreement.



## 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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of the Sinopharm Tech Holdings Limited (the “Company”) will be held at Units 15–16, 25/F., Corporation Park, 11 On Lai Street, Shatin, New Territories, Hong Kong on Monday, 7 November 2022 at 11:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution:

#### ORDINARY RESOLUTION

“THAT”

- (a) the loan capitalisation agreement dated 27 July 2022 entered into between the Company (as issuer) and Mr. CHAN Ting (as subscriber) (the “**Loan Capitalisation Agreement**”) in relation to the allotment and issue of 54,637,617 new ordinary shares (the “**Loan Capitalisation Shares**”) in the share capital of the Company at a subscription price of HKD0.28 per share credited as fully paid and which shall rank *pari passu* in all respects with the ordinary shares then in issue by the Company to Mr. CHAN Ting, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “**Director(s)**”) be and is hereby granted with a specific mandate to allot and issue the Loan Capitalisation Shares in accordance with the terms and conditions of the Loan Capitalisation Agreement; and
- (c) any one or more Directors be and is/are hereby authorised generally to take all necessary steps and do all such acts and things and to sign and execute all documents (including the affixation of the common seal of the Company where execution under common seal is required) which he/she/they may consider

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## NOTICE OF EGM

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necessary, appropriate, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to the Loan Capitalisation Agreement and the allotment and issue of Loan Capitalisation Shares and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

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, 21 October 2022

*Registered Office:*

Third Floor, Century Yard  
Cricket Square, P.O. Box 902  
Grand Cayman KY1-1103  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Units 15–16, 25/F., Corporation Park  
11 On Lai Street, Shatin  
New Territories, Hong Kong

**Notes:**

1. A shareholder of the Company entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint another person as his/her/its proxy to attend and vote in his/her/its stead in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company. A form of proxy for use at the EGM is enclosed.
2. In order to be valid, this form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish and in such event, the proxy shall be deemed to be revoked.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of other joint holder(s), and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of such shares.