

19 July 2024

*To the Shareholders,*

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;
- (2) CONNECTED TRANSACTIONS: LOAN CAPITALISATION INVOLVING  
ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES  
UNDER CONNECTED SPECIFIC MANDATE;
- (3) APPLICATION FOR WHITEWASH WAIVER;
- (4) LOAN CAPITALISATION INVOLVING ISSUE OF  
CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE;
- (5) PROPOSED AMENDMENTS TO  
THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION  
AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION;  
AND
- (6) NOTICE OF EXTRAORDINARY GENERAL MEETING

## INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of (a) the Capital Reorganisation; (b) the Loan Capitalisation; (c) the grant of Connected Specific Mandate and Specific Mandate; (d) the Whitewash Waiver; and (e) the Proposed Amendments and the adoption of the New Memorandum and Articles of Association; (ii) a letter from the LR Independent Board Committee to the Independent Shareholders; (iii) a letter from the Code Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from Gram Capital to the LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders; (v) a notice convening the EGM; and (vi) other information as required under the GEM Listing Rules.

## PROPOSED CAPITAL REORGANISATION

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 640,000,000 Shares of par value of HK\$0.3125 each, of which 183,693,055 Shares were issued and fully paid. The Board proposes the Capital Reorganisation to be implemented in the following manner:

- (i) the par value of each of the issued Shares be reduced from HK\$0.3125 to HK\$0.0125 per issued Share by cancelling the paid up share capital to the extent of HK\$0.3 per issued Share;
- (ii) the total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective;
- (iii) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Shares with par value of HK\$0.3125 each be sub-divided into 25 authorised but unissued New Shares with par value of HK\$0.0125 each; and
- (iv) each of the New Shares arising from the Capital Reduction and Share Sub-division shall rank *pari passu* in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon:

- (i) the Independent Shareholders' approval by way of special resolution at the EGM to approve the Capital Reorganisation;
- (ii) an order being made by the Cayman Court sanctioning the Capital Reduction;
- (iii) compliance with any conditions which the Cayman Court may impose for the Capital Reduction to be effective;
- (iv) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Cayman Court sanctioning the Capital Reorganisation and the minutes approved by the Cayman Court containing the particulars required under the Companies Act with respect to the Capital Reorganisation; and
- (v) the GEM Listing Committee granting the listing of, and permission to deal in the New Shares arising from the Capital Reorganisation.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the conditions precedent has been satisfied. The Capital Reorganisation shall become effective when the conditions mentioned above are fulfilled. Further announcement will be made upon the Capital Reorganisation becoming effective.

### **Effect of the Capital Reorganisation**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 640,000,000 Shares of par value of HK\$0.3125 each, of which 183,693,055 Shares have been issued and fully paid or credited as fully paid.

Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$200,000,000 divided into 16,000,000,000 New Shares of HK\$0.0125 each, of which 183,693,055 New Shares will be issued as fully paid or credited as fully paid. The aggregate par value of the issued share capital of the Company will be approximately HK\$2,296,000 (assuming that there will be no other change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation). The total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective, thereby reducing the accumulated losses of the Company.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Capital Reorganisation becoming effective, assuming that there will be no other change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation:

	As at the Latest Practicable Date	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.3125 per Share	HK\$0.0125 per New Share
Amount of the authorised share capital	HK\$200,000,000	HK\$200,000,000
Number of the authorised Shares	640,000,000 Shares	16,000,000,000 New Shares
Amount of the issued share capital	HK\$57,404,080	HK\$2,296,163
Number of the issued Shares	183,693,055	183,693,055

As at the Latest Practicable Date, 183,693,055 Shares were issued and fully paid. Assuming that the par value of each of 183,693,055 Shares will be reduced from HK\$0.3125 to HK\$0.0125 per Share by cancelling the paid up share capital to the extent of HK\$0.3 per Share by way of a reduction of capital, so as to form issued New Shares with par value of HK\$0.0125 each, the Company's existing issued share capital of approximately HK\$57,404,000 will be reduced by approximately HK\$55,108,000 to approximately HK\$2,296,000.

Upon the Capital Reorganisation becoming effective, the New Shares shall rank *pari passu* in all respects with each other.

The Capital Reorganisation will not result in any change in the existing rights of the Shareholders. Other than the expenses incurred or to be incurred by the Company in relation to the Capital Reorganisation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders as a whole.

#### **Reasons for and effects of the Capital Reorganisation**

The proposed Capital Reorganisation will reduce the par value of the Shares from HK\$0.3125 to HK\$0.0125 each. The total credit amount arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective.

The Shares were trading below par value recently. The closing prices of the Shares ranged from HK\$0.090 to HK\$0.149 for the period from 1 December 2023 to the Latest Practicable Date. As at the Latest Practicable Date, the closing price of the Shares was HK\$0.106. In view of the above, the Board considers that the Capital Reorganisation will result in the par value of the Shares to be reduced from HK\$0.3125 to HK\$0.0125 each, for the purpose of issuing new shares under the Loan Capitalisation and enhancing flexibility to the Company to issue new shares in the future since the Company is not permitted, without order of the Cayman Court to issue new Shares below their par value.

The Capital Reduction will result in the nominal value of New Shares at a lower level of HK\$0.0125 per New Share, which allows greater flexibility in the pricing for any issue of New Shares in the future. The credit arising from the Capital Reduction will enable the Company to set off its accumulated loss. The Board (including the non-executive Director and all independent non-executive Directors whose views are set out in the letter from the LR Independent Board Committee and the letter from the Code Independent Board Committee of this circular) considers that the Capital Reduction and the Share Sub-division are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for 7,840,000 share options under the share option scheme of the Company, the Company does not have any outstanding warrants, options, derivatives or securities convertible into Shares.

The Company has not carried out any equity fund raising activity in the 12-month period immediately preceding the Last Trading Day. As at the Latest Practicable Date, except for the Capital Reorganisation and the Loan Capitalisation, the Company does not have any concrete plan to conduct any fundraising activities or corporate actions in relation to the Shares in the next twelve months.

#### **Listing application**

Application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

The New Shares arising from the Capital Reorganisation, which comprise of Ordinary Shares only, will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, such New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the share capital or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

### **Exchange of share certificates**

As the Cayman Court hearing date(s) has yet to be fixed, the effective date of the Capital Reorganisation is not ascertainable at present. Should the Capital Reorganisation become effective, Shareholders may submit existing certificates for the Shares in blue color to the Share Registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for exchange, at the expense of the Company, within one month from the effective date of the Capital Reorganisation, for certificates for the New Shares in green color. Details of such free exchange of share certificates will be announced as soon as the effective date of the Capital Reorganisation is ascertained.

All existing certificates of the Shares will continue to be evidence of title to such Shares and be valid for delivery, trading and settlement purpose.

### **LOAN CAPITALISATION INVOLVING ISSUE OF ORDINARY SHARES AND CONVERTIBLE PREFERENCE SHARES UNDER CONNECTED SPECIFIC MANDATE**

#### **(A) IAM Loan Capitalisation Agreement**

IAM is the bondholder of the unlisted convertible bonds with a principal amount of HK\$89,625,000 at an interest rate of 2% per annum issued by the Company on 17 January 2014. The interest rate of these convertible bonds was subsequently increased to 10% per annum on 22 March 2021 because IAM requested a higher interest rate as an incentive for extension of the maturity date of the said convertible bonds from 17 January 2021 to 17 January 2022. IAM has not exercised any of its conversion right and the convertible bonds held by IAM have matured on 17 January 2022. As at the maturity date of the convertible bonds, the Company was indebted to IAM an aggregate amount of HK\$105,746,578, comprising of the outstanding principal of HK\$89,625,000 and the outstanding interests of HK\$16,121,578. Subsequently, the Company and IAM agreed that the interests in respect of all outstanding principal under the said convertible bonds from 18 January 2022 to 31 December 2023 shall be calculated at the rate of 10.0% per annum on a simple and daily basis, thus, the outstanding interests for the period from 18 January 2022 to 31 December 2023 was HK\$17,507,568. As a result, the total amount of IAM Debt was HK\$123,254,146. The Company and IAM further agreed that the interests in respect of all outstanding principal under the said convertible bonds from 1 January 2024 up to the date of the completion of the IAM Loan Capitalisation shall be reduced to 5.0% per annum on a simple interest and daily basis. The interests for the period from 1 January 2024 up to the date of the completion of the IAM Loan Capitalisation shall be settled in cash by the Company's internal resources within 12 months from the date of the completion of the IAM Loan Capitalisation or any other date to be agreed by both parties in writing. The accrued interests for the period from 1 January 2024 up to the Latest Practicable Date was approximately HK\$2,443,202 which is expected to be settled by the general working capital of the Group and the cash inflow from the operating activities.

On 14 June 2024 (after trading hours of the Stock Exchange), the Company and IAM entered into the IAM Loan Capitalisation Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and IAM has conditionally agreed to subscribe for, (i) 300,000,000 IAM Shares at HK\$0.1 per Ordinary Share, the same of which shall be satisfied by offsetting HK\$30,000,000 of the IAM Debt; and (ii) 932,541,460 IAM CPSs at HK\$0.1 per CPS, the same of which shall be satisfied by offsetting the remaining balance of the IAM Debt of approximately HK\$93,254,146. Upon completion of the IAM Loan Capitalisation, the IAM Debt (including the accrued interests under the convertible bonds held by IAM up to 31 December 2023) shall be deemed to have been fully repaid and the Company shall be released from its obligations under the IAM Debt.

Set out below is a summary of the principal terms of the IAM Loan Capitalisation Agreement:

*Date*

14 June 2024 (after trading hours of the Stock Exchange)

*Parties*

The Company (as the issuer) and IAM (as the subscriber)

*Subject matter*

Subject to the fulfilment of the conditions precedent as mentioned below, the Company will allot and issue (i) 300,000,000 IAM Shares at HK\$0.1 per Ordinary Share; and (ii) 932,541,460 IAM CPSs at HK\$0.1 per CPS, to IAM with an aggregated amount of HK\$123,254,146. The aggregated amount shall be satisfied in full by setting off against the obligation of the Company to repay the IAM Debt. The interests for the period from 1 January 2024 up to the date of the completion of the IAM Loan Capitalisation shall be settled in cash by the Company's internal resources within 12 months from the date of the completion of the IAM Loan Capitalisation or any other date to be agreed by both parties in writing.

*Conditions Precedent*

The completion of the IAM Loan Capitalisation Agreement is conditional upon:

- i. the Company having completed the Capital Reorganisation, including but not limited to, Capital Reduction and Share Sub-division;
- ii. the approval of the Independent Shareholders by way of a special resolution of the Company approving that the Existing Memorandum and Articles of Association be amended to, among others, (i) incorporate the relevant terms of the CPSs; and (ii) reflect the Capital Reorganisation; and that such amendments to the Existing Memorandum and Articles of Association have become legally effective;

- iii. the compliance of all requirements imposed by the Stock Exchange and/or the SFC in relation to the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Connected Specific Mandate) and the allotment and issue of the IAM Shares, IAM CPSs and Quantum Shares, whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- iv. approval by the Stock Exchange of the listing of, and permission to deal in, the IAM Shares and the Ordinary Shares to be allotted and issued upon conversion of the IAM CPSs in relation to the IAM Loan Capitalisation Agreement;
- v. all necessary corporate approvals and consents and third party consents, including the approval of the governmental authorities of the Cayman Islands to the issue of the IAM Shares and IAM CPSs (if necessary) for the transactions contemplated under the IAM Loan Capitalisation Agreement being obtained;
- 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 IAM Loan Capitalisation Agreement;
- vii. the approval of the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder and the Connected Specific Mandate by more than 50% of the Independent Shareholders at the EGM by way of poll; and
- viii. the Executive having granted to IAM the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied, and the approval of the Whitewash Wavier by at least 75% of the Independent Shareholders at the EGM by way of poll.

None of the conditions precedent above can be waived by the parties. For condition precedent (i), the Capital Reorganisation must be approved by the Shareholders at the EGM and all necessary orders and approvals from the Cayman Court and the Registrar of the Companies of the Cayman Islands must be obtained. For details, please refer to the section headed "Conditions of the Capital Reorganisation". As at the Latest Practicable Date, each of the Company and IAM is not aware of any material approval and consent requirement in respect of condition precedent (v). As at the Latest Practicable Date, none of the conditions precedent has been satisfied.



If the conditions precedent of the IAM Loan Capitalisation Agreement have not been satisfied on or before 31 December 2024 (or such later date as may be agreed by the Company and IAM in writing), the IAM Loan Capitalisation Agreement shall be terminated and the rights and obligations of the parties to the IAM Loan Capitalisation Agreement shall cease.

### *Completion*

Completion of the IAM Loan Capitalisation Agreement shall take place within seven Business Days following the satisfaction of the conditions precedent of the IAM Loan Capitalisation Agreement (which shall be no later than 10 January 2025 or such later date as may be agreed by the Company and IAM in writing) at the principal place of business of the Company, or other such place as may be agreed between the parties in Hong Kong.

The IAM Loan Capitalisation Agreement is inter-conditional with the Quantum Loan Capitalisation Agreement.

### *IAM Shares*

Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the completion of the IAM Loan Capitalisation, the IAM Shares represent (i) approximately 163.3% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 47.3% of the number of issued Shares as enlarged by the Connected Shares.

### *IAM CPSs*

Pursuant to the term of the IAM CPSs, a maximum number of 932,541,460 Ordinary Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the IAM CPSs. Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the completion of the IAM Loan Capitalisation, the Ordinary Shares to be issued upon conversion of the IAM CPSs represent (i) approximately 507.7% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 147.2% of the number of issued Shares as enlarged by the Connected Shares.

## **(B) Quantum Loan Capitalisation Agreement**

Pursuant to the Quantum Loan Agreement dated 8 November 2023, the loan facility of HK\$20,000,000 is provided to the Group by Quantum for the purpose of financing the general working capital of the Group. The loan facility is unsecured and has an interest rate of 5% per annum with a term of one year from the date of the Quantum Loan Agreement. As at the Latest Practicable Date, the Company was indebted to Quantum an aggregate amount of approximately HK\$15,461,644, comprising of the outstanding principal of HK\$15,000,000 and outstanding interests of approximately HK\$461,644. The outstanding interests of approximately HK\$461,644 accrued up to the Latest Practicable Date and the

interests to be accrued from the Latest Practicable Date up to the completion of the Quantum Loan Capitalisation shall be settled by the general working capital of the Group and the cash inflow from its operating activities during the year ending 30 June 2025.

On 14 June 2024 (after trading hours of the Stock Exchange), the Company and Quantum entered into the Quantum Loan Capitalisation Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Quantum has conditionally agreed to subscribe for, 150,000,000 Quantum Shares at HK\$0.1 per Ordinary Share, the same of which shall be satisfied by offsetting the full amount of the Quantum Debt. Upon completion of Quantum Loan Capitalisation, the Quantum Debt shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Quantum Debt.

Set out below is a summary of the principal terms of the Quantum Loan Capitalisation Agreement:

*Date*

14 June 2024 (after trading hours of the Stock Exchange)

*Parties*

The Company (as the issuer) and Quantum (as the subscriber)

*Subject matter*

Subject to the fulfilment of the conditions precedent as mentioned below, the Company will allot and issue 150,000,000 Quantum Shares at HK\$0.1 per Ordinary Share to Quantum with an aggregated amount of HK\$15,000,000. The amount shall be satisfied in full by setting off against the obligation of the Company to repay the Quantum Debt. The outstanding interest accrued from the Quantum Debt under the Quantum Loan Capitalisation Agreement shall be paid on such date and by such means to be agreed by the Company and Quantum.

As advised by the Directors, the Company is planning to settle the outstanding interests of approximately HK\$461,644 accrued up to the Latest Practicable Date and the interests to be accrued from the Latest Practicable Date up to the completion of the Quantum Loan Capitalisation during the year ending 30 June 2025.

*Conditions Precedent*

The completion of the Quantum Loan Capitalisation Agreement is conditional upon:

- i. the Company having completed the Capital Reorganisation, including but not limited to, Capital Reduction and Share Sub-division;

- ii. the approval of the Independent Shareholders by way of a special resolution of the Company approving that the Existing Memorandum and Articles of Association be amended to, among others, (i) incorporate the relevant terms of the CPSs; and (ii) reflect the Capital Reorganisation; and that such amendments to the Existing Memorandum and Articles of Association have become legally effective;
- iii. the compliance of all requirements imposed by the Stock Exchange and/or the SFC in relation to the Quantum Loan Capitalisation Agreement, the IAM Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Connected Specific Mandate) and the allotment and issue of the Quantum Shares, IAM Shares and IAM CPSs whether under the GEM Listing Rules, the Takeovers Code or otherwise;
- iv. approval by the Stock Exchange of the listing of, and permission to deal in, the Quantum Shares in relation to the Quantum Loan Capitalisation Agreement;
- v. all necessary corporate approvals and consents and third party consents, including the approval of the governmental authorities of the Cayman Islands to the issue of the Quantum Shares (if necessary) for the transactions contemplated under the Quantum Loan Capitalisation Agreement being obtained;
- 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 Quantum Loan Capitalisation Agreement;
- vii. the approval of Quantum Loan Capitalisation Agreement, IAM Loan Capitalisation Agreement and the transactions contemplated thereunder and the Connected Specific Mandate by more than 50% of the Independent Shareholders at the EGM by way of poll; and
- viii. the Executive having granted to IAM the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver having been satisfied, and the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders at the EGM by way of poll.

None of the conditions precedent above can be waived by the parties. For condition precedent (i), the Capital Reorganisation must be approved by the Shareholders at the EGM and all necessary orders and approvals from the Cayman Court and the Registrar of the Companies of the Cayman Islands must be obtained. For details, please refer to the section headed "Conditions of the Capital Reorganisation". As at the Latest Practicable Date, each of the Company and Quantum is not aware of any material approval and consent requirement in respect of condition precedent (v). As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

If the conditions precedent of the Quantum Loan Capitalisation Agreement have not been satisfied on or before 31 December 2024 (or such later date as may be agreed by the Company and Quantum in writing), the Quantum Loan Capitalisation Agreement shall be terminated and the rights and obligations of the parties to the Quantum Loan Capitalisation Agreement shall cease.

### *Completion*

Completion of the Quantum Loan Capitalisation Agreement shall take place within seven Business Days following the satisfaction of the conditions precedent of the Quantum Loan Capitalisation Agreement (which shall be no later than 10 January 2025 or such later date as may be agreed by the Company and Quantum in writing) at the principal place of business of the Company, or other such place as may be agreed between the parties in Hong Kong.

The Quantum Loan Capitalisation Agreement is inter-conditional with the IAM Loan Capitalisation Agreement.

### *Quantum Shares*

Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the completion of the Quantum Loan Capitalisation Agreement, 150,000,000 Quantum Shares represent (i) approximately 81.7% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 23.7% of the number of issued Shares as enlarged by the Connected Shares.

## **LOAN CAPITALISATION INVOLVING ISSUE OF CONVERTIBLE PREFERENCE SHARES UNDER SPECIFIC MANDATE**

### **Creative Big Loan Capitalisation Agreement**

Creative Big is the bondholder of the unlisted convertible bonds with a principal amount of HK\$50,000,000 at a coupon of 7% per annum issued by the Company on 30 August 2021. The original bondholder, Expert Global Enterprises Limited, which is a wholly-owned subsidiary of Kingkey Financial International (Holdings) Limited (Stock Code: 1468), transferred the said convertible bonds to Creative Big on 5 December 2022. Creative Big has not exercised any of the conversion right and the convertible bonds held by Creative Big have matured on 20 February 2023. As at the maturity date of the convertible bonds, the Company was indebted to Creative Big an aggregate amount of HK\$51,750,000, comprising of the outstanding principal of HK\$50,000,000 and the outstanding interests of HK\$1,750,000. Subsequently, the Company and Creative Big agreed that the interests in respect of all outstanding principal under the said convertible bonds shall be remained at the rate of 7.0% per annum on a simple interest and daily basis, thus, the outstanding interests for the period from 21 February 2023 to 31 December 2023 was HK\$3,010,959. As a result, the total amount of Creative Big Debt was HK\$54,760,959. The interests for the period from 1 January 2024 up to the date of the completion of the Creative Big Loan Capitalisation shall be settled in cash by the Company's internal resources within 12 months from the date of the completion of the Creative Big Loan Capitalisation or any other date

to be agreed by both parties in writing. The accrued interests for the period from 1 January 2024 up to the Latest Practicable Date was approximately HK\$1,908,219, which is expected to be settled by the general working capital of the Group and the cash inflow from the operating activities.

Save for the unlisted convertible bonds held by Creative Big, Creative Big has no other interest in the Company and is not a shareholder of the Company.

On 14 June 2024 (after trading hours of the Stock Exchange), the Company and Creative Big entered into the Creative Big Loan Capitalisation Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Creative Big has conditionally agreed to subscribe for 547,609,590 Creative Big CPSs at HK\$0.1 per CPS, the same of which shall be satisfied by offsetting the full amount the Creative Big Debt. Upon completion of the Creative Big Loan Capitalisation, the Creative Big Debt (including the accrued interests of the convertible bonds held by Creative Big up to 31 December 2023) shall be deemed to have been fully repaid and the Company shall be released from its obligations under the Creative Big Debt.

Set out below is a summary of the principal terms of the Creative Big Loan Capitalisation Agreement:

***Date***

14 June 2024 (after trading hours of the Stock Exchange)

***Parties***

The Company (as the issuer) and Creative Big (as the subscriber)

***Subject matter***

Subject to the fulfilment of the conditions precedent as mentioned below, the Company will allot and issue 547,609,590 Creative Big CPSs at HK\$0.1 per CPS, to Creative Big with an aggregated amount of HK\$54,760,959. The aggregated amount shall be satisfied in full by setting off against the obligation of the Company to repay the Creative Big Debt. The interests for the period from 1 January 2024 up to the date of the completion of the Creative Big Loan Capitalisation shall be settled in cash by the Company's internal resources within 12 months from the date of the completion of the Creative Big Loan Capitalisation or any other date to be agreed by both parties in writing.

***Conditions Precedent***

The completion of the Creative Big Loan Capitalisation Agreement is conditional upon:

- i. the Company having completed the Capital Reorganisation, including but not limited to, Capital Reduction and Share Sub-division;

- ii. the approval of the Independent Shareholders by way of a special resolution of the Company approving that the Existing Memorandum and Articles of Association be amended to, among others, (i) incorporate the relevant terms of the CPSs; and (ii) reflect the Capital Reorganisation; and that such amendments to the Existing Memorandum and Articles of Association have become legally effective;
- iii. the compliance of all requirements imposed by the Stock Exchange and/or the SFC in relation to the Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the allotment and issue of the Creative Big CPSs, whether under the GEM Listing Rules or otherwise;
- iv. approval by the Stock Exchange of the listing of, and permission to deal in, the Ordinary Shares to be allotted and issued upon conversion of the Creative Big CPSs in relation to the Creative Big Loan Capitalisation Agreement;
- v. all necessary corporate approvals and consents and third party consents, including the approval of the governmental authorities of the Cayman Islands to the issue of the Creative Big CPSs (if necessary) for the transactions contemplated under the Creative Big Loan Capitalisation Agreement being obtained;
- 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 Creative Big Loan Capitalisation Agreement;
- vii. the approval of Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder and the Specific Mandate by more than 50% of the Shareholders at the EGM by way of poll; and
- viii. the occurrence of the completion of Creative Big Loan Capitalisation Agreement shall not trigger any mandatory general offer obligation under Rule 26.1 of the Takeovers Code upon Creative Big and the party(ies) acting in concert.

None of the conditions precedent above can be waived by the parties. For condition precedent (i), the Capital Reorganisation must be approved by the Shareholders at the EGM and all necessary orders and approvals from the Cayman Court and the Registrar of the Companies of the Cayman Islands must be obtained. For details, please refer to the section headed "Conditions of the Capital Reorganisation". As at the Latest Practicable Date, each of the Company and Creative Big is not aware of any material approval and consent requirement in respect of condition precedent (v). As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

If the conditions precedent of the Creative Big Loan Capitalisation Agreement have not been satisfied on or before 31 December 2024 (or such later date as may be agreed by the Company and Creative Big in writing), the Creative Big Loan Capitalisation Agreement shall be terminated and the rights and obligations of the parties to the Creative Big Loan Capitalisation Agreement shall cease.

***Completion***

Completion of the Creative Big Loan Capitalisation Agreement shall take place within 7 Business Days following the satisfaction of the conditions precedent of the Creative Big Loan Capitalisation Agreement (which shall be no later than 10 January 2025 or such later date as may be agreed by the Company and Creative Big in writing) at the principal place of business of the Company, or other such place as may be agreed between the parties in Hong Kong.

The Creative Big Loan Capitalisation Agreement is not inter-conditional with the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement. Nevertheless, all three agreements are expected to be completed simultaneously.

***Creative Big CPSs***

Pursuant to the term of the Creative Big CPSs, a maximum number of 547,609,590 Ordinary Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Creative Big CPSs. Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the completion of the Creative Big Loan Capitalisation, the Ordinary Shares to be issued upon full conversion of the Creative Big CPSs represent (i) approximately 298.1% of the number of issued Shares as at the Latest Practicable Date; and (ii) approximately 86.4% of the number of issued Shares as enlarged by the Connected Shares.

**PRINCIPAL TERMS OF CPSs**

The principal terms of the CPSs are summarised as below.

**Issuer**

The Company

**Par value**

HK\$0.0125 each

**Maturity Date**

CPSs are perpetual and have no maturity date

**Interest rate**

Nil

**Subscription price**

HK\$0.1 per CPS (which is not subject to any adjustment)

**Conversion rights**

The CPS shall be convertible at the option of the holder(s) during the Conversion Period without the payment of any additional consideration therefor, into such number of fully-paid Ordinary Shares as determined in accordance with the ratio of 1:1.

If and whenever the Ordinary Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or sub-division shall be effected on the CPSs, in which case the conversion ratio shall remain as one CPS for one Ordinary Share (as consolidated or sub-divided, as the case may be).

For the avoidance of doubt, no conversion right could be exercised upon the expiry of the Conversion Period and the CPSs will retain all other rights in the terms of the CPSs (apart from the conversion right) as set out in the Articles of Association.

Any preferred distribution that has been accrued but remain unpaid as at the date of service of a Conversion Notice shall remain payable to the Converting Shareholder.

**Restriction on conversion**

Conversion of the CPSs to Ordinary Shares shall be subject to (i) the condition that any CPSs holders and/or the parties acting in concert with any of them and/or their respective associates being interested in such issued share capital of the Company will not trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code upon exercise of the conversion rights of the CPSs, except that the relevant whitewash waiver for making such mandatory general offer has been granted by the Executive pursuant to the Takeovers Code; (ii) the compliance of all requirements imposed by the Stock Exchange and/or the SFC in relation to the allotment and issue of any new Ordinary Shares due to conversion, whether under the GEM Listing Rules, the Takeovers Code or otherwise; (iii) the approval by the Stock Exchange of the listing of, and permission to deal in, the new Ordinary Shares arising from conversion; and (iv) the condition that the conversion of the CPSs to Ordinary Shares shall not reduce the public float of the Shares to less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares in breach of the Public Float Requirement.

**Preferred distribution**

During the first five years from the Date of Issue, each holder of issued CPS has the right to receive a preferred distribution at the fixed rate of 5.0% per annum on the aggregate issue price of the CPSs paid by the initial subscriber for its initial subscription,



payable annually in arrears on each anniversary of the Date of Issue until the 5th anniversary of the Date of Issue (each, an “**Annual Payment Date**”), subject to the sole discretion of the Company to defer any such payment for a maximum period of 10 years from the date when such payment falls due by giving written notice to the holders of CPSs prior to the relevant Annual Payment Date. Each of such preferred distribution is cumulative. The holders of CPSs do not have any right to receive any preferred distribution after the 5th anniversary of the Date of Issue, except for any unpaid distribution accrued during the first five anniversary years.

If the Board elects to defer a preferred distribution, the Company shall not (i) pay any dividends, distributions or make any other payment on any Ordinary Shares or (ii) redeem, cancel, repurchase or acquire for any consideration any other Ordinary Shares, unless at the same time it pays to the holders of the CPSs any deferred or declared but unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments on such Ordinary Shares are made.

#### **Dividends**

Other than the preferred distribution as mentioned above, the holders of CPSs have no right to receive any dividend or distribution prior to its conversion into Ordinary Shares.

#### **Voting rights**

The CPSs shall not confer on the holders thereof the right to vote at a general meeting of holders of Ordinary Shares.

Holders of the CPSs are entitled to vote at CPS Meetings subject to the terms of the Articles of Association and the laws of the Cayman Islands.

#### **Return of Capital**

Upon the occurrence of a Relevant Event, the assets of the Company available for distribution among the Shareholders shall, subject to the applicable laws, be applied in the following priority:

- (a) firstly, to the holders of CPSs, *pari passu* as between themselves, an amount equal to the aggregate nominal amount paid up or credited as paid up on all issued and outstanding CPSs (so long as the Company has not redeemed such CPSs, or such CPSs remain non-converted), on a basis pro-rata to the aggregate of the nominal amounts of the CPSs held by each of the holders of CPSs;
- (b) secondly, to the holders of the Ordinary Shares, *pari passu* as between themselves, an amount equal to the aggregate nominal amount paid up or credited as paid up on all issued and outstanding Ordinary Shares, on a basis pro-rata to the aggregate of the nominal amounts of the Ordinary Shares held by each of the holders of the Ordinary Shares; and

- (c) the remaining balance of such assets shall belong to and be distributed on a *pari passu* basis among the holders of any class of shares of the Company including the CPSs, other than any other shares not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amounts of shares in the Company held by them respectively.

### **Redemption**

The Company may, at any time at its sole discretion, by written notice of not less than 10 days to the holders of CPSs whose CPSs are to be redeemed and subject to compliance with the articles of association of the Company and the Companies Act, request to redeem part or all of the CPSs at a price equivalent to the subscription price of such CPSs, so long as such CPSs have not been previously converted, redeemed or cancelled. The holders of CPSs do not have any right to request or demand the Company to redeem any CPSs.

### **Transferability**

Each CPS may be transferred by the holder thereof after the respective dates of issue of the CPSs which are to be transferred without restriction, provided that the holder thereof shall give prior notice to the Company and (if applicable) the Stock Exchange where the transferee is a connected person of the Company (as defined in the GEM Listing Rules). The Company shall facilitate any such assignment or transfer of the CPSs, including making any necessary applications to the Stock Exchange or any other regulatory authority for the said approval (if required) at the cost of such holder of the CPSs.

The transfer of any CPS to a connected person of the Company (as defined in the GEM Listing Rules) should comply with all relevant requirements under the GEM Listing Rules.

### **Listing**

No listing will be sought for CPSs on the Stock Exchange or any other stock exchange.

However, an application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Ordinary Shares to be issued upon full conversion of the CPSs on the Stock Exchange.

### **ANALYSIS OF SUBSCRIPTION PRICE**

The subscription price of each of the Connected Shares, the IAM CPSs and the Creative Big CPSs is HK\$0.1, which represent:

- (i) a discount of approximately 5.7% to the closing price of HK\$0.106 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 18.7% to the closing price of HK\$0.123 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 18.7% to the average closing price of approximately HK\$0.123 per Ordinary Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 13.0% to the average closing price of approximately HK\$0.115 per Ordinary Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.1% represented by the theoretical diluted price of HK\$0.102 per Ordinary Share to the benchmarked price of HK\$0.123 per Ordinary Share;
- (vi) a premium of approximately HK\$1.04 over the audited consolidated net liabilities attributable to Shareholders of approximately HK\$0.94 per Ordinary Share as at 30 June 2023 (based on audited deficit attributable to owners of the Company of approximately HK\$172,733,000 as at 30 June 2023 and 183,693,055 Shares in issue as at the Latest Practicable Date); and
- (vii) a premium of approximately HK\$1.06 over the unaudited consolidated net liabilities attributable to Shareholders of approximately HK\$0.96 per Ordinary Share as at 31 December 2023 (based on unaudited deficit attributable to owners of the Company of approximately HK\$176,324,000 as at 31 December 2023 and 183,693,055 Shares in issue as at the Latest Practicable Date).

The Connected Shares, the IAM CPSs and the Creative Big CPSs have an aggregate nominal value of approximately HK\$24,126,888 (after taking into account the effect of the Capital Reorganisation).

The subscription price of HK\$0.1 was determined after arm's length negotiation between the Company and each of IAM, Quantum and Creative Big with reference to various factors including (i) the prevailing market prices of the Shares; (ii) the recent trading volume of the Shares; and (iii) the financial position of the Group and the unaudited deficit attributable to owners of the Company as at 31 December 2023 of approximately HK\$176.3 million. The closing prices of the Shares ranged from HK\$0.090 to HK\$0.149 for the period from 1 December 2023 to the Last Trading Day (the "Review Period"), with an average closing price of HK\$0.122. Despite the fact that the subscription price of HK\$0.1 is lower than the average closing price of HK\$0.122, the Board (including the non-executive Director and all independent non-executive Directors whose views are set out in the letter from the LR Independent Board Committee and the letter from the Code Independent Board Committee of this circular) take into account that (i) the subscription price is within the range of the closing prices during the Review Period; (ii) the average daily trading volume is thin and represents not more than 0.1% of the Shares held by the public during the Review Period; (iii) there are 37 trading days with no trading volume out of 130 trading days during the Review Period; and (iv) the Group's debt level will be substantially reduced and the deficit position will be improved by approximately HK\$193.0 million upon completion of the Loan Capitalisation, therefore the subscription price of HK\$0.1 is considered fair and reasonable.

As the subscription amount payable by (i) IAM of approximately HK\$123,254,146 under the IAM Loan Capitalisation Agreement shall be satisfied by capitalising the IAM Debt; (ii) Quantum of approximately HK\$15,000,000 under the Quantum Loan Capitalisation Agreement shall be satisfied by capitalising the Quantum Debt; and (iii) Creative Big of approximately HK\$54,760,959 under the Creative Big Loan Capitalisation Agreement shall be satisfied by capitalising the Creative Big Debt, the Group will use its general working capital to settle the professional fees and all related expenses of approximately HK\$1.8 million in connection with the Loan Capitalisation. Indebtedness in the aggregate amount of HK\$193,015,105 will be settled and there will be no actual proceeds to be received by the Company from the Loan Capitalisation. The net issue price per IAM Share and Quantum Share will be approximately HK\$0.1.

The Connected Shares shall rank, upon issue, *pari passu* in all respects among themselves with the Ordinary Shares in issue as at the date of allotment and issue of the Connected Shares.

The IAM CPSs and the Creative Big CPSs shall rank, upon issue, *pari passu* in all respects among themselves with the CPS in issue as at the date of allotment and issue of the IAM CPSs and the Creative Big CPSs.

As at the Latest Practicable Date, the Company does not intend to declare, pay and/or make any dividend or other distribution between the date of the Announcement up to the date of the completion of the Loan Capitalisation. As at the Latest Practicable Date, the Company does not have any declared but unpaid dividend or other distribution.

#### **APPLICATION FOR LISTING**

An application will be made by the Company to the GEM Listing Committee for the grant of the listing of, and permission to deal in, the Connected Shares and the Ordinary Share to be allotted and issued upon conversion of the IAM CPSs and the Creative Big CPSs.

#### **CONNECTED SPECIFIC MANDATE AND SPECIFIC MANDATE**

The Connected Shares and the IAM CPSs will be allotted and issued under the Connected Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

The Creative Big CPSs will be allotted and issued under the Specific Mandate proposed to be sought from the Shareholders at the EGM.

#### **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not carried out any equity fund raising activity in the 12-month period immediately preceding the Latest Practicable Date.

## REASON FOR THE LOAN CAPITALISATION

As disclosed in the annual report of the Company for the year ended 30 June 2023, the Company recorded capital deficiency attributable to the equity holders of the Company of approximately HK\$172.7 million, mainly including (i) an amount due to IAM of approximately HK\$105.7 million; and (ii) an amount due to Creative Big of approximately HK\$53.0 million. The amount due to IAM was related to the outstanding principal and interests of convertible bonds held by IAM which have matured on 17 January 2022. The amount due to Creative Big was related to the outstanding principal and interests of convertible bonds matured on 20 February 2023. During the year ended 30 June 2023, the Group only generated net cash inflow of approximately HK\$4.7 million from its operating activities and the Group had bank balances and cash of approximately HK\$1.8 million as at 30 June 2023, which was insufficient to repay the outstanding principal amounts due to IAM and Creative Big.

On 8 November 2023, the Company and Quantum entered into the Quantum Loan Agreement for the purpose of financing the general working capital of the Group. The Quantum Debt was originally scheduled for repayment of (i) HK\$10 million and the accrued interest on 7 May 2024; and (ii) HK\$5 million and the accrued interests on 31 July 2024. Having further considered the net liabilities position of the Group of approximately HK\$182.5 million as at 31 December 2023 and the net cash outflow from the operating activities of the Group of approximately HK\$1.3 million for the six months ended 31 December 2023, the Group is unlikely to have adequate resources to repay the Quantum Debt on its due date. As such, the Company further negotiated with Quantum and IAM for the Quantum Loan Capitalisation and the IAM Loan Capitalisation with a view to alleviate the cashflow pressure of the Group. Based on the Group's unaudited management account for the eleven months ended 30 May 2024, the Group's bank balance and cash was approximately HK\$7.1 million.

Due to the increasing interest rates in the debt financing market and the net liabilities of the Group, the Directors are of the view that the Group may not be able to obtain new banking facilities on terms that are favourable or cost effective and would place additional financial burden on the Group. The management of the Company attempted to enquire the requirements of loan facilities from banks during the first half of 2023. However, the banks usually request valuable assets as security and conduct in-depth due diligence on the Group's financial position. Since the Group is unable to provide valuable assets as security and the net liability position of the Group is unlikely to be resolved shortly, the Directors find it difficult to obtain new bank loan facilities.

The Company and the Directors are of the view that (i) the issuance of new convertible bonds is unable to reduce the Company's high indebtedness level and improve the net liability position; and (ii) the high debt level would hinder the Group's operation and future business growth. Thus, issuance of new convertible bonds is not feasible to the Company. The Company and the Directors have also considered the feasibility of conducting pre-emptive equity financing, for example, rights issue or open offer to existing Shareholders or placing new Shares under specific mandate, and were of the view that they are less feasible than the issuance of the CPSs, because (a) the Group recorded net

liabilities and has been loss-making for the past two years. Under such financial performance, the independent investors or the existing Shareholders may not find it attractive to participate in the Company's equity financing exercise; (b) if the rights issue or open offer cannot be fully underwritten, there is relatively higher uncertainty in the amount of fund which could be raised by the Company; and (c) the Company tried to approach placing agents for soliciting placees, who were interested to subscribe for new Shares during the fourth quarter of 2023, but no placing agent showed interests to participate in the Company's proposed share placing exercise.

Upon completion of Loan Capitalisation and the issuance of Connected Shares, the aggregate shareholding interest of the existing public Shareholders will be diluted from approximately 73.4% to approximately 21.3%, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the completion of Loan Capitalisation. Notwithstanding the potential dilution effect which will arise from the Loan Capitalisation, having considered other benefits of the Loan Capitalisation, the Directors decided to proceed with the Loan Capitalisation (including the issuance of Ordinary Shares and CPSs) where the Loan Capitalisation (i) will reduce the Group's debt level and improve its deficit position by approximately HK\$193.0 million upon completion of the Loan Capitalisation; (ii) will improve the Group's gearing ratio due to the reduction of debt level by approximately HK\$193.0 million; and (iii) will eliminate the interest burden of the Company from the relevant debts. Moreover, the Company will be in a better position to focus on its business operation and capture future fund raising opportunities.

During the year ended 30 June 2023, the Group's "Internet Plus" business generated revenue of HK\$37.1 million, representing approximately 86.5% of total revenue and an increment of approximately 25.0% as compared to the revenue for the year ended 30 June 2022. The improvement in revenue was attributable to the positive effect brought by the Company's co-operation with the big health products supplier for rendering the supply chain services through platform operators in the PRC. Leveraging on the Group's years of experience and know-how in "Internet Plus" supply chain services as well as its co-operative relationships with various platform operators, the Group will expand its scope of "Internet Plus" services, including strengthening the depth of co-operation with various platform operators. The Board (other than the non-executive Director and all of the independent non-executive Directors whose views will be given after taking into account the advice from Gram Capital) considers that the subscription of the IAM Shares by IAM, being a substantial shareholder of the Company, reflects its confidence towards the Group's future business performance and the long-term growth of the Group.

The Group continued to accelerate its deployment in the healthcare industry through the PRC Subsidiary in Jiangxi Province. The PRC Subsidiary is principally engaged in sourcing and sales of Chinese patent medicines to hospitals through distributors. The PRC Subsidiary has a team of personnel stationed in Jiangxi Province and they are responsible for managing the sales transactions with customers and conducted frequent visits to understand the latest demand of Chinese patent medicines. As the healthcare industry is the Group's key focus area of development, the Group intends to cooperate with various

categories of customers and pharmaceutical manufacturers and expand the existing product lines of medicines in order to effectively accelerate the business development of the PRC Subsidiary.

The Board (including the non-executive Director and all independent non-executive Directors whose views are set out in the letter from the LR Independent Board Committee and the letter from the Code Independent Board Committee of this circular) considers that the subscription of the IAM Shares by IAM, being a substantial shareholder of the Company, reflects its confidence towards the Group's future business performance and the long-term growth of the Group.

The Board (including the non-executive Director and all independent non-executive Directors whose views are set out in the letter from the LR Independent Board Committee and the letter from the Code Independent Board Committee of this circular) is of the view that the Loan Capitalisation is in the interest of the Group and the Shareholders as a whole, which allows the Group to (i) improve its liquidity and strengthen its capital position; and (ii) reduce the Group's gearing ratio so as to enhance the Group's debt financing capacities in the future.

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Connected Shares; and (iii) immediately after (a) the issue of the Connected Shares and (b) the full conversion of IAM CPSs and Creative Big CPSs:

	As at the Latest Practicable Date		Immediately after the issue of the Connected Shares		Immediately after (a) the issue of the Connected Shares and (b) full conversion of IAM CPSs and Creative Big CPSs (Note 2)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
IAM	21,694,520	11.8	321,694,520	50.7	1,254,235,980	59.3
Quantum	—	—	150,000,000	23.7	150,000,000	7.1
<b>Sub-total of IAM, Quantum and the parties acting in concert with them</b>	<b>21,694,520</b>	<b>11.8</b>	<b>471,694,520</b>	<b>74.4</b>	<b>1,404,235,980</b>	<b>66.4</b>
Creative Big	—	—	—	—	547,609,590	25.9
Best Frontier Investments Limited ("Best Frontier") (Note 1)	27,097,574	14.8	27,097,574	4.3	27,097,574	1.3
Other public Shareholders	134,900,961	73.4	134,900,961	21.3	134,900,961	6.4
<b>Public Float</b>	<b>134,900,961</b>	<b>73.4</b>	<b>161,998,535</b>	<b>25.6</b>	<b>161,998,535</b>	<b>7.7</b>
		(Note 3)				(Note 4)
<b>Total</b>	<b>183,693,055</b>	<b>100.0</b>	<b>633,693,055</b>	<b>100.0</b>	<b>2,113,844,105</b>	<b>100.0</b>



*Note:*

- (1) Best Frontier is wholly and beneficially owned by Mr. CHAN Kin Ho Philip. Save for the shareholding interest in the Company, Best Frontier and Mr. CHAN Kin Ho Philip have no other relationship with the Group. Best Frontier and Mr. CHAN Kin Ho Philip are not parties acting in concert with IAM, Quantum, Mr. YAM Tak Cheung, Creative Big and Mr. CHIU Sin Nang Kenny. Best Frontier and Mr. CHAN Kin Ho Philip do not have any nominees on the Board.
- (2) Upon exercise in full of the conversion rights attaching to the IAM CPSs and Creative Big CPSs, a maximum number of 1,480,151,050 Ordinary Shares will be allotted and issued. Pursuant to the terms of the CPS, the conversion rights of CPSs must not be exercised to such an extent that the public float of the Ordinary Shares shall become less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares at the relevant time in breach of the Public Float Requirement. Thus, this scenario is for illustrative purpose only.
- (3) The calculation of public float has not included the shareholding of Best Frontier.
- (4) The calculation of public float has not included the shareholding of Creative Big.

## INFORMATION OF THE GROUP

The principal activities of the Group are the provision of Internet Plus services (supply chain).

## INFORMATION OF IAM

IAM is a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. YAM Tak Cheung who is also the sole director of IAM. IAM is a Hong Kong-based investment company primarily engaged in public and private equity investments, with expertise in telecommunications, finance and technology.

Mr. YAM Tak Cheung is a professional investor who has extensive experience in investment in securities. He obtained his bachelor's degree of Science from the University of Toronto majoring in Computer Science and Actuarial Science in June 1983. He was a co-founder and formerly served as an executive director and the chairman of the board of Momentum Financial Holdings Limited (formerly known as Infinity Financial Group (Holdings) Limited and Fornton Group Limited) ("**Momentum FHL**"), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1152). During his tenure at Momentum FHL from October 2011 to June 2014, Momentum FHL was principally engaged in the manufacturing and sale of knitwear and finance leasing. Mr. YAM Tak Cheung was appointed as the chairman of Yan Oi Tong in 2007 and advocated the establishment of YOT Chong Sok Un Medical Fund (Cancer Aid). In 2008, he was awarded a Medal of Honor from the Government of Hong Kong. He also has over 10 years of experience in money lending business and is a controlling shareholder and director of Integrated Capital (Asia) Limited, a licensed money lender in Hong Kong.

As at the Latest Practicable Date, IAM is interested in 21,694,520 Shares, representing approximately 11.8% of the total issued share capital of the Company and is therefore a substantial Shareholder.

## INFORMATION OF QUANTUM

Quantum is a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. YAM Tak Cheung who is the sole director of Quantum. Quantum is therefore an associate of Mr. YAM Tak Cheung. Quantum is principally engaged in investment holding.

Accordingly, IAM and Quantum are connected persons of the Company under Chapter 20 of the GEM Listing Rules.

## INFORMATION OF CREATIVE BIG

Creative Big is a BVI business company incorporated with limited liability and is wholly and beneficially owned by Mr. CHIU Sin Nang Kenny ("**Mr. Chiu**") who is also the sole director of Creative Big. Creative Big is principally engaged in investment holding.

Mr. Chiu has over 30 years of experience in accounting and finance. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Mr. Chiu received a Master of Accountancy Degree from The Chinese University of Hong Kong in December 2006, a Bachelor of Laws Degree from the Peking University, the People's Republic of China in July 1998, a Degree of Master of Commerce in Accounting from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies Degree and a Bachelor of Arts (Economics) Degree from the York University, Canada in June 1986 and June 1985, respectively. Mr. Chiu was executive director and independent non-executive director of the following companies which are listed on the Main Board of the Stock Exchange.

<b>Company</b>	<b>Position</b>	<b>Period of Service</b>
Keyne Limited (Stock code: 0009)	Independent non-executive director	June 2015 to July 2022
Sincere Watch (Hong Kong) Limited (Stock code: 444)	Independent non-executive director	December 2016 to May 2023
Kingston Financial Group Limited (Stock code: 1031)	Independent non-executive director	August 2019 to February 2023
Kin Shing Holdings Limited (Stock code: 1630)	Executive Director	May 2020 to May 2023
Affluent Partners Holdings Limited (Stock code: 1466)	Independent non-executive director	September 2020 to May 2023
Coolpad Group Limited (Stock code: 2369)	Independent non-executive director	December 2021 to January 2024

Save of the unlisted convertible bonds held by Creative Big, Creative Big has no other interest in the Company and is not a shareholder of the Company. Creative Big confirmed that Creative Big, Mr. Chiu or parties acting in concert with any of them has not dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months immediately prior to and including the Latest Practicable Date.

As at the Latest Practicable Date, Creative Big and its ultimate beneficial owner are Independent Third Parties, and are not parties acting in concert with IAM, Quantum and Mr. YAM Tak Cheung.

## **INTENTIONS OF IAM IN RELATION TO THE GROUP**

IAM intends to continue the principal business of the Group and has no intention to dispose of the Group's businesses immediately after completion of the IAM Loan Capitalisation. Following the completion of the IAM Loan Capitalisation, IAM will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, IAM may consider diversifying the business of the Group with an objective to broaden its income source. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had IAM entered into any agreements, arrangements, understandings, intention or negotiation in relation to injecting any assets or business into the Group. As at the Latest Practicable Date, IAM had not entered into any agreement, arrangements, understandings, intention or negotiations in relation to redeployment of the employees, disposal and/or redeployment of the assets of the Group, or termination or scaling-down of any of the Group's business.

Save for the intentions of IAM regarding the Group as set out above, IAM has no intention to make material changes to the business of the Group and management structure of the Group including the continued employment of the employees of the Group and the redeployment of the fixed assets of the Group.

## **PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION**

The Company intends to restructure its authorised share capital so that its authorised share capital of HK\$200,000,000 will be divided into 12,800,000,000 Ordinary Shares of par value of HK\$0.0125 each and 3,200,000,000 CPSs of par value of HK\$0.0125 each.

The Board proposes that the Existing Memorandum and Articles of Association be amended to, among others, (i) incorporate the relevant terms of the CPSs; (ii) reflect the Capital Reorganisation; and (iii) reflect the change in authorised share capital of the Company in that the authorised share capital of HK\$200,000,000 will be divided into 12,800,000,000 Ordinary Shares of par value of HK\$0.0125 each and 3,200,000,000 CPSs of par value of HK\$0.0125 each. The Proposed Amendments and the adoption of the New Memorandum and Articles of Association are subject to the approval of the Independent Shareholders by way of a special resolution at the EGM. IAM, Quantum, Mr. YAM Tak Cheung and any parties acting in concert with any of them will abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Proposed Amendments and the adoption of the New Memorandum and Articles of Association.

## TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, IAM is interested in 21,694,520 Shares, representing approximately 11.8% of the issued share capital of the Company. As illustrated in the table under the section headed “Effect on shareholding structure of the Company” above, immediately after completion of the Capital Reorganisation and the completion of the issue of Connected Shares, the aggregate shareholding of IAM and parties acting in concert with it (including Mr. YAM Tak Cheung and Quantum) in the Company will be increased from 11.8% to approximately 74.4%.

Under Rule 26.1 of the Takeovers Code, the allotment and issuance of Connected Shares to IAM and Quantum will give rise to an obligation on IAM to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by IAM and its concert parties), unless the Whitewash Waiver is granted by the Executive.

If the Whitewash Waiver is granted by the Executive and is approved by the Independent Shareholders and completion of IAM Loan Capitalisation and Quantum Loan Capitalisation having taken place, the aggregate shareholding of IAM and parties acting in concert with it in the Company will exceed 50% of the issued share capital of the Company as enlarged by the Connected Shares. IAM may further increase its shareholding in the Company without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (a) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Whitewash Waiver; and (b) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Capital Reorganisation, the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement, in which IAM, Quantum, Mr. YAM Tak Cheung and any parties acting in concert with any of them will abstain from voting on the relevant resolution(s).

As at the Latest Practicable Date, the Company does not believe that the Capital Reorganisation, the IAM Loan Capitalisation and the Quantum Loan Capitalisation give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Capital Reorganisation, the IAM Loan Capitalisation and the Quantum Loan Capitalisation do not comply with other applicable rules and regulations.

## IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, IAM is interested in 21,694,520 Ordinary Shares, representing approximately 11.8% of the total issued share capital of the Company, and is a substantial shareholder of the Company. Both IAM and Quantum are wholly and beneficially owned by Mr. YAM Tak Cheung. Save for the above, Mr. YAM Tak Cheung does not have any other shareholding interest in the Company. Pursuant to Chapter 20 of the GEM Listing Rules, IAM and Quantum are connected persons of the Company. Accordingly, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

As the Connected Shares and IAM CPSs will be allotted and issued under the Connected Specific Mandate, the grant of the Connected Specific Mandate for the allotment and issue of the Connected Shares and IAM CPSs are subject to the Independent Shareholders' approval at the EGM.

The settlement arrangement of the respective interests accrued or to be accrued under the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement represent financial assistance received by the Group, which were on normal commercial terms or better and were not secured by the assets of the Group. Such financial assistance are fully exempt from Independent Shareholders' approval, annual review and all disclosure requirements for connected transactions under Rule 20.88 of the GEM Listing Rules.

Pursuant to Rule 20.03 of the GEM Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution(s) at the EGM. Given that IAM has a material interest in the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement, IAM (which is interested in 21,694,520 Ordinary Shares) and its associates are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement, the transactions contemplated thereunder and the grant of the Connected Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as IAM and its associates, no Shareholder is required to abstain from voting on the aforesaid resolutions to be proposed at the EGM.

As the Creative Big CPSs will be allotted and issued under the Specific Mandate, the grant of the Specific Mandate for the allotment and issue of the Creative Big CPSs are subject to the Shareholders' approval at the EGM.

No Director has a material interest in the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the Creative Big Loan Capitalisation Agreement and none of the Directors has abstained from voting on the relevant board resolution approving the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the Creative Big Loan Capitalisation Agreement.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The LR Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the Capital Reorganisation; (ii) the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement; and (iii) the grant of the Connected Specific Mandate, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and make recommendation as to voting.

The Code Independent Board Committee comprising the non-executive Director and all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the Capital Reorganisation; (ii) the IAM Loan Capitalisation Agreement and the Quantum Loan Capitalisation Agreement; (iii) the grant of the Connected Specific Mandate; and (iv) the Whitewash Waiver, are fair and reasonable to the Shareholders as a whole, and make recommendation as to voting.

Gram Capital has been appointed with the approval of the Code Independent Board Committee as the Independent Financial Adviser to advise the LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders in this regard.

The recommendation of the LR Independent Board Committee is set out on pages 44 to 45 of this circular and the letter from the Code Independent Board Committee is set out on pages 46 to 47 of this circular.

### **EGM**

Set out on pages 120 to 125 of this circular notice convening the EGM to be held at 11:00 a.m. on Thursday, 8 August 2024 at Units 1302-3, 13/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong for the purpose of considering and, if thought fit, approving the relevant special and ordinary resolution(s) in respect of the Capital Reorganisation, the Loan Capitalisation, the grant of Connected Specific Mandate and Specific Mandate; the Whitewash Waiver and the Proposed Amendments and the adoption of the New Memorandum and Articles of Association.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Such form of proxy is also 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)). Whether or not Shareholders are able to attend and vote at the EGM in person, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to 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. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 5 August 2024 to Thursday, 8 August 2024 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with 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 later than 4:30 p.m. on Friday, 2 August 2024.

## **RECOMMENDATION**

The Directors (including the non-executive Director and all independent non-executive Directors who have separately provided their views in the letter from the LR Independent Board Committee and the letter from the Code Independent Board Committee of this circular after considering the opinion of the Independent Financial Adviser) consider that the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Capital Reorganisation.

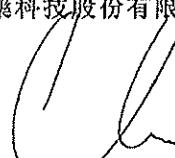
The Directors (including the non-executive Director and all independent non-executive Directors who have separately provided their views in the letter from the LR Independent Board Committee and the letter from the Code Independent Board Committee of this circular after considering the opinion of the Independent Financial Adviser) also consider that although the entering into of the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the Creative Big Loan Capitalisation Agreement are not in the ordinary and usual course of the business of the Company, the terms of the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder to be on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve (i) the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder; (ii) the grant of Connected Specific Mandate; (iii) the Whitewash Waiver; and (iv) the Proposed Amendments and the adoption of the New Memorandum and Articles of Association. The Directors also recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve (i) the Creative Big Loan Capitalisation Agreement and the transactions contemplated thereunder; and (ii) the grant of the related Specific Mandate.



## ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the LR Independent Board Committee set out on pages 44 to 45 of this circular which contains its views in relation to the Capital Reorganisation, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder and the grant of the Connected Specific Mandate; (ii) the letter from the Code Independent Board Committee set out on pages 46 to 47 of this circular which contains its views in relation to the Capital Reorganisation, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder, the grant of the Connected Specific Mandate and the Whitewash Wavier, (iii) the letter from Gram Capital set out on pages 48 to 82 of this circular which contains its advice to the LR Independent Board Committee, the Code Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the IAM Loan Capitalisation Agreement, the Quantum Loan Capitalisation Agreement and the transactions contemplated thereunder, the grant of the Connected Specific Mandate and the Whitewash Wavier; and (iv) the appendix to this circular.

Your faithfully,  
By order of the Board  
**Sinopharm Tech Holdings Limited**  
國藥科技股份有限公司



**Ho Kam Kim**  
*Executive Director*